

REVOLUTIONARY NATIONALISM  
AND  
THE RESTORATION OF CRIOLLO HEGEMONY:  
AID, DECAPITALIZATION AND ETHNICITY  
BOLIVIA (1952 - 1964)

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Para Isa y Claudio que me acompañaron  
en los vaivenes de este trabajo.

Habitually known as a mining country, Bolivia is neither Andean nor an indian one. It has eastern lowlands (Oriente) and is ruled by a 'criollo' class-caste of Hispanic origin. The national revolution of 1952 mirrors those nineteenth and twentieth century criollo attempts to restructure the hegemony of the dominant class-caste through new forms of production in other regions.

In the context of a waning Latin American populism, the MNR was caught up in internal contradictions and external constraints. Desperate for the economic and political survival of the revolution, the MNR compromised its policy ideals and sought assistance from the US. Compromise led to the creation of a political centre - an ideological corridor linking the left and the right. US policies, aid and state expenditure is related to the declining fortunes of the MNR. Attention is given to how Comibol, the state mining concern, was systematically decapitalized to finance bureaucratic clienteles and agriculture in the Oriente, while the underground miners are blamed for the crisis of the industry. They in turn saw the revolution and mining from an Andean moral economic point of view, based on reciprocity not exploitation and theft.

The changes in the agrarian structure implemented in the Oriente department of Santa Cruz followed guidelines set by the US Bohan plan, which became the economic programme of the MNR. It enabled the landowning cruceña oligarchy to emerge as an agroindustrial bourgeoisie jockeying for national hegemony with the re-emerging Andean private mining criollo-bourgeoisie. The rise of this cruceña class-caste is examined via the civic movement it led in the midst of ethnic and class contradictions within the local MNR party structure and central government. The cruceñidad moved from regional hegemony in the fifties to national domination in the seventies, although



its project was hampered by a crisis in its productive base, and popular pressure for a return to democratic rule. Faced with a loss of its political power and criollo ethno-cultural predominance, the cruceña fraction of the criollo class-caste resorted to drugs trafficking.

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In this dissertation, I will examine a number of problematics related to the political practice of revolutionary nationalism in Bolivia between 1952-64. The populist Movimiento Nacionalista Revolucionario (MNR) held power for 12 years in what is a geographically diverse and multi-ethnically conflictive country.

Among the aspects that must be included in this introduction is a brief detailing of how the MNR came to power, and what its ideological origin was. The thesis will concentrate on the consequences of the MNR-led 1952 popular revolution and its paradoxical turn-around following the entry of US aid.

The historical back-drop I will set up as events unfurl, offers an account of successive ethnic, regional and class antagonisms given Bolivia's fragmented social, economic and geographical reality. The problematic mounted before this back-drop, examines how - behind the scenes - a supposedly

populist and revolutionary movement ended up consolidating the return of a criollo hegemony.

In the tableau vivant of the Spanish conquest of the New World, criollo referred to all descendants of Spaniards born in America. At a later stage, this ethno-cultural referent bore connotations of inheritance and power; irrespective of the social position held by the Hispanics, their offspring became masters presiding over an indian population.

Within this back-drop and mise-en-scenes, the Andean countries remain - four centuries after the Spanish conquest - a region where criollos and mestizos (the so-called offspring of Spaniards/criollos and indians) warily coexist with the native population. Black slavery was a limited phenomenon in Alto Perú, Bolivia.

The end of wars of independence from Spain and the formation of the Republic of Bolivia in 1825, was not a criollo victory - although the criollos did rule the country - but relied on an indian-mestizo economic alliance that wanted to keep the flourishing internal market networks and artisanal manufacture inherited from the colonial system. The main source of state revenues mainly came from indian tax tributes than from the export of commodities. Overseas trade remained depressed until the 1860s when the first attempts were made to implement an agrarian reform, in order to concentrate land in the hands of the criollo elite at the expense of the ayllus (indian communities).

Capital accumulated in agriculture through the internal market circuit and the trend towards land concentration, was transferred as capital investment to the silver mining exploitation which boomed in the last two decades



of the nineteenth century (Mitre: 123). Silver export mining represented a change in the economic structure, with a movement away from dependence on the internal market. It was to set the basis for a break in the indian-mestizo alliance (together with the effects of the first agrarian reform), while a new alliance between the criollo-mestizo ethno-cultural estaments was sealed in the 1870s. This was precisely the moment Bolivia lost its coastline to Chile during the Pacific War. (Platt 1982: chapter III).

The rise of a mining-landowning-commercial oligarchy on the basis of this criollo-mestizo alliance found its political expression in the Pacto de Convivencia - a pact of peaceful coexistence/<sup>in 1879</sup> A National Assembly drafted a new constitution which created the country's first two/<sup>party</sup> political system: the Liberals from the northern Altiplano (the Andean plateau region) bordering the shores of lake Titicaca and whose main centre was the city of La Paz, and the Conservatives from the southern departments who controlled the nation's capital Sucre (Rivera: 91). With the boom in silver mining in the second half of the 1880s, exports had increased their share of contribution to state revenues, rising to 47% while the indian tribute contribution fell to 24%.

The Pacto de Convivencia broke down with the 1899 Federal Revolution in which the Liberals defeated the Conservatives with the support of an indian mobilization led by Zárate Willca. But the defeated Conservatives allied once again with their Liberal victors when faced with the danger of an insurrection which would do away with criollo predominance in the Andean area.

This temporary political upheaval had an economic rationale too, as silver mining collapsed at the turn of century due to depressed international market prices. Tin became the new mining export commodity as political influence shifted from Sucre - which still remains the nation's capital - to

La Paz, the new seat of government. The Liberals ruled undisputed until 1920, perhaps one of the stablest political periods in republican times.

During the period of Liberal rule, tin mining expanded under the control of three mining entrepreneurs, Simón Iturri Patiño, Mauricio Hochschild and Víctor Aramayo, the so-called los barones del estaño - tin mining barons. But in July 1920, the Republican Party (later to split into three factions led by D. Salamanca, B. Saavedra and A. Escalier) seized power and implemented a revolutionary action thesis, a direct critique of the Rosca - contemptuous term for oligarchy. The Republicans demanded social legislation and made a nationalist call for assistance to be given to local capitalist development rather than the current state promotion of foreign capital. Beyond this, their programme differed little from that of the Liberals - 1920's Republican slogans echoed those used by the Liberals of 1899.

Of the three personalist Republican factions, that of Bautista Saavedra was the first in power - Salamanca would have his turn during the disastrous Chaco war - and it introduced a new element into politics: the emphasis on the social responsibility of the state, an important notion which would after the Chaco war become a key ideal within the veterans' war movement in promoting state socialism. Later too this notion would form part of the social justice ideals espoused by the MNR, founded in 1941.

The Chaco war (1932-36) was not so much instigated by oil multinationals keen to seize oil deposits in the Chaco, but was instead a crisis of legitimacy of the oligarchy which was cornered by a world economic depression, the emergence of a newly reorganized labour movement and unrest in the universities throughout the country. Finding himself unable to contain

this rising radical tide, the recently elected Daniel Salamanca decided to proceed with a war against Paraguay after a number of border incidents. According to him, internal unrest could be resolved by a necessary 'trial by fire' for the Bolivian people. Belligerence against Paraguay resulted in defeat, and this led to the emergence of an even more militant social nationalism, later to condense into revolutionary nationalism.

Other influences in this rising anti-oligarchical current were the following elements of Bolivian anti-imperialism:

- The identification of the tin barons with overseas economic and political interests.
- The country's increased dependency on overseas markets and the negative effect of international commodity price fluctuations on the internal economy.
- Dependence on the US and the UK for the smelting of Bolivian tin.
- The interference of the oil multinationals, Shell and Standard Oil, in the Chaco war.

With Bolivia's defeat by Paraguay, this anti-imperialism representing a struggle against the 'anti-nation', would be connotatively articulated to the nationalism and the social, introduced by the Republicanism of the twenties. Carlos Montenegro, one of the MNR's main ideologues, would eloquently express this popular sentiment in his book, Nacionalismo y coloniaje:

El Chaco, si no un símbolo, fue un espejo ensangrentado de la suerte de Bolivia: tierra en poder de extranjeros, tierra con el luctuoso destino de perderse. Ajena a ella la casta privilegiada se mostró a sí propia en tal espejo, con la cifra inequívoca de su anti-bolivianismo. (Montenegro: 1979)

The war veterans' movement, secret military lodges of officers and newly established leftist political groups, was a first to attempt to articulate the earlier ideological themes and those arising from the war. Significantly, the end of the war ushered in a succession of military governments some of which took up these progressive themes: those of general D. Toro (1936-37) and colonel G. Busch (1937-39) and colonel G. Villarroel (1943-46). The governments of Toro and Busch in particular, were keen to implement a doctrine of military socialism. This was a mixture of social justice ideals and corporatism with strong emphasis for satisfying popular and working class demands, the need to put an end to 'egotistical capitalism' and implement a corporatist control over the labour movement through obligatory syndication.

During the Busch presidency, a nationalist newspaper, La Calle, emerged adopting a pro-Axis editorial line. Its editors, Augusto Céspedes and Carlos Montenegro, argued for the formation of a European style 'national socialist movement'. A first attempt in this direction was the formation of an independent socialist party; later on 25 January 1941, the nationalist revolutionary movement would be founded. The party programme emphasized the need for economic liberation but proposed few concrete measures beyond this ideal. Like in the doctrine of military socialism, the MNR did not at this point touch upon the substantive issues of the country's agrarian structure nor the need to nationalize the tin mines.

Others parties were also formed in this period. To the left of the MNR was the Trotskyist Partido Obrero Revolucionario (POR), and between it and the MNR stood the filo-Communist Partido de Izquierda Revolucionaria (PIR). On the right, besides the existing Concordancia parties (the Republican

factions and the Liberal Party), a new party the Falange Socialista Boliviana (FSB) was founded.

The MNR sealed its working class and populist credentials denouncing in parliament the massacre of miners at Catavi, in December 1942. The Concordancia had accused the PIR of instigating the strikes; the PIR warily delayed its response while the MNR moved into the fray supporting the miners' strike for higher wages from 'imperialist companies' and condemning the massacre.

While support for the elected government of general E. Peñaranda (1940-43) waned, the military lodges and the veterans movement joined the MNR in a coup that brought to power colonel G. Villarroel, head of the important military lodge Razón de Patria (Radepa) - Reason of the Fatherland. The Radepa/MNR government found international and US diplomatic recognition virtually impossible, for it was reckoned to have a pro-Axis stance - a precedent which would force the MNR to play a more pragmatic line towards the US after the 1952 revolution.

The US had expressed concern about the growing Nazi influence in the country since 1940. In June 1941, the then leading Radepa figure, major Elías Belmonte, was accused by allied intelligence sources of master-minding a movement to hand Bolivia over to control by the Rome-Berlin Axis. Belmonte was subsequently labelled a traitor, while the US used the 'scandal of the Nazi putsch' to secure a deal with Bolivia to buy tin and provide economic and technical assistance, in exchange for compensation for the nationalization in 1937 of the US owned Standard Oil Co. As we shall see in the first chapter of this dissertation, the Rio Treaty represented a new US foothold in Bolivia which would have a four decade long impact on politics and the economy.

The Radepa/MNR government was deposed in July 1964 by a popular mobilization supported by the Concordancia and the Marxist PIR, which had succeeded in identifying the regime as Fascist and anti-democratic. The PIR's unholy alliance with the parties of the oligarchy was based on the mistaken belief that there were progressive elements in the ruling class-caste which could secure an advance towards a bourgeois democratic revolution: that the oligarchy as a whole or even some of its factions could be transformed into a democratic bourgeoisie. Paradoxically, the MNR would, after 1952, take up this project with US economic assistance, transforming the Santa Cruz oligarchy into an agro-industrial and commercial bourgeoisie.

Despite the Fascist labels, the Villarroel regime had caught the hearts and minds of the people, it had promoted the setting up of the miners federation and convened the country's first national indian congress in 1944. The MNR conspired during the six year long - sexenio - (1946-52) to bring down the oligarchy. It virtually succeeded with the 1949 civil war (see historical introduction to the chapter on Santa Cruz) but after winning the 1951 elections - which provided it with the required legitimacy - it was able to turn the abortive coup of general Antonio Seleme in 1952, into an armed popular insurrection which brought it to power.

It was only after the revolution that the MNR outlined its reform proposals, when pressed by the US to compromise and moderate its position. In this way, the MNR moved to what I consider to be a political centre. By this I mean not a centrist ideology, but it is an ideological corridor comparable to German revolutionary nationalism that preceded the rise of national socialism:

El que uno de los sintagmas más singulares en el lenguaje político de Weimar de 1930 reaparezca en la Bolivia de 1970, puede pasar como simple casualidad del discurso. Sin embargo, "nacionalismo revolucionario" ocupa allí, en el campo del lenguaje, una función precisa (...) sus desplazamientos trazan en el espacio político la misma oscilación de los signos ideológicos. Este signo NR pertenece, en primer lugar, al MNR de Víctor Paz Estenssoro. (Faye: 820)

The MNR's ideology and political practice became an ideological oscillator:

A bridge joining the extremes of the Bolivian political spectrum - if one likes - a horseshoe arch which links the 'extreme left' with the 'extreme right'.  
(Antezana J: 50)

It is this capacity to move along the perimeter of this horseshoe - the political spectrum - that gave it the scope and capacity to create a political centre consensus. The MNR was able to represent the entire political spectrum avoiding a defined fixity on either the left or the right. As the movement broke up, the factions adopted different positions along this horseshoe arch, but even then they also moved along its corridor depending on the conjuncture - hence their positions were constantly changing. This is perhaps the most innovative and enigmatic dimension that the MNR introduced into contemporary Bolivian politics and which remains pertinent until today. It also provides a clue as to its conservatism and why the revolution quickly dissolved into a myriad of compromises. In this dissertation I will not examine the theoretical implications behind the conservative revolution contained in revolutionary nationalism. I will instead let the facts speak for themselves. My proposal is concrete in character, it will contrast and interrelate the following problematics within this revolutionary nationalist paradoxical topography: US aid and the patterns of state expenditure; the crisis of state mining and the specificity of Andean labour and bureaucratic practices; regional party factionalism and the importance of ethno-cultural and class alliances in the formation of an agro-industrial criollo bourgeoisie.

While US influence will be an issue constantly raised through the dissertation, I will in chapter one concentrate on the impact of US technical assistance and aid during the 12 years of MNR rule. The statistical

evidence shows how decisive US support was in the 1952-56 period, how it altered the course of the revolution by forcing the implementation of the 1957 economic stabilization, finally how the withdrawal of aid (grants) and the emphasis on 'self help' programmes hastened splits within the MNR, and prepared the terrain for the 1964 military take-over.

The treatment of US influence starts with a qualitative and historical presentation and analysis, but then moves on to interpret statistical material. The aim is to analyse events both in and outside Bolivia in the first years of the revolution, giving attention to the US withholding diplomatic recognition to the MNR, the refusal to negotiate tin purchase contracts (the country's main source of foreign exchange revenue earnings) and the pressure exerted on the MNR leaders to influence the revolution's main measures: nationalization of the tin mines, workers control, agrarian reform and the reconstitution of the defeated military.

The behind-the-scenes political deals made concerning these measures will be covered in depth, signaling the main tendencies and conditioning factors. One of the purposes of this is to show how the recourse to a political pragmatism made compromise possible and enabled the MNR to steer a nationalist course without contradicting its anti-imperialist rhetoric, nor alienating US support and economic assistance to the revolution. Also dealt with are inter-American relations in the years of McCarthyism and the cold war. This rising anti-Communism current set the context for the Bolivian revolution as it did for that similar process of national revolution which was also taking place in Guatemala, Central America. The anti-Communist political climate of the fifties will throughout the thesis remain a recurrent theme; it helps raise other questions regarding US support to Bolivia. While revolution in Bolivia, supported by the local Communist



Party, was regarded by the Eisenhower administration as a model of social progress, pan-Americanism and 'vigorous anti-Communism', the revolution in Guatemala - comparable in many respects to the objectives espoused by the MNR - was first isolated diplomatically, and later violently quashed, the US arguing a danger to hemispheric security.

The crises, conflicts and paradoxes within the nationalized mining industry, Corporación Minera de Bolivia (Comibol), are the subject matter of chapter two. The MNR claimed that the nationalization would ensure Bolivia's economic independence, as revenues retained overseas or exported through capital flight by the tin mining barons, would after the party came to power be ploughed into local investment ventures to create a new diversified and national economic structure. This chapter shows why this did not occur while Comibol was systematically decapitalized. To shed light on Comibol's crises the following points are examined: the impact of overemployment policies (the contracting of 'supernumeraries') and how the mines became political enclaves used to isolate and divide the labour movement after the 1957 economic stabilization. With the use of mining statistics ranging from mineral production to labour productivity, from wages and labour costs to the distribution of productive labour (comparing the activities and proportion of miners working underground, with those on the surface) an interpretation is offered, which accounts for Comibol's crises pointing an accusing finger of corruption and incompetence at the state and the mining corporation's bureaucracy, but also the trade union leadership. This chapter ends by arguing the case for the underground miners' lot, the real producers of tin and the most important social and political force in the dominated sector. Reference is made to recent ethnographic and historical studies which illustrate how miners regard their in-mine rights in terms of an Andean tradition spanning from colonial times. Hence, I will attempt to demonstrate

how, in terms of a 'moral economy' critique of the state, bureaucracy and the presence of unequal (unreciprocal) symbolic power relations, these Andean mine-practices complement the miners' labour reproduction strategies and their militant stance.

In the last chapter - which is the longest and has its own historical presentation - the analysis of revolutionary nationalism moves away from the Andean (Altiplano and valleys) area, mining and central government. Attention is instead focused on local level - regional - political and economic issues in the eastern lowland department of Santa Cruz. While in the previous chapter the question of mine nationalization and 'forms' of workers control was dealt with at length, in this last chapter the emphasis will be on agriculture, agro-industry and the agrarian reform; the political infighting within the Santa Cruz MNR and the recovery of the armed forces, but from the perspective of events taking place there at the height of the revolution. This is a novel interpretation as most studies have usually concentrated on general nation-wide issues which have tended to present contemporary political and social history of Bolivia from an Andean-centric perspective. Such an approach has not contributed to a better understanding of the complexities and differences underlying the national revolution. Precisely because of the issues raised in the Santa Cruz case study, one can now see the political relevance of regional traditions and ethno-cultural differences, which in turn give us a richer perspective on national issues. These were, after all decisive elements in the build up of political infighting and factionalism during the MNR/COB\* cogobierno period.

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\* The Central Obrera Boliviana (COB), the only trade union confederation founded in April 1952, ruled together (cogobierno) with the MNR between 1952-56.

Perhaps one of the most interesting issues raised in this rather long third chapter - split into three sections including a historical introduction to the region - is an analysis of how a part of the local MNR leadership, of upper class origin and criollo descent (known nation-wide as criollo but in Santa Cruz as cruceño or cruceñista) reached a compromise and reconciliation with their oligarchical caste by returning to its fold. The cruceñista oligarchs accepted most of the Santa Cruz MNR leadership as members of their until then select institutions. As we shall see, this encounter between certain MNR groups and the cruceñidad was paradoxically made possible due to the policies of central government and the national trade union confederation COB, but particularly with US initiatives to promote the economic development of the region following the - 1942 - Bohan plan guidelines. Priority was given to oil exploration and production, and the import-substitution of basic agricultural commodities like sugar, rice and cotton. This meant that the cruceña landowning oligarchy adapted to and benefited from the main measures including the agrarian reform and that 'other' measure: US aid and technical assistance. The pre-capitalist latifundia in the region were transformed into capitalist agricultural enterprises and many cruceño latifundists became born-again prosperous bourgeois agricultural producers. This was partly financed using the mining rent drawn out of Comibol through indirect taxation mechanisms which provoked in it a crisis of decapitalization. If any class, caste and region made real gains from the revolution, it was the cruceña bourgeoisie.

This final chapter also details the conflicts between central government and the Santa Cruz MNR, setting the scene for an atmosphere of rising violence as the cruceñistas asserted their hegemony in the region through their own corporate institution, the Comité Pro-Santa Cruz. After 1957, the cruceñidad, laid down and affirmed its regional hegemony, resisted

central government and championed the restoration of criollo hegemony nation-wide. It supported the 1964 military coup led by general René Barrientos - known as the restoring revolution. In a later military coup, led by the cruceño colonel Hugo Banzer in 1971, it would for the first time become a ruling class.

The conflict that occurred in this period both between the party and the cruceñidad, and between this class-caste and central government in La Paz were but a prelude to the main thrust for transforming the revolution and bringing it back into line with a criollo rather than an indian-mestizo 'modern' Bolivia; this fitted in nicely with US policies of safeguarding the hemisphere's security. In the conclusion, I suggest this cruceñista development model started to collapse at the height of the Banzer regime. It was then that the alternative for maintaining criollo hegemony became finding other sources of capital accumulation, it mattered little whether these were illicit or not.

I have tried to articulate in three chapters, problematics which are evidently different, yet my purpose throughout has been to deal with the complexities in a didactic manner and outline the connections and inter-relations between these. The conclusion will not only go back over some of the ground already examined but also move ahead beyond my 1952-64 period of study, suggesting how the analyses presented can shed light on contemporary issues, more specifically the current political and economic crisis.

I have in the preparation of this thesis, consulted primary and secondary sources in several institutions throughout Bolivia. Among the primary sources, I would like to cite the importance of the Luis Sandóval Morón's

manuscript which gave me a first-hand account of MNR organization and the crisis of authority in Santa Cruz. I was fortunate to obtain this manuscript while on a visit to Santa Cruz to consult the local university library and interview a number of personalities. Most of my other research material for the Oriente came from the regional development corporation (Corporación de Desarrollo de Santa Cruz), the Casa de la Cultura 'Raúl Otero Reich', the Comité Pro-Santa Cruz, and the Centro de Estudios y Proyectos.

In La Paz, I consulted the university library - Universidad Mayor de San Andrés (UMSA) - for leaflets, newspapers and secondary sources. Other institutions which offered me access to information were: the library of the Central Bank, the US Agricultural Development Agency (SAI), the ministry of peasant affairs (MACA), the Congress library, the La Paz municipal library, and the library of the ministry of planning (Ministerio de Planificación).

I also travelled to Sucre to the national library and archive (Archivo Nacional de Bolivia). Its director, Dr. Gunnar Mendoza, kindly helped me find the material I needed and offered valuable insights for my thesis. In the city of Cochabamba, I consulted the newspaper section of the municipal library, the Centro Portales and the library of the Universidad Mayor de San Simón (UMSS).

Given the unstable political situation in the country at the time of collecting material for this thesis (1980-82), my list of interviews is rather limited.

Among the bibliography items which have inspired the writing of this thesis

are Ernesto Laclau's book (1977), particularly the articles on 'Fascism and Ideology' and 'Towards a Theory of Populism', which influenced my PHD colloquia paper, 'Politics and Vision in the Bolivian Andes'; Luis H. Antezana's innovative critical theorization of revolutionary nationalism; Christopher Mitchell's thesis on the 1952 revolution; and Tristan Platt's book on the Bolivian State and inter-ethnic conflict.

During my stay in Bolivia, I benefited greatly from discussions with Ricardo Calla, Ignacio Mendoza, Carlos Mesa, Isaac Sandóval Rodríguez and Oscar Ugarteche. I would like to thank the Social Science Research Council (UK) for giving me a travel grant for my field trip to Bolivia in 1978. In September 1979, the Instituto de Estudios Sociales y Económicos of the university in Cochabamba, offered me a research post which enable me to continue working on my thesis. I am grateful for this. I would in particular like to thank Dr José Matos Mar and Dr Julio Cotler of the Instituto de Estudios Peruanos (IEP) who following the 1980 military coup in Bolivia, invited me to work as an associate researcher. Had it not been for Dr Cotler's invitation to participate in the Proyecto de estudios políticos comparados en el area andina, this thesis would not have been possible. I am above all deeply indebted to my supervisor Dr Ernesto Laclau for his constant interest and encouragement in the course of this work, and for many stimulating discussions and suggestions.

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CHAPTER ONE

BOLIVIA: SO CLOSE TO THE UNITED STATES  
AND SO FAR FROM THE REVOLUTION

In this chapter, I propose to examine the circumstances which conditioned the start of US aid to Bolivia. On a per capita basis, aid made the country the most 'favoured' in Latin America at that time. I will establish what was the relation between aid and the social justice and nationalist economic development policy proposed by the MNR.

By way of introduction, I will outline how the presence of US interests in Bolivia was apparent well before the 1952 revolution. In fact, way back in the twenties the US Standard Oil Co of New Jersey began operations in the department of Santa Cruz.\* In addition, North American finance capital

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\* The Standard Oil Co was set up in Bolivia on 25 July 1922 after the Richmond Levering Co (RLC) of New York transferred all its oil concessions for US\$2.5m. RLC started operations in 1920 with a concession of 1m hectares.



granted large loans which were subject to the authority of an US-staffed Permanent Fiscal Commission, being accepted by the government of the day. This commission was controlled by that interested party which made the loan available and also collected Bolivian taxes for over 25 years:

La Comisión Fiscal Permanente tiene la llave económica de la vida de la República, y los banqueros controlan la Comisión. Como todavía no ha habido incumplimiento, aún no ha surgido ningún conflicto político; pero este contrato de préstamo liga a los representantes de los banqueros prestamistas con el corazón de la vida política boliviana al colocar en sus manos el control de las rentas públicas de Bolivia. Si tuviese lugar un incumplimiento, los miembros de la Comisión automáticamente vendrían a ser las figuras centrales en el mundo de la política boliviana, y el empréstito de 1922 tendría preferencia sobre toda otra consideración pública. Hay, en esta relación, un conflicto internacional de primera magnitud entre el Gobierno de los Estados Unidos y el Gobierno de Bolivia. Y aun cuando el conflicto puede no surgir nunca,\* queda el hecho de que los representantes de un Sindicato banquero norteamericano administran la hacienda de una República hermana.  
(Nearing and Freeman, Dollar Diplomacy. In Marsh: 110)

The predominance of US investments can be noted from the following distribution which corresponds to 1925:

Inversiones norteamericanas, US\$70m  
 Idem francesas, US\$20-25m  
 Idem inglesas, US\$30m  
 Idem chilenas, US\$22.5m  
 (Moody's Investor's Service. In Marsh: 240)

The participation of US capital was also evident in several mining companies. By 1925 the most important mining companies were:

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\* The conflict began with the nationalization of Standard Oil Co (1937) and the subsequent nationalization of the tin mines belonging to the three barons (1952).

- Patiño Mines and Enterprises Consolidated. The company was incorporated in Delaware, USA in 1924. In December 1926, Patiño floated 200,000 shares on Wall Street for North American investors, increasing the share of US investment capital in his main company.
- Compañía Minera y Agrícola Oploca de Bolivia. Was jointly owned by Patiño Mines and the US National Lead Company.
- The Araca Tin Mining Company. Purchased by Patiño Mines.
- Caracoles Tin Mining Company of Bolivia. Wholly owned by the US, Guggenheim Brothers.
- Compagnie Aramayo de Mines de Bolivie. An English company set up by Carlos Víctor Aramayo, with his head office in Switzerland.

As Marsh points out, Patiño's mining empire brought together the three top companies in Bolivia:

Esto traería, si no todas, una de las 5 principales Compañías que conjuntamente producen las dos terceras partes del estaño de Bolivia, bajo el control de los norteamericanos. (Marsh: 49s)

These brief antecedents illustrate the high degree of control the US had over important economic areas: oil production, public finance, and interests in tin mining. They also help contextualize the continuous attempts by the US to re-establish its presence and influence in Bolivia at the beginning of the forties, not long <sup>after</sup> it had entered the Second World War.

US hegemony in Bolivia had started to falter as a result of the Chaco war when it was discovered that Standard Oil had sold oil to the enemy, forcing its nationalization in 1937. Pressed by the pro-US mining interest, the government of general Enrique Peñaranda became one of the first

to formally join the United Nations, and also said in 1940 Bolivia would back the allies.

The Second World War stimulated a new phase in the relations between Bolivia and the US, a country which needed strategic raw material such as tin to supply its war machine. At a time when certain sections of the military and political parties were shifting their support to the Fascist Axis, the US conspired with the British intelligence to 'expose' an imminent Nazi putsch in 1941 in order to secure provision of 'cheap'\* tin. In the event, the impasse involving compensation for the nationalized Standard Oil Co was also resolved.

In January 1942, a treaty was signed in Rio, Brazil. Included in the terms was Bolivian compensation for Standard's nationalization. The day after the treaty in Rio was signed, the US initialled another agreement also supposedly beneficial to Bolivia. The US offered US\$25m to promote the country's economic development. The agreement signed was to depend on the findings of Melvin Bohan, a US expert who arrived in Bolivia in November 1941 on a fact finding mission.

Over the years, the findings of the Bohan mission came to represent a policy landmark in the country's development plans. Its influence would in fact extend over at least three decades.

In a nutshell, the report proposed:

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\* 'Cheap' tin because the Rio Treaty agreement said the market price of the mineral had to be kept low and frozen while the war lasted.

... technical assistance in the planning of development and of systems of remuneration; road construction, agricultural diversification especially for promoting exports; an increase in mineral production; and monetary stabilization. (Bohan Report. In Frederick: 18)

Specifically, the main Bohan proposals were:

- 1) The design and building of a road network to link consumer and producing areas, giving top priority to building a highway between Cochabamba and Santa Cruz.
- 2) Diversification and expansion of agricultural production by promoting cultivation in the potentially rich area of Santa Cruz, and introducing irrigation programs in specially selected areas.
- 3) Rapid development of the oil industry.

These proposals do shed some light on why Standard Oil's compensation was hastily arranged. One reason was to obtain strategic war materials, the other was to promote the exploitation of energy resources in the Bolivian Oriente (the eastern savannah) in areas where Standard Oil had earlier set up its operations and where the US Gulf Co and other multinationals

operations after 1955. It is therefore not surprising that the US\$25m offered by the Export-Import Bank was earmarked for building the Cochabamba-Santa Cruz highway and the construction of an oil refinery.

In the Bohan proposals we can find the basis of the development policy implemented after the 1952 revolution, by the MNR:\*

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\* Walter Guevara Arze's book, Plan Inmediato de Política Económica del Gobierno de la Revolución Nacional is a national revolutionary version of the Bohan mission's proposals.

- 1) Construction of a network of roads.
- 2) Expansion of the agro-industrial sector in the Oriente by promoting the import substitution of agricultural commodities.
- 3) Development of the oil industry following the guidelines of the 1955 Davenport Code (drafted by a US law firm linked to the oil multinationals, and made law without any local debate or modifications).
- 4) Increased mineral production - but not in the state owned mining sector.

But in order to secure this US\$25m from the Export-Import Bank, the Bolivian government had to make its own US\$3m contribution to the development plan. This contribution was to come from the recently established Corporación Boliviana de Fomento (CBF) - Bolivian Development Corporation . Such advantageous credits could not be ignored, even if Bolivia had to chip in its conditioned share. The Central Bank had no alternative but to resort to an inorganic issue of Bolivian pesos to pay this contribution, aggravating the country's - post Chaco - inflationary crisis. To make matters worse, the starting up of these recommended public works, during the Radepa/MNR cogovernment (1943-46), increased the public deficit. Nevertheless, in this government, with Víctor Paz Estenssoro as finance minister, a fiscal revolution - a reform in the public revenue structure - was introduced in which cuts in economic expenditure favoured social expenditure. This new fiscal policy model continued to be a key public finance feature after the 1952 revolution, remaining unaltered during the last few years of oligarchical rule the sexenio prior to the revolution.

We have stressed these antecedents concerning US penetration in Bolivia, as similar tactics were actually used after the 1952 revolution.

The US government was to condition its diplomatic recognition of the MNR government luring it with economic aid and technical assistance on the one hand; yet on the other, keeping in suspense its decision to purchase Bolivian tin, the country's main export revenue source. The MNR required both the aid funds and the export revenues to implement its revolutionary program of agrarian reform and nationalization of the tin mines. The US could afford to bide its time, as it had built up large strategic stockpiles of cheap tin following the deal reached during general Peñaranda's presidency. As in the case of Standard Oil, the US was preparing the ground for the compensation demands by its investors, if and when the tin mines were nationalized.

Events in the end took a different route. The MNR eventually recognised that it needed to receive US aid and budget support. This move granted the US considerable influence and a wide margin of manoeuvre over the MNR government - similar to the powers held in 1925 by the US bankers in the Permanent Fiscal Commission. It enabled US agencies and officials to press for the introduction of a monetary stabilization in 1956 and to transform the revolutionary process from within.

The national budget was constantly modified to pay contributions required by the US in order to receive first its aid grants, then grants and credits, and finally only credits. The 'self-help' policy introduced by the US agencies in the early 1960s was geared to make Bolivia go-it-alone in its economic development.

The Bohan plan recommendations were implemented and the financing of public works projects after 1952 focused on the expansion of petty commodity production, especially in the inter-Andean valleys and the Oriente.

As part of the policy to capitalize the agricultural sector, well before the revolution a number of US-Bolivian Services were operating in Bolivia, in the areas of health, education, and agriculture:

- Servicio Cooperativo Inter-Americano de Salud Pública (SCISP), 1942
- Servicio Cooperativo Inter-Americano de Educación (SCIDE), 1944
- Servicio Agrícola Inter-Americano (SAI), 1948

At the end of 1954, the International Cooperation Administration (ICA) - later to become the US Agency for International Development (USAID) - was set up to provide economic aid in the area of transport and agriculture. ICA also administered the US-Bolivian Services including the Servicio Cooperativo Boliviano Americano de Caminos (SCBAC) in 1955.

The ICA financed the servicios projects in order to link-up different regions in the country, ensure the commercialization of products in the internal market and promote migration to new areas of colonization particularly to the Oriente where labour was scarce. The Andean peasants - once the landowner had been displaced by the agrarian reform - started to move around throughout the country leaving their villages and plots of land, travelling for work or trade to other parts of the country, to the mines or the main urban centres. Coupled with this came new patterns of consumption mostly related to the integration of the peasant to the economic networks but especially into an expanding internal market in process of national re-articulation after 1952.

Before proceeding to analyse US aid and its paradoxical effects, let us examine several events in the first year after the revolution. The MNR leaders and the US government spent the first months testing and negotiating

the political scope and ideological limits of the national revolution. Harsh economic realities, earlier problems of diplomatic recognition (1943-64) and the danger of either uncontrolled radicalization of the process or a return to oligarchic rule forced the MNR to make further concessions not only to win US acquiescence, but effective economic and technical assistance to implement what was essentially a conservative revolution.

As a result of this initiative and considering the antecedents mentioned earlier - strong presence of US finance capital since 1925; a significant US shareholder participation in Patiño enterprises, the decision to invest in new ventures in the Bolivian Oriente especially in oil exploration and production - a number of political and economic compromises began to emerge within the MNR/COB cogobierno.

Such compromises offered the Comité Político Nacional (CPN)\* - National Political Committee - a level of autonomy and power allowing it to resolve problems which went beyond the most varied 'sectional interests' in struggle (Whitehead:1975). It was an effective policy of pacts and compromises which guided the revolutionary process towards the political centre. This policy helped MNR leaders show that the party was a force of moderation, that the great measures of the revolution had to be implemented but would not go beyond a certain point, that there was no overall threat to private property.

Victor Andrade, the MNR ambassador in Washington in the early years of the

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\* The CPN was the most important instance after the Jefe - the party leader. We will analyse the MNR party organization in detail, but from the point of view of the department of Santa Cruz, in chapter three.



revolution, a key figure in obtaining first US diplomatic recognition and subsequently securing US aid, eloquently expressed this will to compromise:

'1) My government subscribes wholeheartedly to the principles of democracy; 2) the nationalisation of the properties of the Patiño, Hochschild and Aramayo groups represented a special one. Nationalisation of private property is not the policy of Bolivia; 3) nationalisation of the tin mines did not mean confiscation of the property. We intend to pay the former owners every cent that is due to them; 4) the government of Bolivia realises the part which private capital can contribute toward the development of its resources and hopes to attract that private capital.' (Dunkerley: 58)

John Moors Cabot, the Under-Secretary of State for Inter-American Affairs, rejected Andrade's offer saying that diplomatic recognition of the MNR government would be postponed until June 1952, as Paz Estenssoro was too radical and that compensation had to be paid if the mines were nationalized. June came and the diplomatic recognition was given but nothing more beyond that. No aid was forthcoming nor were tin sale contracts even mentioned.

The political situation remained uncertain. The tin barons continued to speculate on the date the MNR would be deposed or fall from power. The first attempt occurred on 6 January <sup>1953</sup>, when dissident right-wing figures within the MNR, the FSB and well-known criollo politicians of the ancien régime, tried to oust the MNR from power and stop the as yet un-implemented agrarian reform and alter the course of the revolution. The result of such plotting weakened the MNR's economic policies and political programme after 1953. President Paz Estenssoro was also under strong pressure from the national left and the trade union movement led by Juan Lechín Oquendo, a sector increasingly hostile to the US.

With these emerging political divisions in the party, <sup>coupled with</sup> inflation, food shortages and a lack of export revenues, the MNR government found that it could not

meet the demands for economic distributionism presented the MNR rank-and-file members. The economic assistance required to implement the main measures of the revolution had to come from overseas, the chosen partner could be none other than the US.

At this stage, Paz Estenssoro's ploy was to say that Bolivia was under a 'comunist threat'. He thought this would be sufficient to make the US reconsider its position and grant the MNR the economic assistance it required to guarantee the revolution. Subsequent events would refute these naive nationalist assumptions.

#### I THE MAIN MEASURES OF THE REVOLUTION

Although there was a strong pressure to radicalize the revolutionary process, the trade union leaders which had reached agreement with the MNR - setting up a MNR/COB cogobierno - resisted attempts to break the ruling coalition. The politics of compromise which characterized the modus operandi of the MNR guided the revolution towards a peculiar political centre, and it helped eliminate those fears which had been plaguing the party leadership since 9 April 1952: that the left or the trade unions could take over; that the oligarchical counter-revolution might take place; or that an imminent social and economic crisis could not be avoided.

Once the cogobierno pact had consolidated its ground on the political centre - that wide-reaching arch covering the nationalist and the revolutionaries, the 'left' and the 'right' - the demands of all the incorporated sectors had to be satisfied. Under the ideological umbrella

of this political centre, steps were taken to implement the main measures of the revolution. These measures were nothing more than the result of compromises within the ruling coalition:

The main structural changes decreed by the revolutionary government were not the result of the implementation of an agreed on programme. Rather they represent consciously created compromises between the fractions in conflict which operated under the penumbra of the MNR. (Malloy 1971: 120)

#### A THE NATIONALIZATION OF THE MINES

On 13 May 1952, one month after the April popular insurrection, president Paz Estenssoro signed a supreme decree setting up a commission to study:

'... las bases, procedimientos y condiciones para la nacionalización mediante la expropiación de las minas controladas o pertenecientes a las empresas que forman los grupos Patiño, Hochschild y Aramayo.' (In the leaflet, 'Por qué nacionalizamos las minas?': 28)

The 10 members of the commission were named on 29 May. Table A gives their names, age, previous education, posts held and whom they represent on the commission. The most glaring feature of this list is that not a single miner or trade union member sets on the commission. They are all either well known party members, public administration officials, university lectures or private business men. In addition, despite the fact that the MNR proposed an indian-mestizo alliance,<sup>\*</sup> all the commission members come

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\* Walter Guevara Arze's famous 'Tesis de Ayopaya', an important MNR political document, explicitly says:-

'Afirmamos nuestra fe en el poder de la raza indomestiza; en la solidaridad de los bolivianos para defender el interés colectivo y el bien común antes del individual, en el renacimiento de las tradiciones autóctonas para moldear la cultura boliviana y en el...

TABLE I: NATIONALIZATION OF THE MINES COMMISSION

Name	Date and place of birth	Profession	Positions held	Post in the commission
Alberto Arze Quiroga	1914 Cochabamba	-----	Consul and customs agent of Bolivia in La Quiaca (Argentina), 1945 - 46	Representative of the Economy Ministry
Abel Bally	20 September 1911 Oruro	Economist University of La Paz	President of the Permanent Fiscal Commission Auditor National Chamber of Commerce	Financial Auditor appointed by the President of the Republic
Miguel Barrau	24 February 1909 Oruro	Engineer University of Chile	MNR Senator, 1945 Interim Director of the State Oil Company (YPFB), 1952 Manager of the Mining Bank, 1952	Chairman of the commission Representative of the Ministry of Mines and Petroleum
Hans Block	31 March 1881 Germany	Engineer	Arrived in Bolivia in 1905 to work for the Huanchaca Mine Manager of Patiño's mines in Oploca and Uncía General Manager of Qolqechanca	Representative of the Miners' union (FSTMB)
Jaime Medina Guillén	25 May 1915 La Paz	-----	Founder of the Mining Bank Head of Minerals Inspector General Assistant Manager General Manager	Representative of the Mining Bank

Table prepared using information contained in the leaflet: La Nacionalización de las Minas, Ministerio de Prensa (1952)

Name	Date and place of birth	Profession	Positions held	Post in the commission
Carlos Morales Guillén	1915 Cochabamba	Lawyer University of La Paz	Director of the Civil Register Office Under-Secretary of the Ministry of the Interior	Lawyer appointed by the President of the Republic
José Nuñez Morales	10 December 1916 Villazon	Industrial Engineer University of Chile	Director of YPF, 1945 Engineer-Consultant of the Bolivian Development Corp. (CBF), 1946 General Manager of the Mining Bank	Engineer appointed by the President
Armando Pinell	18 March 1918 La Paz	Economist University of La Paz	Director of the Central Bank 1952 Director of YPF, 1946 President of the Central Bank, 1952	Representative of the Central Bank
Jorge Sánchez Pena	9 October 1908 La Paz	Geologist University of Colorado	Representative of the Smelting of Bolivia Company Director of the Mining Bank, 1940 Inspector of the Ministry of Mines Representative of the small mining sector	Representative of the General Directorate of Mines
Jorge Zarco Kramer	15 February 1900 La Paz	Social Scientist University of La Paz	Assistant Manager of the Mining Bank Economy Minister during the Presidency of Villarreal	Representative of the Ministry of Finance

from the criollo or mestizo ethno-cultural estaments and are, in social terms, of petty bourgeois origin. A similar anomaly can be found in the composition of the Agrarian Reform Commission.

But perhaps the most disquieting fact was that given the political reality of a ruling MNR/COB cogobierno, this commission should have been set up on a parity basis between representatives of the COB and the MNR, but was not. It is very disheartening to find that the sole representative of the trade unions is the 71 year old German engineer Hans Block. Block had been living in Bolivia since 1905 when he arrived to work for the Huanchaca Mining Co, and later became the manager of several mines belonging to the tin magnate Simón Patiño. It is unusual that someone so close to the tin barons, a man who had their confidence, be named to represent the miners union, Federación Sindical de Trabajadores Mineros de Bolivia (FSTMB). Further studies in this matter should establish why a commission of this sort was actually set up.

Although the supreme decree 03059 clearly stated that the nationalization of the mines will be 'through expropriation', conflicting tendencies emerged within the commission:

- The reformist alternative, opposing nationalization: it proposed instead that the tin barons deposit 100% of their export revenue earnings at the Central Bank. This would be followed up by increased royalties and tax payments on production.

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\* ... aprovechamiento de la técnica para construir la Nación en un régimen de verdadera justicia social boliviana, sobre bases económica y políticamente condicionadas con sujeción al poder del Estado.' (In Cornejo: 148)

- The alternative in favour of nationalization: how and what form of nationalization remained unclear (with or without compensation).

The reformist alternative is a veiled attempt to go against the spirit of decree 03059 and the will of the people.

The first measure of compromise between the two tendencies in struggle can be found in the supreme decree 03072 of 2 June 1952. The decree seems to strengthen the reformist position as there is no mention of nationalization; it simply says:

- The state will have the monopoly on mineral exports, and will be the only institution authorized to sell these overseas.
- The Central Bank will control all foreign exchange revenues derived from the export of minerals.
- Foreign exchange will only be sold to the mining producers, for the purchase of specific goods.

Another decree came out later on, it concerned credits granted by the Central Bank to the Mining Bank. The commission continued its deliberations but said nothing about the nationalization.

In the meantime two positions on the nationalization issue appeared within the COB:

- A radical current represented by the Trotskyist POR which proposed nationalization without compensation, and total control of the mines by the workers.

- A position of compromise proposed by the MNR left wing; it suggested nationalization with compensation but under control obrero - workers control - which was not the same thing as total control by the workers.

This second position of the MNR left wing is one that is middle-of-the-road, between that tendency in the commission which is against the nationalization and the radical position of the POR within the COB.

Paz Estenssoro had already foreseen this middle-of-the-road position as a solution when in his speech inaugurating the commission he said:

Es nuestro deseo y una necesidad nacional que no se entorpezca la explotación de las minas de modo que pueda resentirse la economía boliviana. Por ello buscaremos en lo posible un acuerdo con los actuales poseedores y hemos de procurar colocarnos en un terreno de equidad. Tenemos confianza en que seremos comprendidos, no sólo por los empresarios, sino también por los gobiernos de países cuyos ciudadanos hubieran comprado algunas acciones de las tres grandes compañías que van a ser nacionalizadas.  
(In the leaflet, 'Por qué nacionalizamos...')

Between the date of this statement - 29 May - and the US granting diplomatic recognition to the Bolivian government - 2 June - stand but a few days. Also the same day the US granted recognition, the decree 03072 was passed giving the state a monopoly in the export of minerals.

It seems probable that the MNR government had to reach a compromise in order to receive US approval. We have already examined how the US conditioned its diplomatic recognition to the question of purchasing tin. In fact, from that moment on Bolivia was able to start negotiating for improved long term prices and tin sale contracts.

Tin sales to the US by the tin barons had been suspended just before the revolution as no agreement had been reached on prices. The US decision



to buy up, one month before the nationalization, all the tin not already contracted for sale, is therefore highly significant. This agreement was the outcome of a meeting between MNR foreign minister Walter Guevara Arze and the US ambassador to Bolivia Edward Sparks on 22 September. Guevara Arze gave details of his meeting with Sparks in a memorandum sent to president Paz Estenssoro on 29 September. In it he says that ambassador Sparks suggested at the meeting, his own third alternative to the issue of nationalization: a 51% majority state control of the mines, with the remaining 49% to be held by the tin barons. But the decision to nationalize was irrevocable and soon to be announced, so the US imposed further conditions: an assurance that the democratic process would be kept, guarantees for foreign investors and that the nationalization would remain an isolated case.

The fact that one of the key elements in this formula was the sale of tin, is evident in Víctor Paz Estenssoro's speech one year after the nationalization:

Es así que frente a la negativa de indemnización que se propuso en un principio, en el Decreto Supremo consignamos la indemnización, porque sabíamos que la configuración geográfica del país, su grado de desarrollo, no le permitía asumir una actitud extrema. Teníamos que amoldarnos, tratar de no ceder; pero cuando es necesario ceder, cedemos: damos un paso atrás y dos adelante... Por qué compañeros? Porque era necesario llegar a ese acuerdo para lograr un contrato para la venta de nuestros minerales. (VPE, 'Al año de la nacionalización de las minas')

Returning to the sequence of events, despite US recognition and a tin purchase agreement, the commission failed to make public its findings on the issue on nationalization.

According to the POR leader, Guillermo Lora, this lull in the decision making was on purpose so that MNR leaders could seize control of the COB leadership displacing members from the Communist Party - Partido Comunista Boliviano (PCB) - and the POR. So the avenue was open for the burocratización and corruption of the COB through the cogobierno:-

Taking advantage of this situation of passive expectation of the workers concerning the imminent nationalization of the mines in the second half of 1952, Victor Paz Estenssoro took the first steps, to seize control of the trade unions by working through their leaders. (Lora 1977: 289)

On 22 October, the COB sent a letter to president Paz Estenssoro asking for nationalization of the mines without compensation, and control obrero. Not long after, the COB called one of the largest demonstrations at that time, to press the government on the issue.

On 31 October, the nationalization decree was signed, it included a provision for future control obrero legislation and the recently created Comibol was to become the state mining corporation. The minería mediana (medium size private miners) were not covered by the terms of the decree, neither was the wider issue of private property introduced, nor the entry of foreign capital into the country.

The nationalization which had worried the US so much, had become a political bargaining point that opened the way for future foreign investment in Bolivia. The agreed conditions for the nationalization paved the way for the entry of US oil multinational investments after 1955. Internally, it seemed to strengthen the middle-of-the-road position of the MNR and the COB regarding this and other 'revolutionary' measures.

## B THE WORKERS CONTROL - CONTROL OBRERO -

The control obrero mentioned in the mine nationalization decree, had its own rules and regulations passed on 15 December 1953:

... tiene por objeto la supervigilancia e inspección, por los trabajadores, en el desarrollo de las actividades de las empresas que integran a Comibol en lo que atañe los aspectos ad ministrativo, económico y financiero de los mismos con vistas de salvaguardar los intereses del país, racionalizar la producción y elevar el nivel de vida de los trabajadores.  
(In the leaflet, 'Control obrero')

Despite its ambitious objectives, the decree limited worker participation control to the minority representation of workers on local mine directorates and on the Comibol board of directors.

The rules and regulations said: that in order to be a delegate, a worker had to be 'directly associated with the production of minerals'. The idea behind this was to avoid burocratización and keep the delegate closely linked with the rank and file working miners.

There were also regulations covering the right of veto, which sought to counteract corruption and stop the over-employment of bureacratic personnel:

Se establece el derecho de veto, como parte de las atribuciones del Control Obrero en las minas nacionalizadas.

Este veto se aplicaría en las siguientes circunstancias:

- a) Cuando las compras contratos de provisión de productos de consumo, contratos de transporte local o cualquier otro administrativo sean considerados perjudiciales para los intereses económicos de la nación por existir condiciones o precios más favorables que los concertados.
- b) Cuando se trate de medidas violatorias de las disposiciones legales de carácter social o de los contratos de trabajo colectivo o individuales. (...)

- c) Cuando se otorgue al personal, ascensos, aumentos individuales de salarios u otros beneficios, en condiciones no ajustadas a la Ley y reglamentos vigentes, o cuando las condiciones financieras de la empresa no lo permitan.
- d) Cuando considere excesivo el aumento del personal de trabajadores en especial de la planta burocrática.  
(In the leaflet, 'Control obrero')

These regulations failed, however, to stop the proliferation of posts in Comibol's bureaucracy, speculation and contraband with cupos (company store food quotas), and other abuses.

But by allowing delegates job-tenure at their posts, the decree contained the seeds of burocratización.

Los delegados del Control Obrero ante los Directorios locales, desempeñarán sus cargos durante un año pudiendo ser reelegidos sin solución de continuidad... (Ibid)

A pamphlet on the decree compares the control obrero with 'the soviets, the workers councils and the factory committees of the socialist democracies'. It claims that earlier attempts at workers control failed because of burocratización. Ironically, the control obrero in Bolivia would also follow this bureaucratic road.

We can contrast the notion of control obrero adopted by the MNR with that put forward by the POR in the 1946 Pulacayo Thesis. In this thesis the POR leader Guillermo Lora argued the case for a collective rather than individual control, as it presupposed handing over the entire mining company for control by the working class which would administer it according to the guidelines of a workers' assembly. Of the two control obrero thesis', the one implemented was the national revolutionary version.

Having examined some details concerning this measure, the question that still remains unanswered is: why was there such a long delay in implementing control obrero - until the end of 1953 - given that it was mentioned in the nationalization of the mines decree - October 1952?

Since the beginning of the revolution, the workers' leaders and the left had also been pressing for the introduction of control obrero. In the meantime ad hoc and spontaneous forms of control were being introduced in the mining centres, despite the fact that this created problems for the government and workers alike.

One possible reason for delaying the implementation of control obrero was that the MNR wanted first to isolate the PCB and POR worker leaders before introducing such measures. As we said earlier, Paz Estenssoro warned the US about the 'communist threat'; the way he combatted this threat was the 'entryism' of top MNR leaders into the trade union movement. The elected leaders of the COB were replaced by representatives named directly by the President and the CPN\* - in the chapter on Santa Cruz we will see how this policy of intervention when applied to the Departmental Commands wrought havoc on the party organization. This intervention also began to create the necessary mechanisms to make the trade union organizations knuckle-under state control, a move taken in 1957 by president Hernán Siles Zuazo.

Originally designed to be an anti-bureaucratic measure, one unique to the national revolution, control obrero ended up legitimating the corrupt Comibol bureaucracy. This will be examined in chapter two. As in the 'socialist countries' control obrero was used as a means of state control over the working class. The measure fell by political wayside after 1956

\* Comité Político Nacional (see p. 204)

when president Siles introduced an economic stabilization which - as we shall see - split the labour movement into 'COBistas' and 'Reestructuradores'.

## C THE AGRARIAN REFORM

As in the case of the nationalization of the mines, a commission was set up to study the problem of agrarian reform. The two currents that emerged within it proposed:

- Reducing the latifundia, without actually abolishing it.
- The complete abolition of the latifundia, through an agrarian reform.

Two tendencies also emerged within the COB:

- The nationalization and collectivization of all land, within a process of agrarian revolution.
- An agrarian reform and distribution of land among peasant petty commodity producers.

These positions converged into consolidating a centrist consensus solution. The second current in the agrarian reform commission coincided with the second tendency within the COB: to undertake an agrarian reform eliminating the latifundia, distributing the lands to create petty commodity producing sectors in the Altiplano and valleys. In the Oriente, the policy was different as the latifundia were assisted in their transformation into agricultural enterprises, in keeping with the guidelines of the Bohan plan (we will examine this question in greater detail in the final section of the chapter on Santa Cruz). This was the position adopted when the agrarian

reform was decreed on 3 August 1953.

Although not exactly comparable to that of the nationalization of the mines commission, the members of this one are petty bourgeois intellectuals who do not have a thorough understanding of the agricultural sector. Amongst the members of the commission it is worth while pointing out the presence of Eduardo Arze Loureiro, a representative of the ICA who worked in the education service (see Table B).

It is also important to note that some of the top leaders of the Federación Nacional de Campesinos (FNC) - National Peasant Federation - were of criollo descent. The leadership of the Santa Cruz peasant federation also bears this out. This criollo control over the peasant movement gave continuity to the criollo mestizo-alliance, over and above the rhetoric of the revolutionary nationalism which claimed to represent an indian-mestizo alliance. This problem will be examined in depth in the chapter on Santa Cruz, where I will argue that the criollo-cruceño control of the peasant and labour union leadership provoked paradoxical conflicts within the MNR party structure. The leaders of the departmental federations were 'clientelary' controlled by the ministry of peasant affairs bureaucracy whose 'worker minister', Ñuflo Chávez Ortiz, was<sup>A</sup>criollo-cruceño.

The agrarian reform became the best way for articulating capitalist relations of production and exchange in the countryside. Supporting its introduction, Juan Lechín, the leader of the COB, said:-

La reforma agraria en otras latitudes ha sido realizada por la burguesía. Si en Bolivia hubiese habido consecuencia ideológica de planteamiento, el Partido Liberal debió haber liquidado el feudalismo; no lo hizo por interés de clase porque quiso tener más adeptos y aliados en el grupo gobernante que eran los (...)

TABLE II: AGRARIAN REFORM COMMISSION

Name	Date and place of birth	Profession	Positions held	Post in the commission
Alborta Velasco	10 February 1907 Oruro	Agronomist University of Santa Fe (Argentina)	Regional Agronomist: Yungas, Vallegrande, Cochabamba and Oruro General Director of Colonization	Delegate for the Small and Medium Landowners
Federico Alvarez Plata	1 June 1916 La Paz	Lawyer UMSA, U. of La Paz	Founder of the MNR Member of the MNR Executive Committee (CPN) Since 1946 Executive Secretary CPN, 1950-53 Economy Minister, 1952	Delegate of the Peasant Federation
Eduardo Arce Loureiro	1 October 1907 Cochabamba	Lawyer UMSS, Coch. MA Sociology U. of Michigan	Peasant Affairs Adviser Ministry of Labour Technical Adviser for the Interamerican Education Service (SCIDE) Head of the Rural Education Dpt.	Delegate of the Ministry of Agriculture
Ernesto Ayala Mercado	6 July 1919 Oruro	Lawyer UMSS, Coch.	Legal Representative for the Department of Oruro	Representative of the Ministry of Peasant Affairs
Zenón Barrientos Mamani	12 April 1921 Oruro	Law Student UMSA, La Paz	Member of the Departmental Workers' Federation (COD) Oruro Head of the MNR Departmental Command, Oruro Congressman for the Ladislao Cabrera Province, 1949	Delegate of the Agricultural Bank (BAB)



Name	Date and place of birth	Profession	Positions held	Post in the commission
Julio Alberto D' Avis	5 October 1912 Cochabamba	Lawyer UMSA, La Paz	Under-Secretary Economy Minister Commercial Attaché in Brazil First Secretary Bolivian Embassy, Brazil	General Secretary of the Agrarian Reform Commission
José Flores Moncayo	1 April 1920 Potosí	Lawyer University of Potosí	Judge, Sud Yungas. Judge, La Paz Legal Adviser at the Ministry of Defence District Attorney, La Paz	Delegate of the Agricultural Ministry
Jose Hugo López Avila	19 March 1917 Sucre	Lawyer University of Sucre	Director General of Propaganda and Information Under-Secretary for the Ministry of Labour	Delegate of the Workers' Confederation (COB)
Jorge Raimundo Gregoriu Sánchez de Lozada	28 May 1920 Switzerland (Bolivian by birth according to the Constitution)	Lawyer UMSS, Coch.	Labour Inspector, Cochabamba Cultural Attaché, Bolivian Embassy, Colombia	Representative of the Ministry of Peasant Affairs
Hernán Siles Zuazo	9 March 1914 La Paz	Lawyer Journalist UMSA, La Paz	Founder and Sub-jefe of the MNR Congressman 1942 Interim President 11-15 April 1952 Vice-President of Bolivia	Chairman of the commission

Name	Date and place of birth	Profession	Positions held	Post in the commission
Arturo Urquidi Morales	6 May 1905 Cochabamba	Lawyer UMSS	Rector of the UMSS (3 times)	Representative of the President
Alcibiádes Velarde Cronenbold	30 June 1896 Santa Cruz	Dentist University of Chile	Head of the Santa Cruz Departmental Command, 1950 - 52 Interim Mayor of Santa Cruz Prefect of Santa Cruz	Representative of the President Vice-President of the commission

(Table prepared using information contained in: Gaceta Campesina, August 1953)

terratenientes. Como se ve la reforma agraria es una medida de tipo más bien burgués que comunista. En cuanto a la nacionalización de las minas es una medida puramente nacionalista, de tipo burgués... (Lechín 1956)

It had to be a bourgeois and not a collectivist or cooperativist measure. Consequently the ancestral Andean production practices did not merit consideration, as they were seen as archaic and traditional. We can, in this sense argue that the agrarian reform was undertaken bureaucratically from above, without considering the traditions and historico-cultural practices of the peasantry, nor the alternatives to the agrarian structure that was adopted in the end.

The Liberal connotation of the agrarian reform was affirmed from 1956 onwards with the monetary stabilization programme.

In this sense, it was president Paz Estenssoro rather than Lechín who best characterized the agrarian reform:

No implica un punto de vista socialista; es más bien un punto de vista Liberal. Representa el rechazo del régimen Feudal logrado ya en muchos países pero que persiste aún en los económicamente atrasados de América. La subdivisión de la tierra es el signo clásico de las reformas agrarias de tipo Liberal. Una reforma (agraria) socialista implica la nacionalización de la tierra, y no su subdivisión en pequeñas parcelas a cultivarse individualmente. (Paz Estenssoro 1955: 310)

#### D THE RESTRUCTURATION OF THE ARMED FORCES

No sooner had the 11 April 1952 armed popular insurrection defeated the military that the future of the armed forces and the need for a repressive state apparatus became an issue of debate both within and without the party.

Two opposed positions emerged on this problems:

- The armed forces requested that their institution be restructured; a position which coincided with the MNR right-wing proposals.
- The COB and the trade union leaders called for the dissolution of the armed forces; a view also shared by the MNR left-wing.

The compromise formula eventually adopted meant the institution was kept but eliminating its capacity to act as an independent political force. Members of the armed forces considered hostile to the revolution were to be tried by military and not civilian tribunals.

There were basically two points of agreement:

- The military kept their organizational structure, although 205 officials were dismissed. The military budget was cut from 24.7% (1951) to 6.7% (1957) of the total budget.
- Lechín stressed the need for setting up a revolutionary and popular armed forces.

Backed by the US, the MNR set up an urban police force to keep public order, mainly against demonstrations and riots. In the mining and rural areas, the worker and peasant militias were organized to be used as shock troops against groups both in and outside the MNR. These militias grew from 10,000 in 1952 to 60,000 in 1955, and were organized at two levels:

- The armed militias of peasants and workers.
- Those militias belonging to the MNR.

The armed forces were gradually reorganized and built up following the 1957 stabilization pact with the US. US military aid was offered in the late fifties for technical and labour training, especially through the Military Civic Action programmes. The idea was that the military should also help mobilize resources for development.

Paz Estenssoro attributed the long period of stability of the MNR between 1952-64 to the 'equilibrium' (read also 'compromise') that existed between the armed forces, the police and the militias.

It is important to highlight the fact that on a ~~number~~ occasions the MNR did not reach a tacit compromise. Frequently the antagonisms were not resolved, at other times they were simply ignored or forgotten. This practice could be interpreted as a form of passive compromise. Ignoring or leaving behind some pacts or compromises and finding agreement on others, helped consolidate a political space characterized by an unstable equilibrium in the different levels of the cogobierno. This instability was clearly reflected through the reactions created by the different measures we have just analysed. Measures which after 1956 were oriented in favour of the more pro-capitalist tendencies within the MNR. On that occasion there was a transition from the compromise of cogobierno with the COB to compromise with US imperialism, a tacit agreement I have called the 'stabilization pact'.

Before moving to analyse this pact, we must explain how US influence increased within the revolutionary process. For this we will concretely examine economic aid and how this helped the MNR gain the political initiative within the COB. Finally, we will see how changes in the foreign policy of revolutionary nationalism ratified its anti-communist credentials with the US.

II THE 'OTHER' MAIN MEASURE OF THE REVOLUTION: OBTAINING US AID

The US State Department accepted, in July 1953, the serious situation faced by the so-called 'moderate' wing of the MNR, led by Víctor Paz Estenssoro. This was also the month Milton Eisenhower, the brother of the US President, happened to be visiting Bolivia. The State Department offered Paz Estenssoro US\$100m because, according to reports from Milton Eisenhower and the US embassy, the MNR government was not going to last long without receiving a strong injection of US aid funds.

Doning his 'revolutionary' mantle, Paz told Eisenhower that a US refusal to agree on further tin purchase would provoke an anti-imperialist outcry from the people, a fertile ground for communist subversion. Thus, the same month of Eisenhower's visit, the US offered to contract new tin purchase agreements with Bolivia.

But on closer examination the events are disconcerting. On 6 July - 2 days before the arrival of Milton Eisenhower in Bolivia - an agreement was signed in Washington between Bolivian ambassador Víctor Andrade and Thomas Mann, the State's Department's Latin American Section head. This agreement, called the Andrade-Mann Pact, normalized the economic and technical relations between both countries:

'1) A one year tin purchase agreement with a price set at the moment of sale; 2) An agreement between both countries to discuss and jointly resolve Bolivia's problems; 3) An agreement with the US to double the amount spent on its technical assistance program, from the current US\$1.5m a year to US\$3m (Hispanic American Report, August 1953. In Murray: 70)

In the book covering his diplomatic exploits, The Bolivian Revolution and the United States 1944-1962, Andrade does not mention this pact and only refers to the event in passing:

En julio 5 comuniqué a nuestro gobierno que el Departamento de Estado me había informado que estaban dispuestos a firmar un contrato de compra de estano boliviano por un período adicional, al precio del mercado. Informé asimismo, que simultáneamente se me había indicado que estaban dispuestos a enviar una comisión a Bolivia a fin de estudiar las posibilidades de otorgar asistencia técnica. (Andrade: 257)

The significance of this pact needs to be highlighted as it not only enabled the MNR to reach an agreement with the US, but also gave knuckle to Milton Eisenhower's visit to Bolivia:

The agreement reached in July 1953 was one of the main ones (...) is not as important as the fact that a compromise had been reached which allowed the US to deal with the MNR as if it was a regime that had nationalized properties and had the intention of compensating the affected owners, and not as a regime that had robbed private property. (Murray: 73)

But technical assistance, a tin purchase agreement and talks about the country's problems was not comparable to receiving economic assistance. On 1 October 1953, Paz Estenssoro wrote to president Eisenhower requesting economic assistance for economic diversification, as well as basic foodstuffs and other commodities.

A close look at the correspondence - including Eisenhower's reply on 14 October - suggests that the US President was making the MNR government an offer it could not refuse. This situation is comparable to that following the Rio Treaty when Bolivia agreed to compensate Standard Oil for its 1937 nationalization, in exchange for economic aid valued at US\$25m.

In actual fact, Eisenhower was offering more than Paz Estenssoro had asked for. Later on we will examine Eisenhower's proposal, the details of which were:

- The donation (free from all shipping charges) of agricultural produce, valued at US\$5m.
- A further US\$4m granted according to the terms of the Mutual Security Agreement, to be used for the purchase of basic commodities.
- An increase in the technical assistance program, especially the agricultural service, by US\$2m.
- The funds derived from the agricultural products sent from the US should be used by the government - via a counterpart fund - in projects to assist economic development.

This epistolary offer materialized, when a US aid agreement was signed on 6 November 1953. The US State Department defined this agreement as a type of 'Marshall Plan', aimed at resolving 'temporary economic problems'. One of my endeavours in this thesis is to show that this objective was not achieved; on the contrary, US aid became a form of transformist entryism within the revolutionary process. By this we mean aid was used by the US agencies to influence the process and measures of the revolution.

The aid funds enabled Paz Estenssoro to recover the political initiative using political and economic distributionist measures - socialized through various forms of bureaucratic clientelism - such as the cupos, foreign exchange speculation, etc. This meant that the US role changed from being a mere agent of 'emergency aid' - as Paz thought -, to that of an influential actor in the social and political development of the national revolution throughout the fifties; and from the sixties onwards into an aggressive promoter of dependent 'self-help' economic development.



## A THE MNR AND INTER-AMERICAN POLITICS

The national revolution in Bolivia was the only revolutionary process in the American continent supported by the US during the 1952-57 period. Bearing this in mind, it is important to ask ourselves once again why an aid program was made available to Bolivia.

It would be too simplistic to think that Eisenhower had for no reason given more than Paz Estenssoro had asked for. Earlier we examined the reasons behind Paz Estenssoro's decision to warn the US of an impending communist threat to the revolution, in order to secure aid. Although Paz Estenssoro claimed in Bolivia he was 'bluffing' the yanks, the warning was taken seriously. The early fifties marked the start of the Korean war and the cold war, hence Paz Estenssoro's warning was a powerful notice to the North Americans that what was happening in Guatemala could well take place in Bolivia.

Put in other terms: what the State Department understood was that if it did not back the MNR in Bolivia, the danger was the national revolution would radicalize into a process similar to that in Guatemala. But was the Guatemalan revolution really that much more radical than the Bolivian one?; if so, was not this partly due to the lack of US support to the Guatemalan nationalists who came to power led by Arévalo in 1945?

The warning made by Paz, gave the Americans a unique opportunity:

- First, to set their terms on the type of revolutionary process that was to emerge in Bolivia and giving continuity by granting aid.
- Second, to do the same thing with Guatemala by putting and end to a process they had labelled 'communist'.

To support the national revolution process after such a long period of hesitation gave the US the chance of being seen to back a progressive regime in Latin America, whilst preparing to repress another. Eisenhower did not offer aid to Bolivia until the moment the US government had decided to move against the Arbenz regime in Guatemala. In this sense Paz Estenssoro's letter to him could not have come at a better time.

Let us briefly examine the ~~chronology~~ of events which led to the US move against communist Guatemala.

- March 1953: the Arbenz government in Guatemala expropriated property belonging to the US owned United Fruit Company with the intention of implementing an agrarian reform programme.
- July 1953: the US pressed for a preliminary compensation agreement between the MNR government and the tin barons, whose mines were to be nationalized.
- July 1953: the Andrade-Mann pact was signed in Washington. The US suddenly agreed a one-year tin purchase agreement with Bolivia, the doubling of technical assistance and expressed their interest in a joint solution to existing problems.
- August 1953: Arbenz stated his intention to proceed with the expropriation of more United Fruit lands.

In contrast with the situation of compromise between the MNR and the US, we can see here that the ~~panorama~~ of US-Guatemalan relations is not at all promising. For a start, there were no signs of compromise regarding the expropriation of properties belonging to the US United Fruit Company.

The pace of events picked up the first week in October, as Paz Estenssoro's letter to Eisenhower coincides with Guatemala's expropriation of the United Fruit railways.

On 14 October - the same day Eisenhower replied to Paz's letter - John Moors Cabot, the Under-Secretary of State for Latin American Affairs, outlined US policy towards Bolivia and Guatemala. Let us examine his speech quoted in the Bolivian press:

'Después de toda la sangre y el tesón que hemos derramado en Korea para resguardar al mundo libre, cuando un periódico oficial Guatemalteco sigue la línea de acusaciones de hacer guerra bacteriológica, precisamente después de que nuestros aviadores han regresado para decirnos las torturas a que fueron sometidos para obtener de ellos confesiones inventadas. También nos sorprende que el embajador de Guatemala haya malinterpretado la nota perfectamente apropiada que le entregué explicándole nuestros puntos de vista jurídicos respecto a la expropiación de propiedades norteamericanas en Guatemala.'

Luego de expresar que ningún régimen que en forma declarada siga el juego comunista pueda esperar de EEUU una positiva cooperación como la que se trata de extender a todas las repúblicas hermanas, (...) señaló que los EEUU recientemente habían otorgado una ayuda de US\$5m a Bolivia.

'Nuestro deber es tratar con regímenes sólidamente basados en consentimiento de los gobernados aunque difieran de nosotros sus conceptos de gobierno.'

... refiriéndose al actual régimen de Bolivia indicó que el gobierno de Bolivia es heredero de una situación económica imposible debido a los anteriores regímenes.

(El Diario, 15 October 1953, p.1)

Considering the juncture, it is not difficult to read between the lines of this speech a clear yet subtle reference that Guatemala would do better if it followed the path adopted by the MNR in Bolivia. Over and above the hemispheric solidarity, the juxtaposition of both examples is illustrative.

In early January 1954, John Moors Cabot once again made reference to US/Bolivian relations stating:

'Sería distinto si una república americana cayera bajo el dominio de una república ultramarina, pero no creemos que éste sea el caso de Bolivia, aunque los comunistas están trabajando activamente en casi todas las naciones. El irresistible peso de la evidencia demuestra que el gobierno boliviano no está dominado por los comunistas o sus simpatizantes, sino al contrario cada día muestra más antipatía hacia los comunistas.' (ED, 13 January 1954, p.7)

In order to make the US attitude towards Guatemala more evident, senator Alexander Willey, president of the Senate Foreign Relations Committee, stated that Guatemala had turned into a serious bridgehead for international communism in the continent, adding:

'Deseo recalcar que no son sólo los EEUU los que observan los acontecimientos de Guatemala con profunda preocupación en el hemisferio y el mundo libre.' (ED, 15 January 1954, p.1)

Weeks later the government of Guatemala replied once again to the US accusations in the following manner:

'(el gobierno de Guatemala) vuelve a insistir por enésima vez que no es comunista, ni su programa está orientado a construir el comunismo. Lejos de eso es bien sabido que se programa se orienta a impulsar reformas económicas y sociales, esas medidas al chocar con los intereses de las compañías extranjeras constituyen en gran parte la causa de la campaña de amenazas y propaganda contra el pueblo de Guatemala.' (ED, 7 February 1954, p.1)

Statements made by the Bolivian ambassador in Washington, Víctor Andrade, emphasize the anti-communist position of the MNR. This is what Andrade said regarding Communism:

'... existe la convicción de enfrentar los problemas más internos por medio de métodos bolivianos y para los bolivianos, por eso es que mi país se ha empenado en una serie de reformas de tipo doméstico. Con esta política el actual gobierno de Bolivia trata de satisfacer las aspiraciones de la mayoría de su pueblo y así desaparecerá cualquier problema comunista.' (ED, 10 February 1954, p.4)

This counterpoint becomes more evident in March 1954 when the 10th Inter-American Security Conference met in Caracas; all the countries of the region participated except Costa Rica. The main topics to be discussed at this meeting were outlined by the press:

'... El comunismo y los problemas económicos. Estados Unidos hará un esfuerzo para conseguir que las demás repúblicas respalden el fuerte programa de lucha contra la infiltración comunista, pero los países latinoamericanos se encuentran obviamente más interesados en los problemas económicos que los asedian.'  
(ED, 1 March 1954, p.1)

At the moment of presenting the US drafted anti-communist motion, secretary of state John Foster Dulles said:

'Ha llegado el momento de hacer patente de una vez por todas que consideramos a todo despotismo extraño, como hostil a nuestros ideales. En firme unión le negamos derecho a dedicarse a la rapiña en nuestro hemisferio y que si se hace caso omiso de nuestra advertencia, tenemos que hacerle frente como una situación que amenaza la paz de América.' (ED, March 1954, p.1)

This diplomatic move which - at another level - prepared the fall of Arbenz, was supported by 17 votes in favour - including the Bolivian vote cast by foreign minister Walter Guevara Arze; only Guatemala voted against the motion, while Argentina and Mexico abstained. The voting took place on 13 March. Guevara Arze categorically said Bolivia was anti-communist and emphasized the need for economic measures to follow up the support for the US anti-communist motion.

Two days after voting in support of this US motion, Guevara telexed president Paz from Caracas saying that the government had been granted a US loan for US\$15m. This loan had been requested several months earlier, but final decision on it was reached in Caracas when Foster Dulles and Guevara met.

Undoubtedly the timing of the loan approval, Bolivia's pro-US vote at the Caracas conference and the statements made by Guevara were all connected.

On 12 April that year, ambassador Andrade once again put in a request for further US aid. Two weeks later, under-secretary Henry Holland labelled the Bolivian government 'vigorously anti-communist' and requested that a congressional committee grant more aid to Bolivia. This coincided with a State Department request that the Guatemalan government return to United Fruit its expropriated property.

With the backing of the Caracas conference, the US sponsored invasion of communist Guatemala began in June 1954. It was led by former minister of war Castillo Armas, who entered the country via Honduras. Thus ended the the - decade long - Guatemalan democratic experiment which started with the Arévalo's election in 1944, and became even more radical after Arbenz was elected in 1951.

Moors Cabot commenting on the situation many years later stated:

'...quite possibly we would not have been so keen to help Bolivia in 1953 if would not have been for the situation in Guatemala. What happened was a lesson for those who wish to read it.'  
(Cabot's letter, February 1969. In Murray: 186)

This combination of inter-American events at the beginning of the fifties, helped Paz Estenssoro and other MNR leaders to cast aside their 'anti-imperialism', once the US had granted diplomatic recognition to the new regime and had expressed interest in the objectives of the revolution. Economic aid and technical assistance was requested, whilst tin from the nationalized mines started to be sold to the US and on the world market.

The question is, had the communist problem in Guatemala not arisen, would the US have supported the Bolivian nationalist revolution?

Let us recall but two aspects. First, the dénouement of the Rio Treaty in 1942: the conditioning of US aid - Bohan plan - to the sale of cheap tin and the development of the Bolivian Oriente to further its strategic interests (the oil refinery about to be built). Second, those inter-American events which defined in terms of a hemispheric solidarity US recognition and acceptance of the national revolution. Considering both these events, it is not paradoxical but predictable to think that the MNR mortgaged the sovereignty and economic independence of Bolivia when it signed the Davenport Oil Code in 1955, a code that was actually prepared by a US law firm representing US multinational oil interests, which offered them very generous terms. In April 1957, during the presidency of Hernán Siles Zuazo, Henry Holland who was Under-Secretary of State for Latin American Affairs at the time the Davenport Code was approved, arrived in Bolivia representing private oil companies that had benefited from the code. The vigorous anti-communism he had discovered in Bolivia years earlier was now yielding dividends.

Also worth remembering is that the approval of this code took place just a few years after Bolivia had its 'economic independence', the nationalization of the tin mines. The code was so generous to the multinational oil producers that the MNR's economic nationalism was seriously jeopardized.

Coming back to the Bolivian/Guatemalan analogy, Paz Estenssoro's proud declaration that Guatemala's oil code - after the fall of Arbenz - was 'very similar to the one we have adopted' (VPE 1958) illustrates the point.

By the early sixties, the US oil multinationals had invested over US\$100m in Bolivia, the most successful being the Gulf Oil Co. Success in its oil operations was followed by political and economic power. Gulf's influence spiralled into a corruption spree that went <sup>As</sup> far as the head of state particularly when general René Barrientos was in power. Gulf continued to wield power and influence until its nationalization in 1969 by the government of general Alfredo Ovando Candia.

### III US AID, STATE EXPENDITURE AND POLITICAL FACTIONALISM

#### A GRANTS, 'ENTRYISM' AND STATE EXPENDITURE ON SOCIAL WELFARE

A direct result of the agreement reached between the US and Bolivia at the end of 1953 was that US aid suddenly increased in the following proportions:

Table III : ECONOMIC AID (1952-56) \*

	1952	1953	1954	1955	1956	TOTAL	%
Loans	-	-	2.4	4.7	-	6.7	9.3
Grants	1.5	1.3	15.8	28.8	28	65.4	90.7
TOTAL	1.5	1.3	18.2	33.5	28	72.1	100.0

(figures are in US\$millions)

\* The Economic Aid Tables were compiled using data from Appendix Table 9, 'US Economic and Military Aid to Bolivia'. In Malloy & Thorn: 390s.



These figures show that the main increase was after 1954, that is after the November 1953 aid agreement was signed. The high level of non-refundable grants - nearly 91% - reaffirms the US support for the nationalist revolutionary regime, the need to create political stability and the search for ways of promoting economic development.

Although provided to the MNR in its gradual cornering of Communism in Bolivia, the grants were also - paradoxically - aimed at counteracting a growing inflationary spiral. Paradoxically, because according to George Jackson Eder - one of the main advisors of the 1956-59 Monetary Stabilization commission - instead of counteracting or reducing inflation, the so-called 'counterpart' aid funds provided by the US were making it worse (Eder, Inflation and Development. In Wilkie 1971: 228).

It could therefore be argued that the emphasis on grants during the 1954-56 period of economic aid had a twofold purpose: to encourage the social expenditure policy of the MNR based on distributionist measures; and assist US entryism into the revolutionary process. The way the aid grants made the inflationary situation worse was due to the fact that state welfare expenditure rose, as more social sectors were coopted into the revolutionary process. This continued despite the stabilization pact (1957-60), when political and economic benefits were biased against a part of the labour movement and the urban middle sectors. The groups which continued to reap the benefits of this incorporation and social welfare expenditure were those clientelary linked to the party or to the state bureaucracy.

To finance its social welfare programmes the MNR depended on 'counterpart funds', obtained from the sale of surplus agricultural commodities donated

by the US. These donations were not however as harmless as they seem at first sight. One US researcher, a former aid economist working in Bolivia, said:

... No fueron los bolivianos los únicos que se beneficiaron con este programa. Los envíos de harina de la LP 480 a Bolivia fueron también de beneficio para los Estados Unidos. Este país no solamente dispuso de parte de los sobrantes de trigo y harina resultantes del Commodity Credit Corporation Farm Price Support Program (Programa de Respaldo a los Precios de los Agricultores), sino que además generó la moneda local para ayudar a financiar las Misiones de la Embajada de los Estados Unidos y AID en Bolivia. Qué mejor manera de disponer de los productos agrícolas sobrantes, que usarlos para pagar sus propias actividades en el exterior! (Burke: 147)

By 1956 the increased aid had not succeeded in holding down the rate of inflation, it had in fact made things worse to the point of destabilizing the MNR government. The following cost of living figures for La Paz, bear this out:

Table IV:

INDEX OF CONSUMER PRICES (Base year 1950 = 100)

Year	Consumer price index	Percentage increase
1950	100	
1951	127	27%
1952	166	31%
1953	334	101%
1954	750	125%
1955	1,351	80%
1956	3,768	179%
1957	8,102	115%
1958	8,355	4%
1959	9,980	19%

(Table formulated using Appendix Table 4, 'Rates of Exchange & Consumer Price Index, 1940-67'. In Malloy & Thorn: 376)

The cost of living only started to fall after 1957 mainly due to the monetary stabilization implemented by president Hernán Siles Zuazo. It fell as follows:

- From a 179% increase between 1955 and 1956
  - to a 115% increase between 1956 and 1957
  - to a 4% increase between 1957 and 1958

The following are among the reasons which account for this inflationary crisis:

- An increase in the inorganic issue of paper money by the Central Bank: from 10,000m bolivianos to 150,000m Bs between 1953 and 1956.
- A rise in the loans obtained by the government from the Central Bank: from 6,900m Bs. to 112,900m Bs between 1952 and 1956.
- The boom in contraband activities and foreign exchange speculation.
- The fall in the international market price of tin, Bolivia's main export commodity. This meant state income was reduced, particularly from the indirect taxation of Comibol.
- The use of counterpart funds.

The structure of state expenditure during this period was, it seems, related to the aid patterns.

Table V : STATE EXPENDITURE (1952-56) \*

	1952	1953	1954	1955	1956
Economic	8.5	8.9	13.7	17.4	12.5
Social	32.2	34.1	33.5	32.1	50.8
Administrative	59.3	57.0	52.8	50.5	36.7

\* All the State Expenditure Tables have been compiled using figures in Appendix M-N. In Wilkie 1969: 65-73.

Until 1955 administrative expenditure accounted for over 50% of all expenditure, but started falling from 1954 onwards when US aid entered the country. In the economic expenditure category, there was a 50% proportional increase between 1953-54 because more funds were allocated to the CBF. This temporary change of policy, which involved raising economic expenditure was because US aid tried - without much success - to impose a different set of priorities geared to economic development in the pattern of state expenditure. But what the MNR needed at this stage was <sup>to</sup> increase its expenditure on social welfare, linking it to a series of distributionist mechanisms of popular incorporation and co-optation.

State social welfare expenditure stood in second place at 33% until 1955, but rose to 50% of all expenditure in 1956. This is interesting because between 1955 and 1956 the expenditure amounted between the social and the administrative categories inverted: social welfare expenditure rose from 32% to 50%, while administrative expenditure fell from 50% to 36%. This expenditure-turn-around in favour of social welfare expenditure was due to increases in expenditure for education and public health.

The administrative expenditure cut-backs affected the areas of government, immigration and justice; as well as special funds, family subsidies, subsidies to local government, secret funds held by the President, funds for special police and military units and military expenditure.

These changes in social welfare and administrative expenditure were introduced one year before the stabilization. Paz Estenssoro did this in his last year of office, partly for personal political reasons but also to somehow reduce the negative impact of the stabilization which the incumbent president Hernán Siles <sup>HAD TO</sup> implement at the end of 1957.

In the first years of the revolution, US aid had more of a social and a political purpose than a strictly economic one. Aid helped the MNR cover food shortages and finance the state apparatuses. More than 60% of the so-called 'emergency aid' was used for immediate consumption but this dependency became engrained into the new state and remained in practice long after the stabilization.

Although the 1952 revolution unfortunately coincided with a real fall in the tin price index, USAID provided the necessary funds to overcome the difficult decade of the 50s until the recovery in 1961. With low real tin prices in the post 1952 period, it is not surprising that USAID would have had to provide funds to prevent a fall of the MNR. Political considerations evidently weighed more in decision making, than did economic ones, from the moment the US was interested in keeping the non-Communist Marxists in power and preventing a communist government from coming to power. As the world market price of tin improve in relation to US exports prices, USAID moved to promote economic development at the beginning of the 60s. (Wilkie 1969: 32)

#### B THE MNR AND AID: THEMES WITHIN THE STABILIZATION PACT

Not long after Hernán Siles Zuazo inauguration as President on 6 August 1956, his government started to feel the pressure from the US agency ICA, the International Monetary Fund (IMF) and the US embassy, to implement a monetary stabilization plan. As far back at 1942, the Böhan plan said this was necessary to cleanse the country's finances. Although the MNR fought

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\* It is important to keep in mind this subtle distinction made by the US State Department, between the 'Marxists' of the MNR - who should be assisted to remain in power - and the 'Communists' of the party left, the PCB and the POR members linked to the COB. I thus find that the same distinction used in the inter-American context to compare the MNR in Bolivia and the 'Communist' followers of Arbenz in Guatemala, was applied to single out the enemy both in and outside the MNR.

hard to win concessions from the ICA on the issue, implementing the stabilization became a condition for further US aid grants.

But as other agreements with the US agencies, the concessions won from the ICA represented exchanging one thing for another: we can recall how the Rio Treaty was linked to an Export-Import Bank credit, or how Paz Estenssoro's request for aid was followed up by Eisenhower's more bountiful offer. Considering such precedents, we must weigh the evidence and see if there was any real advantage to be gained by receiving these varied aid grants.

Before outlining the details of the stabilization, I will briefly examine how an economic crisis situation was reached.

The most serious problem the government faced since 1953 was a rise in the dollar free market rate. At the time of the revolution, the official rate fluctuated between 60-100 Bs per dollar although the parallel free market rate remained low (in 1951 it was 80 but rose to 173 by the end of 1952). The rate continued to rise on a yearly basis (to 682 in 1953; 1,415 in 1954; 2,979 in 1955; and 7,768 in 1956) despite an unchanged official rate of US\$1 = 190 Bs.

The purpose of having this double exchange rate system was:

- To keep the cost of living low, by allowing the entry of basic commodities into the country at the official rate.
- To cut back on luxury good imports, by selling foreign exchange for sumptuary articles at the higher free market rate.

The use of this double exchange rate linked to a cleverly devised system of 'indirect taxation' - which we shall review in chapter two - provoked the financial collapse of Comibol as it was milked of its foreign revenues. What happened was that Comibol handed all its foreign exchange revenue earnings from the export of minerals, to the Central Bank; the Bank in turn paid Comibol back, but in bolivianos at a rate of exchange well below that of the free market, retaining the difference after foreign exchange had been sold at the free market rate. It has been estimated that between 1953-56, Comibol paid the equivalent of US\$108.5m in 'indirect taxes' compared to US\$11m in direct taxes (for further details, see chapter two, p. 106 'Direct and Indirect Taxation in Comibol').

The funds milked from Comibol were used not only to finance other public sector enterprises, but also to fund sections of the MNR party bureaucracy and bribe individuals linked to its patron-client (clientelar) networks. Among the social sectors that benefited from this were the middle classes which could pillage the system from their positions in the party structure and the state apparatuses. Other beneficiaries included the lower middle classes and workers on a fixed salary - particularly those in the private sector - who were feeling the brunt of the rising cost of living. Inflation got so out of hand that in 1955 it was estimated that public employees were earning half their 1950 salaries. The political reaction to this was a radicalization to the right. In chapter three I will examine this right wing reaction in the context of sectorial and factional struggles of the MNR in the department of Santa Cruz, where politics had acquired ethno-cultural connotations different to those of the Andean region.

On the other hand, the more speculative sectors of the commercial petty bourgeoisie linked to the MNR also found tidy profits could be made by

speculating in foreign exchange, particularly dollars, by pocketing the difference between the official and black market rates. Figures published in the national press between 1954-56 show that the 'importers cell' of the MNR received US\$6,634,000 at the official rate of exchange (190 Bs), leaving members of the 'cell' free to sell these monies at the dollar free market rate (ED, 10 October 1956, p.6)

The double exchange rate was a powerful source of corruption that rapidly destroyed in-party solidarity. The MNR rapidly moved from being a party based on popular consent to one resorting to the 'political control' of the masses through clientelism, corruption, and social welfare distribution.

In a speech at the Second National Workers' Congress on 13 June 1957, president Siles condemned these abuses. He tried to convince the congress delegates that the monetary stabilization policy he proposed to implement would end these practices. He said:

Nosotros habíamos pensado el año pasado establecer un impuesto de 25% sobre todos los bienes adquiridos después de la revolución. Creemos que debían contribuir a remediar la situación presente quienes se habían enriquecido mientras la mayoría del pueblo se empobreció durante el proceso de la inflación. Pero esta medida compañeros resultaba injusta, porque quienes acumularon inmensas utilidades comprando materias primas a 190 vendiéndolas - productos no en su totalidad para el consumo interno sino para la exportación vergonzante del contrabando - no sólo acumularon ingentes utilidades traficando con la ocultación de artículos de primera necesidad y con los cupos, sino que transformaron esas utilidades en dólares que sacaron al exterior. Según estadísticas de una publicación del Fondo Monetario Internacional, a lo largo del proceso inflacionario se remitieron a bancos de los Estados Unidos diecisiete millones de dólares sin contar lo que se remitió a bancos europeos y así se descapitalizó al país.

Another sector that did well from the inflationary process were the mine workers, <sup>who</sup> had part of their income covered by the purchase of subsidized goods in the mining camps stores - the pulpería barata. The pulpería



imported basic foodstuffs at a special price. Although the working miners purchased these products, most were later resold in the main cities at a profit or, as Siles said in his speech, using official cover the products were smuggled as contraband to neighbouring countries. Even trade union leaders get involved in these corrupt and speculative practices.

The political support of large sections of the middle and working classes was won at the expense of corrupting the revolution. While political and economic distributionism was used to fête and win mass support, the popular consensus of the 9 April 1952 insurrection started to fall apart.

Bureaucratic clientelism and various forms of corruption became the new forms of political control and mediation, channelled by caudillista (bossist) practices within the MNR and the trade unions.

To consolidate the stabilization pact with the US, Siles first needed to isolate those social sectors that had become increasingly autonomous from the party, and reduce their power. The sectors we are referring to here involved two types of institutions: first of all the departmental commands which were key organizations in the MNR party structure; secondly, the trade unions organized around the COB which were linked to the functional structures of the MNR. In the final chapter of this thesis, I will examine the contrasts between the party and trade union structures on the one hand, and the departmental commands and the central government on the other. These contrasts will be analysed in the context of MNR politics in the eastern-lowland department of Santa Cruz, where a civic movement formed in 1957 by the cruceña oligarchy - not adversely affected by the revolution - won widespread popular support in the region. By 1957, central government had decided that if the stabilization was to succeed the imperative was for the trade unions and the party commands to submit to the directives

of the National Political Committee (CPN) of the MNR, and to central government.

Siles Zuazo's aim of disarticulating the left wing opposition, the trade unions and the regional party bosses could only be achieved through a long drawn out conflict. Siles' strategy was:

- The party would concentrate on building up its support among petty bourgeoisie. To avoid any opposition to this strategy within the party ranks, or dissent in the leadership, Siles dissolved the party-conference-elected CPN, and replaced it with trusted cronies. Well-known members of the party right-wing sat on his cabinet: Luis Peñaloza, Jorge Ríos Gamarra and Walter Guevara Arze.
- He prepared for direct confrontation with the labour movement, and even anticipated some opposition from the peasantry.
- To create a split in the labour movement, starting with the COB.
- To create a division between the labour movement and the peasantry in order to avoid a common front rising against the stabilization pact.

Having prepared the political terrain and set his objectives, Siles moved to implement the stabilization. This meant:

- Eliminating the double exchange rates, establishing an unified rate of exchange of 7,700 Bs, on a par with the free market value of the dollar.
- Lifting price controls and food subsidies (especially at the mining camp company stores).
- a wage and salary freeze, which was introduced after wage rises were granted.
- Stiff monetary controls.

- A 40% cut in public expenditure.
- An increase in taxes and import duties.
- The continued sale of US agricultural surplus commodities, donated by the US. The 'counterpart' funds obtain from the sale would be used to help balance the budget.
- Raising tariff barriers and promoting overseas trade.

To help implement these measures a US\$25m support fund was offered. The contributions were:

US\$7.5m from the IMF

US\$7.5m a loan from the US

US\$10m a donation by the US.

The US government offered agricultural products valued at US\$10m, the sale of which would be added to the 'counterpart funds'. The US Treasury also earmarked a further US\$7.5m for the importation of basic commodities. It was thought these would help ameliorate the negative effects of the stabilization measures and stymie political effervescence in the urban centres, should foodstuffs run scarce. These donations and the use of quotas gave the government an important margin of control over urban movements, as we shall see in the chapter on Santa Cruz.

In keeping with the offers made for implementing these types of stabilizations, the IMF granted a 'stand-by'\* credit of US\$7.5m, monies used to boost the currency reserves of the Central Bank.

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\* 'Los convenios del "stand-by" son arreglos entre el FMI con países individuales por los cuales el Fondo proporciona al país reservas internacionales (oro, dólares, etc.) en exceso a sus "derechos especiales de giro", siempre y cuando se encargue de ciertas medidas correctivas para lograr el equilibrio de cuentas internacionales. Un país tiene "derechos especiales de giro" hasta un 25% de su cuota al FMI.' (Burke: 265)

As expected, the stabilization pact sparked off a number of social conflicts, particularly with the COB which led to the emergence of various forms of political factionalism. The government orchestrated the first serious split in the labour movement between the pro-COB trade unions, and those federations calling for a restructuring of the COB along a more pro-government line - they came together to form the Bloque Reestructurador (this point will be analysed in more detail in the chapter concerning the mining industry). The split which also put an end to the cogobierno, drove the COB first to defeat, then into opposition to the government until after the 1959 Huanuni miners congress where a political truce was tacitly agreed. The massive influx of US surplus food imports to bolster the counterpart funds, raised the ire of the peasantry who reacted against the damage done to the domestic and lucrative internal market for agricultural commodities.

The revolution and the liberal character of the agrarian reform disrupted the traditional channels of wheat production and commercialization, leading to a fall in production. The stabilization, when implemented, made this situation worse.

Juntamente con estos efectos revolucionarios, la hiper-inflación de 1952-1956 y la tasa existente de cambios múltiples favorecieron a las importaciones, haciendo altamente lucrativo sustituir las importaciones de trigo - y en grado menor las de harina - por la producción nacional. (Burke: 143s)

Agriculture like mineral production - see the end of chapter three - did not escape the speculative practices of middlemen who in pursuit of their personal gain succeeded in getting foods and basic commodities imports to replace rather than supplement national production.

Table VI : WHEAT AND FLOUR STATISTICS (1950-60)

Year	Wheat		Flour Production*		Flour Imports
	Production	Imports	National	Imported	
1950	46	34	10	27	17
1951	31	32	6	33	33
1952	24	74	4	25	16
1953	21	72	3	53	11
1954	17	59	5	38	19
1955	17	34	13	37	22
1956	40	13	2	50	15
1957	45	55	1	32	63
1958	62	3	5	14	65
1959	62	14	3	13	72
1960	40	-	3	4	78

\* based on a 75% yield by extraction  
(in thousands of metric tonnes)

(Table drafted using figures from the Dirección General de Estadísticas y Censos. In Burke: 142)

These figures show that between 1952 and 1957 wheat imports exceeded national production except for 1956. Flour milling depended mainly on imported wheat; milling of local wheat for flour was negligible. This did not improve with the stabilization as imported flour started even to replace wheat imports for local milling.

Agricultural production as a proportion of the gross domestic product (GDP), fell 7.87% between 1952 and 1956. There was a slight recovery between 1957-60, an increase mainly due - as we shall see in chapter three - to the increased capitalization and productivity of the agricultural sector in the

department of Santa Cruz and not so much due to increased production in the Altiplano or the inter-Andean valleys.

Siles was unable to turn down the stabilization plan as the MNR once again needed US aid and support to restructure the economy - 'cleanse' the country's finances. This restructuration had to be done following the guidelines set by the Bohan plan and the MNR version of it, the Plan Inmediato de Política Económica del Gobierno de la Revolución Nacional. The US once again categorically said all future aid would be conditioned to the acceptance of its stabilization programme drafted by George Jackson Eder, a US economic advisor to the Bolivian government.

During the stabilization period, US aid disbursements were as follows:

Table VII : ECONOMIC AID (1957-60)

	1957	1958	1959	1960	TOTAL	%
Loans	-	-	4.0	-	4.0	
Grants	26.8	22.0	20.3	13.8	82.9	95.4
TOTAL	26.8	22.0	24.3	13.8	86.9	100.0

(in US\$m)

The above figures show that the ratio between loans and grants rose from 9/90% in the 1952-56 period to 5/95% between 1957-60. This represents an increase of nearly 5% in the amount of grants allocated to Bolivia. This confirms, on the one hand, that the US still wanted to help keep the MNR in power, but also shows that the influence of the US was growing in the country's internal affairs.

During the 1957-60 period, aid was the most important element in the income structure of the MNR government. It has been estimated that out of a total state income of US\$32m in 1957, some US\$10m came from the counterpart funds (see table p. 86)

With such a strong US hold over 30% of the state budget, the US aid agency had the power to activate or control outbreaks of violence such as food riots in the cities and rural areas. By the mid sixties, the future of the nationalist revolutionary government was gradually coming under its control. The stabilization became an instrument which enabled the US to influence both government decision making and the political system as a whole.

While the MNR fell apart due to internal pressures and distanced itself from the popular movement, US entryism moved to restructure civil society using the various aid sponsored 'service' agencies. The areas that received a boost in government expenditure such as peasant affairs, health and education, were precisely those touched on by the US sponsored agriculture, education, and public health services. Related to this too were the changes in public expenditure. Between 1952 and 1956 the emphasis was on health and education, but between 1957 and 1960 there was a shift towards education and peasant affairs. US influence exerted through aid had a political effect: state initiatives altered according to the plans the US had outlined for Bolivia, and this had started with the implementation of the Bohan proposals.

The US had undertaken a major commitment to slow-down the revolution, and they thought they could stop the communists coming to power. The aid program had surpassed US\$150m - about US\$25m a year between 1954-59, more or less an average of 7% of the GDP and about US\$7 per capita in aid every year. The political importance of the aid program can be seen in the 1958 aid figures. The importation of agricultural commodities like wheat, sugar and rice, financed by the US totalled US\$5m. This is 4% of US\$121m, which represents the total value of agricultural production for 1958. Thus 4% of the Bolivian population - about (...)

120,000 people mainly in the urban centres were consuming foodstuffs brought into the country under the aid program. In this way the US was, through this its urban electorate, able to use aid to influence the policies of the Bolivian government. Otherwise it would have to face up to a withdrawal of aid and the urban disturbances that would follow. (Frederick: 46)

US aid entered into a vicious circle as American entryism broadened. Aid became a means of co-opting social groups and sectors using the distributionist practices that had arisen with the MNR in power. While some sectors continued to be courted, others - particularly the working class - were desincorporated and lost out with the stabilization. This policy turnaround created a situation of political instability, which was controlled by involving other sections of the population that had not benefited from the economic and political distributionism of the first years - this was the case of the peasants.

The emergency aid, granted at first to help sort out 'temporary economic problems', was used to subsidize any form of social expenditure. Some of these programmes laid themselves open to corruption, abuses and speculation: as in the case of the imported flour and wheat.

The counterpart funds provided the basic financial infrastructure allowing bureaucratic clientelist mechanisms, and other political and economic distributionalist forms to operate.

The desintegration of the MNR started in this way. Aid at first helped the MNR to consolidate its position in the state and its apparatuses, while a rift began to take place between the party leadership, the party rank and file, and the grass roots popular movement. As the US later imposed changes in its aid programme and allocation patterns, this created conflicts and



imbalances in the relations between the state and civil society. This prepared the stage for Paz Estenssoro's downfall in 1964, as the US helped train and finance the best organized sector within the state apparatus, the armed forces. Once in power, the military continued both the corrupt practices and social welfare expenditure programmes started by the MNR. The significance of this continuity will be raised further on in this chapter.

The continuity pointed out by Wilkie concerning the fiscal model adopted by the MNR, is also applicable to the military which stuck to basic MNR policies for a long time. But Wilkie stated the difficult balance that had to be struck, but which neither the MNR nor the military was able to obtain:

If however the revolution is to come of age, central government must move towards economic investments, but maintaining at the same time its pattern of social expenditure. (Wilkie 1969: 43)

On the misuse of counterpart funds, there is evidence that between 1954-61, 10% of the funds were never deposited; they 'disappeared through indirect subsidies or were, for political reasons, lent out indefinitely.'  
(Frederick: 47)

About 50% of the counterpart funds were earmarked for budget support, mainly to pay public sector salaries. A further 20% was retained in the Central Bank until 1961 without being used. Finally, Bolivian importers, probably members of the MNR importers cell, borrowed counterpart funds in local currency totalling US\$2m. These funds were never paid back.

The fictitious situation whereby the MNR's social welfare expenditure was financed using counterpart 'subsidies', was a policy that could not be continued indefinitely. To withdraw this budget support cushion, after

1962, aid officials put forward the notion of 'self-help'. This was a bitter pill for the MNR to swallow as its raison d'etre, its social welfare programmes, were being partially run and financed by the US agencies. Any change over to a 'self-help' programme, without aid grants, could prove disastrous for the MNR. Furthermore the economic development programme the US had been offering since the forties had failed to materialize; in fact, until the early sixties US aid policy was not oriented to economic development at all, only to social welfare and infrastructure.

This strategy is borne out in a statement made by W P Snow, the US Assistant Secretary of State for Inter-American Affairs, in 1959 when he outlined the 'chronology' of aid:

In the North American economic aid programme to Bolivia three stages were necessary: a subterfuge emergency period, support for a subsequent stabilization effort, and a period of promoting economic development, dependent on conditions that would arise due to the stabilization. Prior to fiscal year 1957, the first and the second stages were combined. The programmes for fiscal year 1958 and 1959 were geared towards the second and third stages. (US Congress. Mutual Security Act Appropriations for 1959. Hearings of the Sub Committee. April 22 - June 19 1958. p. 1092. In Murray: 128)

Finally, let us examine the percentage of state expenditure in this period:

Table VIII : STATE EXPENDITURE (1957-60)

	1957	1958	1959	1960
Economic	27.3	13.3	19.3	15.7
Social	25.6	29.8	35.7	37.2
Administrative	47.1	56.9	45.0	47.1

If we compare these figures with those of the previous period, there were important differences. Social expenditure falls sharply by about 50% between 1956 and 1957. There was in fact a return to the pre-1955 expenditure level. We must recall that in 1956 social welfare expenditure rose, while the administrative fell. The reduction in social welfare expenditure took place the same year the stabilization was introduced. 1957 was also one of the few years in which economic expenditure actually increased. What happened was that the CBF received a budget boost. In addition there was an increase in state subsidies and other contributions to the international development agencies. The state budget allocation for this category rose from 6.1% in 1956 to 11.7 in 1957.

This increase in economic expenditure is almost certainly due to the Eder mission's emphasis on state economic -rather than social - expenditure. Social welfare expenditure fell sharply from the 1956 level of 51% to half that figure in 1957; it only recovered its high early-fifties level from 1959 onwards. The priority given to this area which as I said lies at the heart of national revolutionary politics and ideology, was restored in 1959 following political opposition to the stabilization.

Looking at the 1957-60 period as a whole, administrative expenditure remained stable except for 1958. Social welfare expenditure recovered by 1960 mainly due to increased state spending on public education and peasant affairs. Both Siles' and the Paz Estenssoro administration that followed, needed to win peasant support - the peasantry was used by the MNR as a mass of manoeuvre both against the working class and the military which was in process of modernization. In this sense it is worth noting that in the administrative expenditure category, military expenditure started to rise following the restructuring of the institution in 1954. The military share

of the budget rose from 6.7% in 1957 to 10.9% in 1960. US military aid also started to trickle in between 1957-60; although only a paltry US\$0.4m, it set a precedent as military aid would increase rapidly by the early sixties. But, by then the military and the peasantry, had found their common ground to form a bloc against the labour movement.

#### C THE DECADE OF THE 'TAKE-OFF'

The third phase of the US aid programme to Bolivia started in 1961 and coincided with the Alliance for Progress promoted by the J F Kennedy administration. This phase included a 'Triangular Plan' for the rehabilitation of the nationalized tin mines - detailed in chapter two -, a ten year economic development plan and a fiscal reform programme aimed at eliminating the dependence on US aid budget support.

Perhaps the most important MNR policy shift occurred with the election of Paz Estenssoro for a second non-consecutive term of office (1960-64); government plans changed radically: priority started to be given to economic development projects.

After 1961 the US aid objectives also changed:

- Reach a new financial cooperation agreement and help make public administration more efficient.
- Rehabilitate the nationalized mining industry implementing a tripartite
  - Us, West Germany and the Inter-American Development Bank (IADB) - Triangular Plan.

- Promote rural development, especially in the new agricultural areas of the eastern lowlands of Santa Cruz and the Beni. Also proposed was a colonization programme and improvements in the transport.
- Create the preconditions for an attractive investment market and raise the level of internal savings.

The following figures show this change over in the aid policy; they make this period stand out as one completely different in its aid patterns, compared with the two previous ones: when US aid support granted to Bolivia soon after the national revolution, and the moment when the stabilization pact was implemented.

Table XIX : ECONOMIC AID (1961-64)

	1961	1962	1963	1964	TOTAL	%
Loans	9.7	10.4	41.3	51.1	112.5	55
Grants	19.8	26.0	21.8	24.8	92.4	45
TOTAL	29.5	36.4	63.1	75.9	204.9	100

(in US\$m)

These figures show three important changes took place compared with the two previous periods:

- 1) Compared to each of the two previous periods, the amount of aid doubled. In other words, the aid total in this period is practically equal to the total of the two earlier periods.
- 2) The type of aid provided by the US changed: there is a greater emphasis on loans rather than grants. The earlier ratios of 9%/90% between 1952-56 and 5%/95% between 1957-60 were reversed, as loans

took priority over grants, in the following proportion: 55%/45%.

- 3) The ratios reversed between 1962 and 1963, when the average annual aid rose by 75%, from US\$36.4 to US\$63.1m.

This fairly radical reversal of the loans /grants ration was a recommendation presented by the US sponsored Solomon mission of 1963. The Solomon report proposed that the high proportion of aid grants be drastically trimmed, encouraging instead the contracting of loans while Bolivian 'self-help' initiatives were promoted. The reasoning behind the Solomon report was that these changes would assist economic development and capitalization. Paradoxically this policy turn-around took place at the same time that the Alliance for Progress - itself the product of the Eder mission which visited Bolivia on 14 August 1961 - which put forward proposals for a more flexible approach to foreign aid, that ran contrary to what Solomon was suggesting. The Eder mission and the Alliance for Progress suggested promoting the development of state enterprises to make them profitable while resources were also allocated to social reform programmes. These policy objectives ran contrary to the Solomon plan, biased as it was against social welfare expenditure.

According to Solomon, the Bolivian economy had the following characteristics:

'Bolivia is on its own way today a welfare state. It is on this basis that political consent is established in that country. This particular form of welfare policy makes it impossible for either the government or state enterprises to dismiss "supernumerary" employees' (Solomon, Report on the Finances of the Public Sector in Bolivia; Washington, 1 March 1963. In Frederick: 57)

The report emphasized the need to cut back on the public sector super-numerary - overemployment policies - particularly in the state mining corporation (Comibol) where overemployment had become a cronic problem.

We shall see this point in greater detail in the next chapter about Comibol.

With the optimism characteristic of most US mission heads, Solomon thought that this vicious circle of social welfare expenditure, could be broken by gradually reducing budget support and increasing investment. New jobs would be created and the overemployment problem would disappear. Once these objectives were achieved, the country could at last be on the road for a 'take off': that long lost revolutionary nationalist ideal of economic development was now being promoted by the US agencies, albeit in their own terms.

Adopting this Solomonic recourse meant - as expected - serious cut-backs *in* US aid budget support. The MNR suddenly found itself in the awkward situation of having to find ways and means of keeping<sup>a</sup> 'national revolutionary' pattern of state expenditure, its legacy from the forties. The MNR continued to apportion a large share of state expenditure for social welfare despite a growing fiscal deficit. The party had no alternative but to keep up this expenditure pattern if it was to remain in power.

The following state expenditure figures for the 1961-64 period show that 1963 onwards economic expenditure fell. Social welfare expenditure rose slightly between 1962 and 1963; while after 1963 administrative expenditure went over 50%.

Table X : STATE EXPENDITURE (1961-64)

	1961	1962	1963	1964
Economic	16.6	15.6	13.0	13.6
Social	33.5	35.2	36.3	33.3
Administrative	49.9	49.2	50.7	53.1

These percentage figures are in fact comparable to those of the first period (1952-56) of the revolution.

The changes in the aid pattern - an increased emphasis on loans rather than grants - was not accompanied by any significant change in the structure of state expenditure. We must therefore ask ourselves, how did the government face up to this problem?

According to Wilkie (1971), the MNR government was not aware of the problem. There was no consciousness that funds had to be channelled from the tax pool to cover the withdrawal of US budget support.

The Solomon report suggested that such a reform could be achieved by raising state revenues sources through more efficient collection of custom duties, a new tax code and the introduction of a land tax which would raise tax revenue from the peasant direct producers. But any of these reforms was suicidal for the MNR. They could alienate the last bastions of its support among the peasantry and the urban middle classes; they could further raise the level of social and political tension, making the MNR's hold onto power even more precarious. Quite simply the full implementation of the Solomon report recommendations would have wiped out the economic and social distribution structure involving contraband, corruption and clientelism which had become the backbone of the revolutionary nationalism since the early fifties. The middle and popular urban sectors had always opposed any tax increases, while the peasantry continued to fight a secular struggle against any type of rural taxes, especially a land tax. The only payment the ayllu communards had been prepared to make the state since colonial times was a tax/tribute, but only if it involved an implicit pact of reciprocity. The republican state continuously broke its commitment



to its indian community tributaries in the second half of the nineteenth century (Platt 1982), despite this the ayllu comunards insisted on keeping their part of the pact, as they associated tribute payment with their land rights.

The MNR opted instead for the only alternative available, one paradoxically offered by the agent - the US - that had provoked the impasse: to contract overseas loans to cover the fiscal deficit. This was the beginning of both a spiralling foreign debt problem - which put the country in a situation of dependency that tied it to decisions made overseas - a crucial factor that contributed to the fall of the MNR. Thus under Paz Estenssoro's second presidency, the MNR lost control over public expenditure. This created a number of problems for the party; it was unable to continue with its distributionist policies which by the early sixties were no longer being used to co-opt the working class and urban middle sectors, but to win the support of the peasantry - mainly the Cochabamba valley small-holders - and important sectors of the commercial and intermediary bourgeoisie. The MNR no longer controlled those instruments of political power it held when its 1957 stabilization split the popular movement from the party. By the early sixties, the MNR had fallen victim of its own self imposed constraints.

In one sense, the pre-revolutionary policy which the MNR continued to develop after 1952, could have been an important element in the MNR's capacity to remain in power, because it offered a stable system in the midst of events which provoked considerable instability. Quite likely the MNR could not have been able to remain in power if it would have also wanted to alter the pattern of expenditure. (Wilkie 1971: 229)

Wilkie's assumption is correct as the MNR would not have been able to survive without modifying the pattern of state expenditure, doing this was similar to denying its raison d'etre. How a serious political and

fiscal crisis could have arisen simply by altering the aid structure, demonstrates how precarious the MNR led revolution had become.

1 Aid and the build up of the military

It is well to remember that after the MNR was deposed in 1964, a regime - so pro-yankee and developmentalist - as that of general René Barrientos did not, or was unable to alter the structure of state expenditures. On the contrary, in 1966 - I only have figures available up to this year - social expenditure increased 40% and the percentage of economic expenditure was the lowest since 1954. The lesson learnt - despite the destabilizing effects of US aid - was that the state social welfare expenditure parameters set by revolutionary nationalism have become part and parcel of the modern Bolivian state: even the military did not appear to alter this expenditure pattern.

Table XI : STATE EXPENDITURE (1965-66)

	1965	1966
Economic	11.6	12.0
Social	34.1	40.8
Administrative	54.3	<b>47.2</b>

To complete our analysis it is important to examine the increase in military aid. Military aid in the form of donations totalled US\$8.2m in the 1961-64 period: but if we add the funds allocated to the Military Civic Action programme, the figure is a lot higher: US\$15.3m.

Table XII : MILITARY AID (1961-64)

	1961	1962	1963	1964	TOTAL	%
Loans	-	-	-	-	-	-
Grants	0.4	2.2	2.4	3.2	8.2	53.6
Civic Action Funds	-	1.7	3.8	1.6	7.1	46.4
TOTAL	0.4	3.9	6.2	4.8	15.3	100

(Table prepared using Appendix Table 9 in Malloy and Thorn: 390s - military aid figures - and Flores: 127 - Civic Action funds -)

The above figures show that military aid entirely made up of grants. But if civic action funds are added, then 53.6% of the total comprises military aid (grants) and 46.4% Civic Action funds.

In 1963, the year in which the structure of US aid to Bolivia changed, the Military Civic Action programme received more funds. The coincidence is symptomatic for it also took place at a time when the military was in a process of reorganization and changing its overall constitutional role. The military started to get more and more involved in social promotion and development projects, particularly in agriculture, road building and maintenance, land clearance, as well as projects for school and house construction, community development and colonization. The US financed Civic Action programme was designed to help bolster the image of a military working for and with the civic population. This image building of the military was very astutely used by General René Barrientos to create a personal following among the small holding peasantry of the Cochabamba valley.

General Barrientos ... used the inauguration of rural schools to win the political support of the peasantry. Over the years, Barrientos was a firm supporter of civic action ... Quite possibly to prevent another ambitious general to set up his own following, Barrientos consolidated his control over all such projects. (Flores: 20)

The impression given was that with the introduction of the Civic Action programmes, the increase in military aid and the changes in the economic structure - which rose from 75% between 1962 and 1963 - the US had not only created the preconditions for the fall of the MNR, but at the same time strengthened an alternative force to replace. The anti-Communism of the armed forces was in the end a more coherent discourse than that offered by the MNR, an increasingly factionalized party which was precariously holding on to power after losing the bulk of its popular support. This is but one of the aspects we shall examine at length in our final chapter which will analyse the MNR and the revolution from a regional perspective.

To conclude my analysis of this period, I will briefly examine the following table which shows US aid budget support contribution, and the percentage of total state income it represented.

Table XIII:

AMOUNT AND PERCENTAGE OF THE US AID CONTRIBUTION TO  
CENTRAL GOVERNMENT INCOME (BUDGET SUPPORT) 1957-1966

Year	Govt. income	Aid contribution	Official rate	US\$ thousands	% aid
1957	276.0	85.5	8.1	10,555	32%
1958	279.9	77.6	9.5	8,168	26%
1959	342.8	100.5	11.9	8,445	29%
1960	341.9	78.3	11.9	6,580	23%
1961	413.4	105.5	12.0	8,792	26%
1962	459.2	82.8	12.0	6,900	18%
1963	439.2	65.0	11.9	5,462	15%
1964	554.4	42.3	11.9	3,597	8%
1965	737.8	30.0	11.9	2,521	4%
1966	837.0	34.4	11.9	2,891	4%
	(in billions of Bs.)			<u>63,911</u>	

(Table prepared using information contained in table 5 of Wilkie (...))

1969: 13. Given that the figures in the table are in billions of Bs, I have opted to convert these sums using the exchange rate which Wilkie provides in table 4, column B. This has enabled me to calculate in US dollars - thousands - the US aid contribution to the central government's budget in the 1957-66 period)\*

The above figures show that the percentage of US aid contribution to the state budget falls irregularly from the 32% high in 1957 to 26% in 1961. The drop is even more constant and regular after 1963, the year the Solomon recommendations came out cutting back on US aid support and giving a greater emphasis to loans in the aid structure.

In 1964 the US State Department pressed Paz Estenssoro to present himself for a second consecutive term of office, although this was barred by the constitution. The US was pleased with Paz Estenssoro's rightward drift, his policy of breaking strikes and dismissing supernumeraries, especially in Comibol (see next chapter). To force Paz Estenssoro to present himself for a second constitutive term of office, the US used a similar tactic<sup>†</sup> that used against Siles in 1956 to implement the stabilization - a threat to withdraw US aid. But Paz's 1964 reelection attempt could not be under the same conditions as his 1960 election.

In 1960 Paz still enjoyed the illusion that the masses (las grandes mayorías) still had faith in the MNR, despite the harsh reality of the stabilization pact which had distanced many popular sectors from the MNR.

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\* I would like to point out that in Walter Gómez d'Angelo's book there is a table entitled 'USAID budget support funds for the Bolivian government' (227) whose figures appear to be incorrect. If, for example, we add up the total amount of funds provided for budget support between 1957-66, the figure we get is a huge US\$636,403,000 which exceeds the total economic and military aid to Bolivia in the 1946-68 period. It seems to be a print error as the figure I estimate in the above table is US\$63,911,000

Paz Estenssoro's second presidency from 1960-64 continued the MNR's centralization of power, in the CPN and the cabinet. Paz thought that this strategy of centralization could resolve the party factionalism provoked by the Siles' stabilization policies. What happened was that Siles ruled by creating factional splits within the party. (He thought this would help him concentrate power in La Paz - the seat of government - and in the Andean regions, stopping regionalist caudillos consolidating their power bases. This concentration of power in central government was coupled to concentration of power in the executive branch and the MNR party structures, the CPN). Contrary to this approach, Paz Estenssoro when he came to power in 1960, tried to smooth things in and out between the party factions seeking out forms of conciliation and compromise. He granted many faction leaders and regional party caudillos important positions within the CPN and a say in the running of things. Although this formula at first appeared to work well, Paz's objective mirrored in the end Siles' obsession of concentrating power. His idea was to politically isolate the party factions by turning the CPN into a 'council of factions'. At the end of the day, Paz's objectives were identical to those of Siles, although the methods used were different.

The bureaucratic-clientelar structure of continuity between successive regimes - both within the state apparatuses and in the party structures - pursued its own ends from 1961 onwards as splits emerged between leaders and led at all levels. In fact, <sup>by</sup> this year, the MNR had lost touch with the one of its most loyal sectors, the urban petty bourgeoisie.

Federico Fortún Sanjinés tried to restore the 'principle of authority' by seizing control of the CPN chair and setting up his 'maquinita' (his own party machine), which consolidated authoritarian rule by party leaders. What provoked the greatest reaction was that after 1961 Paz continued the

unpopular tactic used by Siles of naming his own comptrollers to run the nine Departmental Commands. Internal party elections were held between 1960 and 1964 but they only served to rubber stamp existing leaders - many of them former departmental command supervisors who had risen through the clientelar party ranks under the Siles government - in their posts.

Reports of the internal party situation at the time are devastating: the party membership had dwindled, it lacked guidance and a political strategy. Irreconcilable interests and antagonistic groups had emerged within it, there had ceased to be an organic link between the leaders of the Departmental Command (CD) and the rank and file membership. The party was vanishing, it was becoming a shadow of its past.

Faced with the problem of factionalism, the leadership moved to win more peasant support and broaden its ranks with more 'obedient' and 'acquiescent' clients. Given the split between leaders and led, the race was on to win the support of the peasant masses. It was also on this issue that the different party factions would eventually agree on, in seeking to depose Paz Estenssoro, although they were not able to come together and form an opposition front. But the only group able to establish a close rapport with key peasant sectors were the military, through the intelligent use of civic action propaganda and resources. Because of the intra-party squabbles, the MNR was unable to win the support of the peasantry.

Thus, it comes as no surprise that the US would have started to change its policy on aid, grants, military assistance and economic development. The policy turn-around meant the armed forces were gradually being prepared to replace a decrepit MNR.

At the time Paz Estenssoro - supported by the US State Department - was seeking his 'unconstitutional' reelection, general René Barrientos (who elbowed his way into being named Paz's running mate - even faking an assassination attempt) had the Pentagon's backing to depose Paz. This suggests a contradictory US policy. It seems two options were played, one by the State Department, another by the Pentagon; the former backed Paz's continued civilian rule, the latter a Barrientos led military coup. Paz needed the support of the military - by then a force in its own right - if he was to remain in power and be reelected in 1964, that is why Barrientos became his running mate; his third term of office lasted only three months.

The following figures show the build up in state military expenditure:

Table XIV:

PERCENTAGE OF STATE MILITARY EXPENDITURE (1958-66)

	1958	1959	1960	1961	1962	1963	1964	1965	1966
Military	8.6	10.6	10.9	12.2	12.6	12.4	12.0	18.3	18.0
State obligations	-	-	-	0.1	0.9	1.1	1.9	-	-
TOTAL	8.6	10.6	10.9	12.3	13.5	13.5	13.9	18.3	18.0

(Table prepared using Appendix M-N. In Wilkie 1969: 65-73)

The percentage of military expenditure rose after 1959, but remained constant until Barrientos' military coup at the end of 1964. But once the MNR was deposed, military expenditure shot up to 18% of the total budget; in the three years before the coup, this expenditure was 13% of the state budget.

This increase in military expenditure coupled with the rise in US military aid and funds for the Civic Action programme, show the armed forces was



being built up. The US told the MNR this build up was justified as the trade unions were still a communist threat. Thus the 'communist threat' argument brandished in the fifties by the MNR to obtain US economic and technical assistance, was in the sixties raised by the US and the military to justify their build up. Once again the MNR's discourse was turned against it. By this stage, the revolution was in the hands of the military.

Barrientos speech against Paz Estenssoro soon after he took power (see Appendix A) in 1964 is one that is incredibly paradoxical, as it could well have been the speech Paz could have made denouncing the Rosca oligarchy, when he arrived from exile in Argentina on 15 April 1952 - in an airforce plane piloted by the young captain René Barrientos - to be inaugurated as President.

The policies implemented by Barrientos satisfied US whims for Bolivia, although as we mentioned earlier, there was no change in the structure of state expenditure - compared to the 12 years of MNR rule.

During the Barrientos dictatorship, administrative reforms were introduced. As I shall examine in chapter two, in Comibol an austerity policy was implemented; it meant the reduction of wages and salaries, and the dismissal of more supernumeraries. When the working miners went on strike in May 1965, the military occupied the mining camps.

The year 1965 is exceptional because it breaks the pattern of US aid which had existed until that time. Aid falls, but only in the loans category, while the level of grants although reduced slightly compared to 1964, still remained quite high. The following figures shows this:

Table XV : ECONOMIC AID (1965-68)

	1965	1966	1967	1968	TOTAL	%
Loans	0.2	27.3	21.6	14.1	63.2	65
Grants	11.7	9.1	6.5	6.0	33.0	35
TOTAL	11.9	36.1	28.1	20.1	96.5	100

(in US\$m)

If we compare the above economic aid figures with the 1961-64 period, we find that the aid total is cut back by slightly over 100%. In actual fact the above figures are proportionately closer to the amounts of the two first periods: 1952-56 = US\$72.9m and 1957-60 = US\$86.9m. But in addition to the aid total falling in this period, the tendency of giving a greater priority to loans rather than grants - introduced after 1963 - continues. The exception to this tendency was, as we pointed out, 1965. As a proportion of total aid, throughout this period the amount of grants fell by 35%. It is well to reiterate that in the earlier period (1961-64) the percentage of grants stood at 45%. Between 1952-56 it was at 90.7%, rising to 95.4% between 1957-60.

The military figures during this period were:

Table XVI : MILITARY AID (1965-68)

	1965	1956	1967	1968	TOTAL	%
Loans	-	-	-	-	-	-
Grants	1.9	2.4	2.9	3.5	10.7	85
Civic Action Funds	1.4	0.1	0.3	0.09	1.89	15
TOTAL	3.3	2.5	3.2	3.59	12.59	100

The first thing that stands out in these figures, when compared to the previous period (see table: Military Aid 1961-64) is that no loans have been contracted while grants continue to increase, rising by US\$2.5m.

Funds for Civic Action fell heavily compared to the former period. This is mainly because the military had, by 1965, polished their image putting themselves forward as a force in its own right capable of establishing a pact with the peasantry, and mobilizing it. The military were able to lay down their authority and the peasants offered support, at a time when other social forces in society were in a 'passive' opposition to the MNR. This is why after the Barrientos coup in 1964 the percentage of Civic Action funds as a proportion of total military aid, fell from 46.4% between 1961-64 to 15% in the 1965-68 period.

On the other hand, the year after the coup (1965) military expenditure shot up - see table: Military Expenditure as a Proportion of Public Expenditure 1958-66 - from 12% in 1964 to 18.3% in 1965 and 18% in 1966. These were the highest percentages since 1952 revolution.

The increase in military expenditure continued in order to combat the guerrilla campaign organized in Bolivia by Ernesto 'Che' Guevara. It contributed to a US\$14m fiscal deficit in 1967 and 1968.

By way of conclusion, we can say that the transition from a civilian revolutionary nationalist government to a military one, was not accompanied by any significant change in the budget trends of the revolutionary nationalist state. Those changes that took place involved an increase in military expenditure as a proportion of the public budget, a reduction in the funds allocated to the Civic Action programme and cut-backs in the US

economic aid between 1965-68. There was in addition no change in the structure of central government's expenditure, on the contrary, the emphasis in social and administrative expenditure still had priority over economic expenditure.

But if we compare the civil and the military types of revolutionary nationalist governments in terms of economic growth, we find that it was higher during the period of military rule. Although there was a 9% reduction in the GDP between 1952-53, in subsequent years there were slight increases, particularly between 1954 and 1955 when US aid started to pour into the country. For the rest of the decade until 1961, the annual GDP rates of growth were very small and at times even negative, especially between 1955-57. In the sixties however, there was a marked improvement in the economic situation: until 1968 grew by at least 5% per annum. In fact, it was only after 1964, when the military took over, that economic growth reached its highest levels (7% per annum). Many thought Bolivia had, because of this, reached a 'take-off' stage of economic development.

The similarities between the civil and the military revolutionary nationalist models become even more obvious because the military emerged as the institution that could best further the nationalist revolutionary objectives, given the MNR's incapacity of implement them.

The military continuously emphasized the need for economic development and gave the private sector special concessions and privileges . They also moved to weaken the political power of the trade unions and both their internal security and foreign policy was punctuated by a rabid anti-communism, which got worse during the 'Che' Guevara guerrilla campaign.

To promote economic development, the state moved to contract overseas loans and credits which had by the mid seventies led to a massive foreign debt and repayment problems. Most of these loans distributed locally - mainly through grants to private enterprise - were never paid back because they were not used productively.

The 'new' economic distributionism promoted by the military to build up a 'national bourgeoisie' and also to restore the criollo cast hegemony - part of the MNR's long lost dream - both within the private and the state sector, coupled with an over large foreign debt, were factors which - once the structural possibilities of the country's economy had worn thin - set the state for urgently finding new sources of capital from 'non traditional sources'. My suggestion is (I will go into this in greater detail in chapter three on Santa Cruz and in the conclusion) that the way out of this was one to accumulate money-capital through drugs trafficking, which became for this class-caste a new form of primitive capital accumulation.

What I intend to demonstrate in the remaining two chapters and the conclusion is that the growing US influence in Bolivia's political and economic affairs since the turn of the century - investments and Bohan plan -, the transformism of revolutionary nationalism and the impact of US aid on the revolution and its institutions, are inter-related phenomena, which set the stage for the restoration of criollo hegemony. A precarious restoration of a bourgeois class-caste which moved into the lucrative business of drugs trafficking once its overseas and credit life-lines dried up in the mid seventies.

In the next chapter, I will examine some of the points raised in this one, but in the context of an in-depth analysis of the crisis in the state mining sector (Comibol) - the most important source of overseas revenues until

the drugs trafficking boom of the late seventies. The analysis of mining is crucial for understanding the specificity of Andean production and bureaucratic practices, the way the underground miners organized the reproduction of their labour power, and how the decapitalization of state mining was used to re<sup>e</sup>stablish a big private mining sector - and a criollo bourgeoisie - in the Andean region. Comibol's revenues also assisted the formation of an agricultural and agroindustrial criollo-cruceña bourgeoisie in the Oriente. In this way, mining and US aid funded, from the first years of the revolution, the productive base of a national bourgeoisie and helped restore criollo hegemony.

CHAPTER TWO

TIN, LABOUR AND 'THEFT':  
CONFLICTS IN MINING AFTER THE REVOLUTION

I 'TIN BARONS' AND NATIONALIST LANDMARKS: THE BACKGROUND OF COMIBOL

In this chapter, I will analyse other aspects of the MNR's social and economic policy in the 1952-65 period, but concentrating on the state mining sector. I will start by making several observations about the private mining activities of the tin barons, Patiño, Hochschild and Aramayo, at the beginning of the forties.

Perhaps the most important feature of their operations concerns the low level of capital intensity in these tin mining operations. In fact, due to the heavy decapitalization of the industry after 1930, labour acquired a more intensive character than capital in the production process.

We thus find that 20 years before the nationalization of the mines, tin exploitation tended to be concentrated on the labour factor, increasing the rate of labour exploitation, in order to boost flagging profit rates. An



obvious way of doing this was to freeze wages and salaries, and cut back on capital investment. There was for example no incentive to seek out new mineral reserve deposits for exploitation, despite the fact that the percentage recovery of fine mineral was rapidly falling. Mineral processing plants which had been designed to treat ores with a high mineral content, wore out more rapidly and broke down when they had to process greater quantities of ore to meet previous production levels of tin mineral concentrate.

The above findings form part of the 1941 Bohan report. Ten years later when the Keenleyside mission visited Bolivia, the Bohan findings concerning the private mining sector were still valid. The Keenleyside mission criticized the three barons' policy to maintain a cautious - though not necessarily less profitable - status quo situation, instead of promoting the development of the productive forces in mining, Bolivia's main source of overseas revenue earnings.

But while private mining was a fiefdom of the tin mining barons prior to the revolution, after 1952 the mines became the fighting ground for several trade union and party bureaucratic clientelar factions, <sup>which</sup> aimed to seize control of the political, pecuniary spoils including the recovery of minerals (rescate de minerales). We will examine this here.

The MNR 'imposed' its hegemony, this means that it failed to articulate around it a popular and democratic\* consensus. The COB had few real alternatives to offer for despite its radicalism, it espoused a trade union version of

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\* I used the notion of 'popular democratic' in the sense employed by Ernesto Laclau referring to the articulation of non-class collective interpellations. (Laclau: 1977: 100-111)

the same revolutionary nationalist discourse used by the party. Both institutions, the MNR and the COB, used the cogobierno to set out the ideological and political ground which created the modern Bolivian State; the peasantry and the military through their pact - in 1964 - also contributed to this.

The MNR/COB cogovernment issued paradoxical policies that provoked transformist contradictions and conflicts between the leaders and <sup>the</sup> rank and file supporters; between underground miners and surface workers; between the party militias of the MNR and the trade union militias of the COB; between the mining working class and the Comibol bureaucracy.

Comibol - with its parasitic central bureaucracy in La Paz, far from the bleak reality of the Altiplano mining centres - was a small scale version of that network of conflicting relations that existed in Bolivian society as a whole. In chapter three, I will show how true this is when examining the conflicts between central government and regionalist political groups, especially in the oil producing department of Santa Cruz.

In this chapter, I aim to show that despite the 1952 nationalization, the mining industry continued to be decapitalized because the state, which control<sup>ed</sup> the commercialization of tin and other minerals, speculated with Comibol's foreign revenue earnings. Such an attempt at state control over the commercialization of minerals was not new, and in republican times at least, one example of this<sup>was</sup> the 7 June 1939 decree passed by the government of German Busch. But Busch committed suicide not long after and the decree lapsed. Nevertheless, the tin barons treated it as a warning, and were cautious from then on not to invest further in the capitalization of their Bolivian mining ventures.

The total sum invested by the tin barons in the 10 years before the nationalization, has been estimated at no more than US\$10m. Other estimates suggest that tin baron Simón Patiño had amortized 70% of his fixed capital by 1938, and 90% of it by the time of the nationalization.

The limited interest the tin barons had in further expanding their mining ventures in Bolivia, is reflected by the fact that in the late twenties the three magnates registered their companies overseas, and diversified their productive and financial interests seeking new investment areas and countries. They had funded their international holdings by cornering the world market, overexploiting their work-force and by restricting the level of consumption of wide sections of the urban population in Bolivia. Such sectors were driven to a situation of pauperization through several social and economic mechanisms of desincorporation.

Among other things, this overexploitation was aggravated by Bolivia's disastrous war with its neighbour, Paraguay, justified by the oligarchy as a necessary trial by fire for the Bolivian people. The anti-oligarchical movement which emerged, question<sup>ing</sup> the prevailing order, after the Chaco war culminated in the 1952 popular insurrection.

What I want to highlight here are some milestones in this 'revolutionary' build-up <sup>put an</sup> to end oligarchical rule. Milestones that represent links of continuity between the period of oligarchical rule and the post 1952 revolutionary nationalism.

In the first chapter, I examined some policy continuities before and after the 1952 revolution, as well as continuities between the civilian revolutionary rule and the military rule after 1964. Raising and analysing such

continuities is a controversial issue, because it relativizes the idea of a revolutionary rupture, and shows how the dominant classes/ethno cultural estaments can regroup their forces under the most adverse of circumstances in order to keep and their hegemony. This was possible despite the existence of a strong trade union movement not able but willing to lead the dominated sector. As I said earlier, this is a point I will cover in detail in the next chapter showing how a bourgeois/criollo hegemony was slowly restored during the revolution under the guise of a revolutionary nationalist ideology. But for the moment let us examine more of these landmarks.

#### A FISCAL REVOLUTION AND THE CONTROL OF MINING RENT

I mentioned one landmark in chapter one: the fiscal revolution in the mid forties when Paz Estenssoro was a minister in the Radepa/MNR cogobierno led by colonel Gualberto Villarroel (1943-46). The new fiscal policy he implemented became the public sector expenditure paradigm for all the governments, at least until Banzer came to power in 1971 (we have no figures of information to confirm changes in public expenditure during the Banzerato). The fiscal revolution introduced in the forties actually recovered the social constitutionalist ideals of president Germán Busch (1937-39) who had stressed the need for state social welfare expenditure.

The second landmark which is even more closely related to Busch, was the decree signed on 7 June 1939 granting the state control over all mining export by a state mining bank. The purpose of the decree was to use part of these revenues to finance the state budget, and increase social welfare expenditure.

The state control of mining revenues was a step forward as it affirmed the state vis-a-vis the interests of the oligarchy - the so-called 'mining super state' - but also represented an attempt to end private control and speculation of mining revenues.

Although I do not have any figures which can show the amount of increase in state income, the following table illustrates how in the last year of his presidency, colonel Busch achieved an important change-over in the areas of state expenditure:

Table XVII : STATE EXPENDITURE (1935-39)

	1935	1936	1937	1938	1939
Economic	6.5	6.1	12.5	9.7	15.5
Social	2.8	8.5	12.8	12.4	23.6
Administrative	90.7	85.4	74.7	77.9	60.9

(Compiled using figures in Wilkie 1969: 65-73, Appendix M-N)

During Busch's term of office, there was an increase in social welfare expenditure and a constant reduction in administrative expenditure which in 1935 - at the height of the Chaco war - reached a high of 90.7%. By 1939 these administrative expenditures had fallen to 61%, whilst social welfare expenditure climbed from 2.8 to 23.6%.

The fiscal policy precedent set by Busch was subsequently be taken up by the MNR during the government of colonel Gualberto Villarroel. In addition Busch's 1939 decree which gave the state the control over all mining revenues was reintroduced by the Villarroel government on 5 April 1945.

Others things being equal, it is not surprising that both Busch and Villarroel were raised by the MNR as the forerunners of its policy. Worth mentioning also (as we did in the first chapter) is the fact that this attempt at state control over mining revenues was proposed in 1952 - by the MNR right wing - as an alternative to the nationalization of the tin mines. It was also the first alternative course of action - to nationalization - suggested by ambassador Sparks when he met with MNR foreign minister Walter Guevara Arze and vice-president Hernán Siles Zuazo. This alternative was not implemented on its own but was followed up by the nationalization of the mines. But commercialization of minerals and central government control - through the Banco Minero and the Central Bank - of mineral export revenues, caused the systematic decapitalization of the state mining company and ensured the illicit enrichment of those sectors and individuals linked to the MNR bureaucratic clientelar networks. The mining rent helped a criollo bourgeoisie reconstruct its productive base, both in the Andean region (the emergence of a new big private mining and financial sector) and in the eastern lowlands of Santa Cruz (an agro-industrial, financial and commercial bourgeoisie). This chapter will examine how this was made possible through the decapitalization and subsequent crisis on Comibol. Chapter three will closely follow those political events which led to the emergence of the Santa Cruz bourgeoisie backed by funds drawn from Comibol and US aid.

## II DECAPITALIZATION AND THE BOUGHT CONSENSUS

In chapter one, I examined why between 1953-56 Comibol sold its foreign exchange revenues to the Central Bank at a rate of exchange well below that

of the free market. This left Comibol at the mercy of central government, provoking an absolute reduction of its funds to the point where it was unable to renew its plant and equipment. Other factors also came into play which damaged the company's operations: the depletion of mineral reserves; the growing technical and administrative problems in the state company as employees and technicians were named less for their competence than for their militancy in the MNR; the overemployment of miners; the absence of any plan to exploit the mines; and the concentration of the decision making bureaucracy at the head office in La Paz, far from the mines.

Although part of the mining rent obtained through the indirect taxes was used to finance agricultural, agro-industrial and infrastructure projects in the Oriente, the MNR also used this rent to fund its bureaucratic-clientelar consent and organize its militias in the countryside, mines and urban centres.

The following table details the total indirect tax paid by Comibol between 1953-56: US\$108.5m. This large amount of money was, however, not even registered in any account. It was used to finance those social and political sectors clientelary linked to the MNR - such as the commercial import sector, the small private manufacturing sector and groups like state managers and party bureaucrats. One observer of this period suggested Comibol funds were used to build up the party militias, the so-called 'special commands':

Estas milicias estaban sostenidas con fondos de Comibol y la empresa distraía fondos destinados a la producción. Estas situaciones anormales determinaron, entre otros, la caída de la producción en las minas y en particular en Colquiri. Técnicos de Comibol dijeron que con esas 'milicias' se había 'hundido Colquiri y Huanuni'.\* Nunca

Table XVIII : DIRECT AND INDIRECT TAXATION OF COMIBOL

Year	A Value of Comibol's production US\$	B Indirect taxes paid by Comibol US\$	C Indirect tax as a % of production	D Direct taxes paid by Comibol US\$	E Direct tax as a % of production	F Total tax paid by Comibol US\$	G Total tax paid as a % of production
1953	83,511,000	18,483,000	22.13%	4,760,127	5.70%	23,243,127	28%
1954	70,639,000	33,181,000	46.77%	5,552,226	7.86%	38,663,226	55%
1955	72,415,000	30,610,000	42.27%	4,134,897	5.71%	34,744,897	48%
1956	75,410,000	26,291,000	34.86%	1,689,184	2.24%	27,980,184	37%
	<u>301,975,000</u>	<u>108,565,000</u>		<u>16,136,434</u>		<u>124,631,434</u>	

A = Taken from column 10, table 9: Value of mining production. Gómez: 187

B = Taken from column 54, table 18: Indirect tax raised through differential exchange rates. Gómez: 217

C = % B

D = Taken from column 40, table 13: Index of prices and terms of exchange. Gómez: 202

E = % D

F = B + D

G = C + E



se revelaron los detalles de los gastos.  
(Antezana: 116)

\* In 1958 and 1959 respectively. There were violent confrontations between rival militia groups of pro-MNR supporters and the miners' union own militia forces.

Raising funds through speculating with Comibol's foreign exchange revenues, became an obvious alternative as the MNR<sup>was</sup> faced - after coming to power so unexpectedly - with a need to satisfy popular and rank and file demands. The success of the MNR's fiscal policy at home and its diplomatic<sup>overtures</sup> to secure US recognition and aid disbursements relied on the fact that it combined the need to do something about the popular movement - stopping its further leftward drift to fall prey of communist influences by satisfying their basic demands and needs (the corner-stone of the MNR promise of social justice, economic diversification and the building of a new nation) - using US aid donations and the monies obtained from Comibol.

What was in practice consolidated by the MNR was a popular consent made possible by the US through its aid programme and by the funds obtained from Comibol through indirect taxation. While aid was used for social welfare and the development of the Oriente, Comibol funds - wholly in MNR hands - were used to build up a repressive force, finance the party clientelar networks and earmark funds for the consolidation of a cruceña bourgeoisie in the Oriente.

### III THE 'SOCIAL' IN THE MINES: THE INCORPORATION OF THE SUPERNUMERARIES

Long before these Comibol funds - indirect taxation - started to flow regularly, that is after a tin purchase agreement<sup>had been</sup> signed with the US, the MNR

found it had to solve a number of urgent pressing social and economic problems. The most serious was unemployment and reinstalling the workers sacked for political reasons, during the sexenio (1946-52).

Thus a few months after the April insurrection, the MNR introduced several measures linked to the mining sector; these were to have profound political and economic implications not only for Comibol but for the 'revolutionary' process. Let us examine some of these.

First of all it is necessary to reiterate something said in the first chapter when I analysed the nationalization of the tin mines. The mines belonging to the tin barons were not nationalized but only intervened immediately after the revolution; they were in fact nationalized seven months later, in October. Comibol was not set up on 2 June 1952 - the day the MNR government received US diplomatic recognition; the Bolivian State merely took up the monopoly exportation/commercialization of minerals, and the control of all mining export revenues. Comibol was actually set up on 2 October 1952 (Supreme Decree 3196), three weeks before the nationalization.

The question we must, therefore, ask ourselves is what happened between April and October that year, in that period between the popular insurrection and the creation of Comibol/nationalization of the mines.

As I pointed out in the first chapter, the objective of the MNR right wing and the threatened mining interests - both groups were represented in the commission studying the nationalization of the mines - was to try and get the nationalization issue shelved or discarded, suggesting instead that only these measures introduced by president Busch in 1939 and which Villarroel ratified in 1945, <sup>should</sup> be implemented. That is, grant the state control over

the export and commercialization of minerals. I have already shown that the policy on state mining was to move beyond this control of commercialization because the popular and trade union mobilization forced the government to nationalize the mines.

In the April-October seven month lull prior to the nationalization, the mines still remained under the control of the three tin barons. Even so, during this lull the MNR approved two decrees which in years to come transformed<sup>ed</sup> the character of the labour force in the mines. The decrees sanctioned the return to work, first of all those workers dismissed during the sexenio, then forced the mining centres to contract unemployed people formerly not trade union members not miners.

Decree 3050 passed on 20 April 1952, said all enterprises that had dismissed workers and employees since May 1949 (following the short-lived civil war) for trade union or political reasons, had to re-hire them. Another decree passed on 16 June (number 3085) increased the number of workers to be re-hired by putting the date back to 21 July 1946, the day president Gualberto Villarroel was deposed. This meant that all workers dismissed during the sexenio had a right to get their jobs back.

In the big mining sector, still controlled by the tin barons, the labour force rose from 24,000 in 1951 to 28,000 in 1952, that is a 17% increase. So, the MNR implemented its first batch of social welfare measures in the mining industry. Although these measures did immediately benefit the re-hired workers, after a while they caused serious problems and conflicts, as we shall see in this chapter.

On 31 October 1952, the day of the nationalization, all the mining workers were first made redundant and compensated, then immediately re-hired.

The reason for this unusual procedure was that the nationalization meant the closing of a private company and the setting up to a public one ('cambio de razón social'). This was an excellent opportunity to boost the level of mining employment as party members, friends, entered Comibol with a well paid and secure job. Most of these new Comibol employees were contracted in out-of-mine<sup>tasks</sup>; mainly maintenance, refining or administrative posts, and not underground in the mines.

Los propios administradores de las minas, 'que se inclinan servilmente a la menor presión sindical', se dan modos para ubicar más gente en las dependencias de su empresa, satisfaciendo de este modo las exigencias del sindicato, las recomendaciones de jefes del partido, o simplemente, las imposiciones de altos personeros del gobierno. Nadie asume una actitud responsable de prevención: nadie, menos los administradores, osan oponerse a estas descabelladas medidas que más tarde habrían de convertirse en una de las causas relevantes de la bancarrota de la empresa estatizada. Es obvio suponer que los trabajadores reclutados por estas vías, no están destinados a engrosar las filas de los cuadros de producción, pues, como en su contratación no prima un criterio técnico, sino meramente político, son instalados para ejercer tareas auxiliares en los numerosos departamentos de la selección externa de la mina. (Ruiz González: 152)

The MNR and the COB permanently justified this social policy of incorporating supernumeraries. Even the COB leader Juan Lechín Oquendo said at the National Workers Congress, on 1 November 1954, that the employment of supernumeraries in Comibol aimed to solve the acute problem of unemployment faced by the newly installed MNR government. It was at first justified, saying that these workers would later be moved to work in agriculture. But this task would prove impossible as a supernumerary socialized into improductivity as well as enjoying the benefit of a cheap company store, food quotas and other social benefits, would not leave the mining centres to undertake agricultural tasks.

The worker delegate and future worker director of Comibol, Sinforoso Cabrera, criticized this aspect of the MNR's 'social' welfare policy in the nationalized mines:

'Antes un solo obrero trabajaba en una sección. Ahora ese mismo trabajo en ciertas secciones ya lo hacen entre dos obreros, y cuando se retira a uno de ellos, el que se queda a trabajar comienza a decir que ya no puede sacrificarse por ese más, es decir, refiriéndose al que se lo ha retirado' (S. Cabrera quoted in Canelas 1963: 173)

As if the negative effects of this policy had not been enough to disrupt the productive sector of the labour force in Comibol, the government issued another decree at the beginning of 1955 authorizing the re-hiring of all the ill and retired workers. The reasons justifying this move were social justice ones.

On this matter, the US report by Ford, Bacon and Davis (1956) on Comibol said the following:

'Probablemente, una situación más real sería que alrededor del 5% al 8% están incapacitados en gran medida para trabajar, mientras que un porcentaje adicional entre el 15 y el 20% tiene alguna enfermedad respiratoria o de otra naturaleza, lo cual mantiene en un alto nivel las bajas por enfermedad. Esta situación fue agravada, en parte, por el decreto de recontratación que exigió a las minas: contratar de nuevo muchos trabajadores enfermos, algunos de los cuales se consideraban con enfermedades infecciosas' (In Canelas 1973: 172)

Comibol's obligation to re-contract supernumerary labour did not improve the social and economic situation of the company. The following figures will give us a better idea of what was happening in Comibol. The total amount of workers dismissed during the sexenio was estimated at 4,000. This figure does not, however, tally with the total amount of re-hired workers which was much higher. The mining labour force in the mines of the

three barons stood at 24,000, thus if only the 4,000 dismissed workers were re-hired the total figure for the restored labour force should have been, but was not, 28,000. The social welfare policy of revolutionary nationalism was to employ thousands of supernumeraries, using various forms of clientelism via the structures of the party, the state and trade unions. The following table shows the increase in the number of workers between 1951-56 - that is from the year prior to the revolution to the moment just before the implementation of the stabilization pact between the MNR and the US. The figures also detail the percentage increase in the mine labour force calculated on a year by year basis, and the percentage total increase for the 1952-56 period:

Table XIX: PERCENTAGE INCREASE IN THE MINE LABOUR FORCE 1952-56

Year	Number of Workers	Percentage increase every year	Percentage increase for whole period
1951	24,000		
1952	29,521	23	
1953	31,554	7	
1954	33,799	7	24
1955	34,878	3	
1956	36,588	5	

(Table prepared using data obtained from table 8, column 4. Gómez: 185)\*

The moment of highest increase in the labour force is between 1951-52, that is 23%. After that the yearly increase falls to 7% per annum, then drops to 3% between 1954-55, after which it climbs to 5% when the retired and ill workers were re-contracted.

\* Figures similar to these estimates appear in Canelas 1966: 38

If we take 1952 as our base year - which includes all the recontracted workers dismissed during the sexenio:  $28,000 + 1,521$  supernumeraries =  $29,521$  - and compare it with the 1956 work-force, the total increase figure we get is 24%\*. The correct figure of supernumerary increase in mining is therefore this one:  $36,558 - 29,521 = 7,037$ .

We thus find that the MNR's unusual social and economic policy brings thousands of supernumeraries into the Comibol work-force - using the pretext of social justice - while proceeding at the same time to decapitalize this public sector enterprise through a severe indirect taxation of its mineral export earnings.

It therefore comes as no surprise to find that the percentage contribution of mining to the GDP fell by -25% between 1952-56, and by -54% between 1952-60. As I mentioned in chapter one, it was only after 1960 that the mining sector started to recover following a decade long depression in world mineral prices after the Korean war. The percentage contribution of mining to the GDP rose 28% between 1961 and 1964. Even so this improvement was due to the growth and GDP contribution of private mining than the contribution made by Comibol.

The following table shows how private mining boomed in the sixties representing close to 50% of the value of national production, when in 1952 it only had a 32% share.

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\* Some researches of Bolivian mining prefer to use 1951 as the base year. This offers more sensational figure of supernumerary increase, of 52%, during the 1951-56 period. This does not seem to me a realistic figure, as it excludes those dismissed during the sexenio, who were re-contracted after the revolution. Furthermore, given the April and June decrees, at the time of the nationalization, the total employment in the mines stood at 29,521. Strictly speaking supernumeraries are those employed after this moment.

Table XX:

VALUE OF MINING PRODUCTION (Percentages by sector)

Year	Private Mining*		State Mining Comibol
	Minería Chica	Minería Mediana	
1952	17	15	68
1953	14	10	76
1954	11	17	72
1955	15	11	74
1956	15	9	75
1957	16	13	71
1958	15	13	72
1959	17	15	68
1960	19	21	61
1961	18	25	56
1962	19	24	58
1963	15	30	56
1964	14	31	55
1965	15	33	52

\* Minería Chica: small size private miners; Minería Mediana: medium size private miners.

(Table prepared using table 9, columns 12, 13, 14 of Gómez: 187)

A 'COMMUNISM', POLITICAL ENCLAVES AND THE DIVISION OF THE LABOUR MOVEMENT

The question we must therefore ask ourselves is what the reason was for such a contradictory policy in Comibol: in the sphere of social welfare, the contracting of supernumeraries; and in the economic sphere, the systematic decapitalization of this state enterprise. These measures were



part and parcel of a policy that led to the collapse of the nationalized mining industry.

I would suggest that any attempt to answer this question must be related to the importance given by the US to the threat posed by the radicalized 'communist' nationalism of Guatemala, both to inter-American relations and to domestic politics of all the countries in the region.

In chapter one, I examined how the post revolutionary political and trade union effervescence was appeased when the interests of the US and the MNR politicians reached a compromise on: aid, the measures of the revolution, hemispheric solidarity and tin purchase/sale contracts. I have also just indicated how and why one of the most combative classes and a social force, the miners, together with a re-contracted and a supernumerary work force, were isolated in a well defined territory away from the urban centres: the mines. MNR leaders and US officials commented privately that the recently nationalized major tin mines were a productive sector on the decline. The decapitalization of Comibol was justified by the MNR as it would provide the necessary money-capital to build a modern Bolivia, by assisting the diversification of productive activities in the eastern lowlands, in the department of Santa Cruz.

Bearing this in mind, the domestic/local 'communist threat' we alluded to in chapter one, could be contained by setting up something akin to a political enclave (the mining centres) which not only guaranteed a repressive control of the miners in such isolated production centres, but in real terms also deprived them of any political and ideological resonance. In the meantime, the MNR embarked on a process of political and organizational centralism around the CPN leadership and the jefe; the party moved away from its

popular rank and file following, <sup>it</sup> split up into factions and was gradually absorbed into the state and its apparatuses. For their part, the US aid and technical advice agencies began restructuring and modernizing important areas of civil society through the agricultural, education and public health services.

The US also had other strategic reasons for helping the MNR along with its policy of veiled repression of the mining industry. The US had no real interest in a Comibol success story, by this I mean profitable industry generating surpluses which could be distributed to build up other public sector industries, and even promote the formation of a larger internal market.\* A profitable Comibol would have also set a bad example for neighbouring countries where the US had more important mining interests: the Anaconda mine in Chile and Cerro de Pasco in Perú. Any chance that a chain reaction of nationalizations would be set off, had to be avoided.

An economic success story in the nationalized mines would have also given the COB greater political clout in its dealings with central government, and weakened the position of the 'non-communist Marxists' within the MNR. This did not happen; despite the decapitalization of Comibol, the miners remained politically very active and this explains why the MNR party militias - financed with funds indirectly extracted from Comibol - would later be pitched against the mining centres in an attempt to harness the political and trade union activities of the miners who moved increasingly away from the policies of central government. This took place after 1957 when Hernán

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\* Perón did this by distributing differential rent from wheat exports in order to assist investment in a new manufacturing sector - intensive in the use of labour - which had migrated from the interior.

Siles first implemented a monetary stabilization policy, then backed the formation of a pro-government COB faction - the Bloque Reestructurador - which eventually won control of the trade union movement. The major confrontations between the MNR militias and the COB militias in the late fifties, focused on this split within the COB. While the MNR was still in power, the mines were on a number of occasions occupied by an increasingly influential military, supported by MNR peasant militias. The mines were however violently seized and turned into a military zone only after the fall of the MNR in 1964, under the military regime of general René Barrientos.

In order to implement this contradictory policy of weakening the trade unions using the trade union movement, Siles had first to divide the COB. We must recall (chapter one) that Paz Estenssoro during his term of office attempted to purge leftist elements in the cogobierno MNR/COB in order to win US approval for the nationalization of the mines decree. Siles while in office resorted to the following tactics:

- He offered top prestige posts - in the CPN, ministries and congress - to trade union leaders who supported the stabilization pact with the US.
- He promised the manufacturing and railway trade unions that if they supported the stabilization, they could obtain special benefits such as access to subsidized food stores similar to those in the mines - which had helped the miners supplement their income through the resale of basic foodstuffs, imported goods or quota coupons. Siles succeeded in the end in convincing both unions and in return he gave them a wage increase and subsidized foodstuffs.
- One week before the general strike convened by the COB to oppose the stabilization, Siles drummed up support by visiting the mining centres in the department of Oruro and several factories in the city of La Paz.

When the COB called a general strike, Siles threatened to resign. Frightened that this hard headed measure by the President would endanger the revolution, the COB and the left wing opposition backed down,

The result of Siles' tactics were that Juan Lechín and Mario Torres Calleja - the top COB leaders - found themselves suddenly trapped between the COB's own general strike call, Siles attempt to divide the COB and implement the stabilization, and pressure from the more radical left wing sectors of the labour movement and political parties. Among these, the Trotskyist POR proposed that the COB break with the MNR and itself become an independent revolutionary party.

Lechín tried to avoid a split within the trade union movement and made an appeal at the second Congress of the COB (1-10 June 1957) requesting a revision of the stabilization plan. But, as he, on the other hand, wanted a strong and cogoverning COB, he called upon the government to continue naming worker ministers.

Invited to speak at the congress, Siles told the delegates:

He venido, remarco, a defender al pueblo boliviano a través de la COB, que es su expresión organizada y vigorosa, de los riesgos de retornar a un proceso de inflación que debilita la marcha de la revolución. (Siles 1957)

Siles suggested that the only way to put an end to inflation was to increase US aid in order to create the preconditions for attracting private investment. Replying to the COB's wary suggestion that the stabilization programme be revised, Siles asked the trade union delegates how they proposed to raise salaries without provoking a devaluation or inflation.

For their part, the miner delegates threatened to go ahead with their general strike call if they did not receive some form of compensation for the loss of subsidies at the company store. Siles replied by reiterating his threat to resign.

The success of his campaign against the COB on the economic stabilization issue, eventually meant a victory for Siles and the general strike was cancelled just before it started. In a nation-wide speech of 5 July 1957, Siles said that the COB had been created with full MNR backing hence it could not deviate from the official party line, and proposed instead <sup>that</sup> the COB be restructured.

On July 9, the pro-government trade unions of the Bloque Reestructurador (BR) published a statement in the local press. Supported by the trade union federations of railwaymen, construction workers, taxi drivers, bank employees, telegraphists, printers and the oil workers, the BR called for a revision of the COB's statutes and programme.

Faced with this split within his own ranks, Juan Lechín - the COB leader - had no alternative but to negotiate with the government. On 18 July the cogobierno MNR/COB<sup>WBS</sup> terminated.

Still not satisfied with Lechín backing down, Siles continued to put more pressure on the COB and helped the BR consolidate its position within the organization. The Bloque Reestructurador was against the independence and autonomy of the trade union movement, and in a direct reference to the cogobierno, the BR leaders expressed their opposition to any form of dual power, stating that the MNR had to lead the revolutionary process. The only union within the COB that said that the trade union movement

should retain its independence, and called for a split with the MNR government, was the miners federation (FSTMB).

So far we have analysed some of the reasons behind the crisis of Comibol and the implications of this within the trade union movement. Now it is necessary to return to 1955 and examine in greater depth and detail other facets of the crisis of Comibol which will help us account for the development of the Oriente and the emergence there of a criollo agro-industrial and commercial bourgeoisie, while in the Andean region the collapse of the state mining prepared the ground for the resurgence of a big private mining bourgeoisie.

#### IV THE CRISIS OF COMIBOL: PROBLEMS AND RESPONSIBILITIES

On 20 September 1955, Juan Lechín, the miners union and COB leader, made an unusual statement. He said that the supernumeraries were making the costs of production rise and that the Comibol mines were going through a very critical economic situation. The statement is unusual given the fact that earlier in the year he had justified the re-hiring of ill and retiring workers.

In this chapter, I intend to use facts and figures to show that what Lechín says is simply not true. The costs of production increased in Comibol not because more workers were employed but due to the corruption and inefficiency of company officials, who were responsible for its decapitalization as were top some leading members of the government.

But let us <sup>examine</sup> how what Lechín says is false, despite the fact that it seems so obvious. How is it that an increase in the number of supernumeraries did not provoke an increase in the costs of production?

Later I will show - through a comparative analysis of the miners average income per shift (mita) in 1950 and in 1955 - that the MNR's policy of 'social justice' in the mines was not a policy based on the redistribution of wealth (social and economic distributionism in the best sense of the word) but a policy that redistributed poverty. In actual fact, labour costs as a proportion of Comibol's total value of production scarcely changed between 1952-56. This is unusual as it is the period in which supernumeraries swelled employment in the mining industry (see table p. 112 & 134).

The distribution of wealth was in fact channelled to other levels, to those sectors or social interests clientelary associated to the MNR, including the emerging 'pro-MNR' bourgeois-cruceñista sector in the Oriente. As I shall show in the final section of this chapter, the stealing and the illicit enrichment of the upper reaches of the bureaucracy was officially condoned and covered up; while that 'stealing' done by those below - by lower level employees, especially the miners working underground - was considered illegal, corrupt and labelled one of the main reasons causing Comibol's bankruptcy. I will demonstrate that here lies a struggle between two moral conceptions, or views of the world, in fact two completely different views regarding the process of the national revolution. It also suggests a transition was taking place from the structure of reciprocity that existed between the bureaucracy (above) and the workers (below) after the revolution and the nationalization, to a breakdown in this structure as a repression (both economic and political) against the workers increased. I suggest that the 'pact of reciprocity' which existed in the relations between

the state and the indian communities could be found in the relations between the miners, their trade unions, and the Comibol bureaucracy and the state.\*

But let us for the moment leave this topic as we will return to it in the final section of this chapter, and introduce more new determinations into my critique of Lechín's 20 September 1955 speech.

A SOME ASPECTS OF MINING PRODUCTION: THE DIFFERENCE BETWEEN DRY AND FINE TONNES IN THE VARIOUS PROCESSES OF PRODUCTION

Two types of indices have to be examined in order to measure the relative performance of the nationalized mining sector. Both indices represent two interrelated processes in the production of tin:

- The pre-concentrated mineral: that is mineral ore which comes out from the mine face. The level of production of this mineral gives us an idea of the levels of production and the productivity of the miner working underground.
- The fine mineral which is already in the form of a concentrate that leaves the mill. This reflects the technological and organizational capacity on the surface (exterior mina) and not underground (interior mina).

In each of these stages a distinction is made between dry tonnes and fine tonnes. The dry tonne measurement is used in a first stage before the mineral enters the pre-concentration process. It is also used in a second stage when the already pre-concentrated mineral is weight<sup>ed</sup> once it completes

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\* For a treatment of the importance of reciprocity in Andean political practice see Moore 1977 and Platt 1982.



the stage of pre-concentration (it is therefore equivalent to the dry tonnes about to enter the second stage milling process) and when the mineral eventually leaves the mill.

Thus the pre-concentrated fine tonnes mineral and the mineral in dry tonnes about to enter the mill are in fact the same thing. Graphically we have:

<u>Pre-concentration</u>		<u>Mill</u>
Dry tonnes - process - Fine tonnes	=	Dry tonnes - process - Fine tonnes

I emphasize this distinction because given the fall in the standard of mineral fineness (ley del mineral)\* there is a significant difference between dry and fine tonnes in the two phases of mineral concentration: pre-concentration and in the mill.

The Ford, Davis and Bacon report on Comibol stresses this difference to say something quite important. Between 1951 and 1956 there was a 30% increase

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\* Comparative table which shows the fall in the standard of tin mineral fineness between 1950 and 1960:

Table XXI: FALL IN THE STANDARD OF TIN MINERAL FINENESS

Mine	Ley Sn 1950	Ley Sn 1960
Catavi	1.20	0.68
Colquiri	2.02	0.90
Huanuni	1.90	0.97
Unificada	1.72	1.10
Tasna	2.65	1.30
Chorolque	1.80	1.94
Caracoles	1.80	1.94

(Table taken from a study by mining engineer Carlos Oroza - 1962 - which is quoted in Ruiz González: 148)

in the production of pre-concentrate (coming from the mine underground). But given a fall in the standard of mineral fineness, the percentage of mineral recovered at the milling stage actually fell. This suggests that the miners working underground were producing 30% more dry tonnes of mineral before pre-concentration, despite the fact that when it was processed at the mill there was a net fall in the number of fine tonnes produced in the end.

The aforementioned report also shows how 75% of the losses made in production occurred in a transition stage between underground in the mine and the mill on the surface. The mill installations had become obsolete for treating a mineral which had over the years dropped in its standard of fineness. This meant that in order to maintain the level of fine tonne production, mills originally designed to treat mineral with a high standard of fineness, had to process more tonnes of mineral.

That is why tin production in fine tonnes began to fall between 1952-56, despite the fact that production underground had increased 30% between 1951-56. Comibol's problems rested not in the production/extraction of mineral underground but when the mineral reached the surface installations for processing: the mill and the entire administrative-bureaucratic side of the company.

So far we have examined some aspects of tin production in Comibol, we must now look into the question of labour productivity, but keeping in mind that the object of this is to refute Lechín's 20 September 1955 statement that the entry of supernumeraries raised production/costs and provoked a crisis in the state mining corporation.

## B THE PARADOX IN THE LABOUR PRODUCTIVITY OF COMIBOL

The fall in Comibol's labour productivity in its first years, could be attributed to an increase in the labour force (the entry of supernumeraries) and to the decapitalization of the enterprise. But, even if this was true, it could only be so until 1956. Why?

Due to the conditions imposed by the stabilization pact and the growing impact of the agencies on the process of the national revolution, Comibol started to implement a policy of dismissing its labour force - particularly those supernumeraries who worked in mine surface jobs - in order to 'cut costs' and 'increase productivity'. I will show, however, that this assumption was false, as labour costs actually rose, instead of falling, when the supernumeraries started to be dismissed from Comibol.

Another assumption that could be derived from this cutting back in the labour force is that after 1957 it could have lead to a growing intensity in the capital factor. But this was not so; for notwithstanding these changes, labour productivity fell and the decapitalization of Comibol continued.

Comibol would in fact never be able to over-come the pre-1952 characteristic of mining in Bolivia: its low level of capital intensity. Reference was made to this tendency in the Bohan plan (1942) and it remained a feature of state mining well into the sixties when the crisis of Comibol reached rock-bottom and the industry had to be rehabilitated by a US, Banco Interamericano de Desarrollo - Inter-American Development Bank - and West Germany sponsored Triangular Plan.

The following table details the fall in Comibol's productivity until 1961 and its recovery after that:

Table XXII:

LABOUR PRODUCTIVITY IN COMIBOL (base year 1952 = 100)

1952 = 100	1956 = 71	1960 = 52	1964 = 64	1968 = 93
1953 = 100	1957 = 71	1961 = 52	1965 = 68	1969 = 95
1954 = 81	1958 = 61	1962 = 56	1966 = 76	1970 = 87
1955 = 76	1959 = 67	1963 = 65	1967 = 78	

(table obtained from table 23, column 23 in Gómez: 225; productivity figures are also published in Cabrera: 48)

Once the process of the MNR's identification with the state had begun, the Comibol bureaucracy and party officials were openly involved in attempts to cover up acts of corruption, speculation, clientelism and the long established activity of mineral recovery - mineral collected from the miners by third parties and sold back privately to Comibol. Despite the fact that stealing by the upper echelons of the Comibol bureaucracy became institutionalized, all the companies problems and ills continue to be blamed on the working miners.

#### C WAGE REDUCTION AND CHEAP COMPANY STORE

Let us return to an asertion I made earlier: that the entry of supernumeraries into Comibol had not in fact raised labour costs. It would do well to quote the Ford, Bacon and Davis report once again, as it states that the miners benefited little from the nationalization. To prove this, the report shows that between 1950-55 there was an absolute reduction

of 57% in the minimum salary paid to the working miner.

Let us therefore look at the figures including the direct and indirect income received by a working miner per shift. At the end of the table we have the dollar rate which will help us compare shift earnings between 1950 and 1955.

Table XXIII : BREAKDOWN OF MINER'S INCOME (1950 and 1955)

	1950	1955
<u>Direct Cash Payments</u>		
Wage	108.59	528.85
Family Subsidy	--	75.58
New Years's or Xmas Bonus	8.84	65.39
<u>Indirect Benefits</u>		
Company losses at company store + losses calculated by the govt	5.46	2,094.51
Hospital and Medicines	6.88	106.48
Schools	3.23	54.31
Recreation	0.96	5.92
Rent (in mining camp)	--	2.37
Housing Taxes (does not include the 14% payroll deduction)	--	--
<u>Insurance</u>		
Social Security	10.61	55.23
Reserve for compensations	3.83	177.10
TOTAL INCOME (direct and indirect in Bs)	156.47	3,165.74
Free Market US\$ Exchange Rate (Bs per 1 US\$)	60.00	2,849.67
REAL INCOME in US\$	2.61	1.11

(Source: Ford, Bacon and Davis. In Ruiz González: 190)

The above figures show that in 1955 the average working miner was earning 57.5% less than in 1950, when the mines were under the control of the tin

barons. But the worst impact on miners' wage was felt after 1955 with the stabilization which eliminated the cheap company store (pulpería barata). In actual fact, at this time all income over and above the basic wage was cut out. Furthermore, the working miners ceased to receive the following extra sources of income: production bonuses, overtime payments, extra contracts, etc, which had enabled them to receive earnings over and above their basic monthly wage.

According to the above table, in 1955 the cheap company store (Bs 2,094.51) represented 66% of the total income (Bs 3,165.74) including other indirect benefits and national insurance payments. Thus, cutting out the pulpería barata meant depriving the working miners of the bulk of their income, which could in no way be compensated by the bonuses that replaced them (Bs 3,950), nor with the indemnity paid (Bs 1,300), given the effects of the devaluation of the peso boliviano.

René Ruiz González offers the example of the San José mine, as one which illustrates the heavy reduction the miners suffered in their income. He shows how the basic daily wage rose to Bs 7,820 in 1957, the year of the stabilization. The daily wage calculated at the dollar free market rate (1 US\$ = Bs 7,768) works out at US\$ 1.01 per shift. That is US\$ 0.10 less than the shift payment for 1955 which was US\$ 1.11.

This reduction of US\$ 0.10 per shift, with an average of 250 shifts worked per year, totals US\$ 25.00 which amounts to a 9% reduction compared with the total income of a miner in 1955. Now, over and above this percentage reduction in total income, the worker - especially <sup>the</sup> ~~one~~ who had a large family - started to accumulate debts in the not so 'cheap' Comibol company store, to the point where he became entrapped by his debts to the company ('enganchado').

Within a year, the average San José mine worker passed from a situation in which the pulpería barata had been an extra income for him and his family, to a situation in which he was forced into heavy debts at the pulpería, just like in the days before the revolution when the mines belonged to the tin mining barons.

Still keeping to the example given by Ruiz, on 30 June 1958, the pulpería debts of the workers and employees at the San José mine totalled Bs 450m and a further Bs 1,400m was owed for advanced wage payments. If we add both these figures, we get a total of Bs 1,850m that is US\$ 238,156.53 at the prevailing dolar rate. If this was the situation in one mining camp, the debt for all the workers and employees in the whole of Comibol must have been enormous.

These debts reached such absurd levels, while the fall in the standard of living of the mine worker and his family so high, that on 13 May 1959, the Comibol management had no alternative but re-introduce the pulpería barata. This decision was taken following a direct action by the mines and a growing atmosphere of conflict between the workers, management and the government - stoppages, looting of pulperías, management and engineers being held hostage by the miners, etc - which built up into a fortnight long general strike which won the re-introduction of the pulpería barata.

#### D THE PARADOX OF THE LABOUR COSTS AND THE DISTRIBUTION OF POVERTY

Keeping in mind these aspects, we can assume that the entry of supernumeraries into Comibol did not mean labour costs increased substantially. In fact, labour costs as a percentage of the value of total production in the state

mining company, did not rise between 1952 and 1956 (before the stabilization); they were proportionally lower than the 1952 percentage, that is the year of the nationalization. The following figures show this:

Table XXIV:

## LABOUR COSTS AS A % OF THE VALUE OF TOTAL COMIBOL PRODUCTION

Year	%	Year	%	Year	%	Year	%
1952	38.42	1955	32.24	1958	51.93	1961	65.83
1953	23.20	1956	27.93	1959	39.86	1962	60.16
1954	38.10	1957	34.97	1960	67.01	1963	54.89

(Figures obtained from table 22, column 80 in Gómez: 224)

These figures clearly show that overemployment - that is the policy of contracting supernumeraries - from 1952 onwards, did not raise labour costs as Lechín claimed. On the contrary, the labour costs actually increased at the moment when the number started to fall - 1957 onwards. The above figures clearly show that labour costs as a proportion of total production rose from 28% in 1956 to 35% in 1957, rising even further to 52% in 1958.

In addition, starting with the 1957 stabilization, the value of mining production also fell:



Table XXV:  
 QUANTITATIVE INDEX OF PRODUCTION IN COMIBOL (in 1950 US\$) \*

Year	Value of production	Year	Value of production
1952	68,737	1961	34,057
1953	73,347	1962	34,886
1954	63,199	1963	38,292
1955	61,915	1964	37,673
1956	60,379	1965	36,347
1957	54,983	1966	41,491
1958	40,822	1967	40,832
1959	44,603	1968	45,322
1960	34,568	1969	47,135

\* The figures have been made relative in relation to 1950, in order to assist comparison.

(Figures obtained from table 9, column 10 in Gómez: 187)

As the above figures show, the value of production drops well below the US\$ 60,000,000 after 1956 - after the stabilization was introduced - falling rapidly to the 1961 all time low of US\$ 34,057,000.

In order to finish my reply to Lechín's 20 September 1955 speech, I would like to simply reiterate that the basis of the MNR's 'social' policy in Comibol prior to the stabilization, was the distribution of poverty among the working miners. Poverty was institutionalized in the lower reaches of society among the working people; while at the same time stealing, the speculation with quotas, foreign exchange, job deals and the illegal sale of the best mineral to the private sector, became institutionalized in the upper levels of the MNR: the state bureaucracy and in Comibol.

Although we have been unable to obtain concrete proof about corruption within the MNR and Comibol in particular, it is symptomatic that some party sections started to voice their concern on the issue in 1955.

The Avanzada Universitaria del MNR said, in January 1955, that the moralisation of public administration and the party was necessary, as the prestige of the revolution was being tarnished by corruption. President Victor Paz, Hernán Siles, Juan Lechín and Mining Minister Mario Torrez supported the Avanzada's proposal which among other things wanted: a) all property and wealth obtained by MNR members after 1952 to be investigated - including dollar accounts at the central bank; b) that the top staff of the central bank which had links with commercial houses and firms be dismissed; c) and the importers cell of the MNR be turned into a cell of producers.

Feeling the moralization pinch, the Asamblea Nacional de Células de Actividad Económica del MNR - which included the notorious Célula de importadores that obtained US\$6.6m from the central bank between 1954-56 - said: 'Las firmas importadoras del partido de gobierno destinarán el 15% de sus utilidades a la creación de una reserva para el fomento industrial' (El Diario, 1st July 1955, p. 5)

A Comisión Investigadora sobre la Moral was set up in January 1955, revolutionary tribunals were planned, and a decree covering the procedure to be followed in dealing with these problems appeared in January 1956 - the election year. On the Comibol front, the controles obreros got carried away, Nicolás Bernal of the Unificada mine and Armando Morales of San José vetoed the paying of dollar salaries to personnel other than general managers, and the mine and mill superintendents. On the trade union front, the COB following a bout of

criticism and self-criticism sessions in February 1955 proposed:

- 1) the setting up of a commission to investigate the wealth of trade union leaders.
- 2) banned the links of trade union leaders with commercial firms.

(El Diario, 13th May 1955, p. 6)

Despite this moralization fanfare little seems to have been done to root out the problem, save a few scapegoats here and there.

With elections just round the corner and Paz Estenssoro eager to get the stabilization Plan approved before he left office, the issue was shoved under the carpet. In October 1955, mining minister Mario Torrez summed up the party leadership's mood on the matter by suggesting the accusations were part of a communist plot to destabilise the revolution. Torrez said:

La creación de los tribunales revolucionarios obligará a esos personajes a declarar la fuente de su sorpresiva riqueza hoy. Es que pedimos mayor producción para beneficiar al pueblo, para impedir que la debilidad económica y la crisis social se transforme en un caldo de cultivo de un golpe contra-revolucionario. Son los comunistas los que nos atacan, culpándonos de sacrificar a los trabajadores para nuestro propio beneficio.  
(El Diario, 31st October 1955, p. 5)

The bureaucratic irregularities that contributed to the crisis of Comibol involved losses caused by bad administration and inefficient on-surface

refining processes. These were the circumstances that provoked an absolute fall in the income of the working miners between 1950 and 1955.

Es importante observar que, contrario a la creencia general,<sup>\*</sup> el exceso de empleo experimentado por Comibol de 1953 a 1957 no aumentó los costos laborales (...). Es por lo tanto erróneo designar el exceso de empleo como una de las principales causas de los problemas financieros de Comibol durante el período 1953-57. De hecho, lo que realmente sucedió fue que la misma participación laboral fue distribuida entre más trabajadores. (Gómez: 49)

\* Esta idea ha sido difundida por el gobierno y por los administradores de Comibol. Ambos tiene intereses creados. Los administradores quieren culpar a los trabajadores por los problemas de la compañía, y el gobierno quiere justificar la represión de los trabajadores mineros. (Gómez: 172)

The stabilization, supported by Lechín, had disastrous effects for Comibol and had even more serious impact on the livelihood and rights of the miners. Productivity and the value of production fell, as did the miners' income. All these factors went into a down-turn at the same time, provoking a generalized crisis of the company at the beginning of the sixties. It is the critical combination of these different factors of production, which I will now examine.

The following figures show that in 1961, tin production in Comibol reached its lowest point:

Table XXVI : TIN PRODUCTION\*

Year	Tin production	Year	Tin production
1952	27.3	1961	14.8
1953	26.0	1962	15.3
1954	25.8	1963	15.4
1955	23.5	1964	17.7
1956	23.0	1965	16.5
1957	21.6	1966	18.4
1958	17.4	1967	18.0
1959	15.8	1968	18.4
1960	15.2		

\* in thousands of tonnes

(Table taken from appendix table 6. In Malloy & Thorn: 378s)

In 1961, tin production was 14,800 fine tonnes. This was the lowest production figure ever, and the year when production reached rock bottom: US\$34m which was half the value obtained in 1953. 1961 was also the year in which the labour costs represented 65% of all costs, while labour productivity fell to 52, compared to 100 in the base year 1952. Furthermore, the standard of mineral fineness reached its lowest level - 0.54% - in 1964. Finally in 1962, Comibol made its biggest loss US\$16.2m.

#### E DIFFERENCES IN THE DISTRIBUTION OF LABOUR: MINE SURFACE/UNDERGROUND

Two other factors have to be added to the disastrous situation Comibol found itself in at the beginning of the sixties: the comparative distribution

of the mining labour force between underground tasks and surface tasks; and the proportion of 'other sources' in Comibol's total production.

Let us start by analysing the following figures in the comparative distribution of the labour force:

Table XVII:

COMPARATIVE DISTRIBUTION OF COMIBOL'S LABOUR FORCE BETWEEN SURFACE AND UNDERGROUND MINING

Year	Total no. of workers	No. of underground workers	% of miners underground	% of miners on surface
1952	29,973	14,678	49%	51%
1953	30,762	14,458	47%	53%
1954	32,774	14,421	44%	56%
1955	34,177	12,647	37%	63%
1956	35,660	11,411	32%	68%
1957	33,181	11,199	33%	67%
1958	28,885	9,200	32%	68%
1959	28,622	9,170	32%	68%
1960	29,927	9,476	33%	67%
1961	28,219	8,522	30%	70%
1962	26,843	7,725	29%	71%
1963	25,524	9,321	37%	63%
1964	25,225	9,348	37%	63%
1965 <sup>a</sup>	24,636	9,773	40%	60%
1965 <sup>b</sup>	24,266	8,333	34%	66%

a January - May

b June - September

(These figures were prepared using tables 11, 27, 34, 43, 49 in Canelas 1966: 48, 99, 126, 143, 152)

Between 1956 and 1957, the number of miners working on the surface increased, and would continue to rise reaching 70% in the 1961-62 period. This means that by this period, only 30% of the mining labour force was actually involved in underground production duties. The most exploited, in actual fact the only productive social sector in the mining work-force, the underground miners were in a minority. They were, through their labour power, maintaining a scaffold of surface workers, both supernumeraries and bureaucrats. The 30/70% ratio of 1962-63 stands in marked contrast to the 49/51% ratio that existed between underground and surface workers in 1952.

Furthermore, between 1952 and 1960, there was an absolute reduction in the number of underground miners. A closer examination shows that between 1952 and 1956 this reduction was 22%, and 15% in the 1957-60 period. Only after 1963 did the number of underground miners in the work-force start to rise once again; although -and this is an important point - the disproportion between miners working underground and those employed on the surface increased.

Comibol's managent, in a memorandum sent to the miners federation (FSTMB) commented on the problem:

Es absolutamente imperioso trasladar al exceso de personal en la superficie a labores del interior de la mina, de modo que más del 50% del personal trabaje en labores productivas. En algunas figuras en planilla trabajadores enfermos que reciben adicionalmente la renta respectiva de la Caja Nacional de Seguridad Social, los que, por su incapacidad física calificada por dicha institución, no pueden cumplir debidamente su obligación y más bien originan una reacción adversa en la moral de los elementos trabajadores. (Canelas 1963: 174)

The FSTMB and its general secretary Juan Lechín, had by that time moved away from the idea of backing the entry of supernumeraries into Comibol,

arguing instead that they had become a real problem for the state mining company. Yet, in November 1959, the FSTMB protested that the state mining company was planning to lay off workers.

The 30 November 1959 internal conference of general secretaries and work controllers, approved a resolution saying: 'to oppose the dismissal of workers in the nationalized mines', a decision ratified at the 6 May 1960 conference.

After this last conference a series of new conflicts started to build up between the miners federation, Comibol and the government. The antagonisms reached a peak on 15 July 1963 after a dispute on level 650 at the Siglo XX mine, protesting the dismissal of supernumeraries. Hostages were taken from among the administrative personnel and the military intervened. The situation remained one of a virtual impasse until May 1965, when general Barrientos - by this stage President - decreed a 40% reduction in wages and that 2,000 supernumeraries be sacked.

#### F THE 'REHABILITATION' OF MINING: THE TRIANGULAR PLAN

The crisis of Comibol which reached its most critical point in the sixties, must be linked to the influence of US aid to Bolivia, while the performance of the mining sector as a whole must be set in the context of the overall economy.

The mining sector's contribution to the GDP fell 54% between 1952 and 1960. In local currency terms (Bs of 1950), the sector's contribution fell from 620,000 Bs in 1952 to 287,000 in 1960. The total GDP for those years was 3,709,000 for 1952 and 3,494,000 for 1960; this represents a reduction of



5.79%. Eight years of revolutionary nationalist governments backed by the US and its aid programmes had done little to assist the state mining industry, or to promote economic development in the Altiplano region. Its major success was political by helping to expand and modernize the state, and help consolidate revolutionary nationalism.

The third MNR government under Víctor Paz Estenssoro (1960-64) sought to drive the economy through to an economic take off stage, part of the stagist theory of development espoused by WW Rostow, US president John F. Kennedy advisor. Development would - Paz argued - be made possible within the global framework of the Alliance for Progress; while the critical position of state mining would be resolved via the Triangular Plan.

Having passed through the necessary stages of subterfuge and stabilization, US aid doubled (compared with the previous two) in this its third stage. The total for the four year period was an impressive US\$204.9m. But, as I said earlier, there were in this period changes in the character of aid: from an emphasis on donations to the predominance of loans. It is important to remember that this change-over occurred between 1962-63 when the recommendations of the Solomon mission were implemented. These included among other things, the promotion of self-help programmes and the dismissal of supernumeraries in all public sector institutions and enterprises, particularly Comibol.

The mine rehabilitation Triangular Plan - financed by a US\$37.7m loan contracted by the US, the Inter-American Development Bank and the West German government - tried, starting June 1961, to rationalize Comibol's operations. The first objective of the Triangular Plan was to cut Comibol's losses.

This plan - similar in its conception to the 1954 US aid programme - passed through three stages, each in the years 1961-62, 1963-64, and 1965-66.

The Triangular Plan was not able to stem Comibol's losses, nor reduce the number of supernumeraries. Losses rose as follows:

1961	=	US\$	9,556,108.62
1962	=	US\$	16,155,697.48
1963	=	US\$	14,860,982.00

An assesment of the Triangular Plan by US aid experts up the 1964 Barrientos coup, said the plan had been more successful in Comibol's administrative side - for which US aid funds had been made available. The plan proved to be a half hearted success in its aim to reduce supernumeraries. But, what failed was the 'self-help' programme, the main Solomon recommendation. The 'Bolivian initiative' failed in a number of areas such as labour cooperation, management, efficiency, etc. This was because those spheres of Comibol which Solomon wanted to change, were the ones with the greatest clientelar self-interest. This included the particularly sensitive and important sphere of mineral recovery (rescate de minerales) which I shall examine in detail in the next section: 'Other sources': a multiple euphemism.

In these years so critical for Comibol and for national production, and a time of real economic growth after a decade long economic crisis, overseas aid grants fell and funds for the military civic action programmes increased. This policy, as I said before, prepared the ground for rapprochement between the military and the peasantry. This contact would subsequently become an alliance whereby combined army troops and peasant militias occupied the mines. General O'Meara, commander in chief of the US armed forces in the

Caribbean commented this new role of the armed forces:

'In Bolivia the construction of roads and schools, and health programmes organized by the armed forces convinced many indian groups that the military are their friends, when they had historically been their enemy. I think that this factor together with the increased efficiency of the armed forces, were the key elements which persuaded the Bolivian government that it could beat the miners in a definitive action. Proof of this was the way in which the mining zone was surrounded and occupied in a joint operation by army troops and peasant militia'  
(O'Meara, Hearings on Foreign Assistance Act of 1964, House of Foreign Affairs Committee, Part III, p. 401. In Hanson: 147)

So too the last Paz Estenssoro government increased state military expenditure in order to build up the armed forces. The US was with this build up able to get rid of the civilian revolutionary nationalists in 1964, replacing them with the military. The military in power, the US was able to impose its development objectives both on the miners and on the country as a whole.

#### G 'OTHER SOURCES': A MULTIPLE EUPHEMISM

One final issue needs to be analysed concerning the crisis of Comibol. That is, those so called 'other sources' as a proportion of total production of the state mining corporation. But before starting my analysis, what are these so called 'other sources'? To answer this question I would like to refer you, the reader, <sup>to</sup> some traditions of mining production and exploitation in the Andean region. In this section on state mining, I intend to show that these traditions belonging to the mining labour force, will help us understand and contextualize many of the problems we have raised concerning Comibol and its crisis. I would also suggest that a lack of understanding of mining within the Andean tradition has contributed to the decapitalization of Comibol, and the poor labour relations with the bureaucracy and political

conflict with central government and the MNR party when it was in power.

In a recent study about the origins of the labour movement in the Uncía mine at the turn of the century, the ethno-historian Platt finds that three are the factors which contribute to dinamize social relations in the mines in the period prior to that massacre at the mine in the mine in June 1923.

These factors are:

- the company store (pulpería)
- the pay day
- the juqueo/rescate complex

Platt points out that the conflict at Uncía in 1923 leading to the massacre, was based on the articulation of the above three factors (which he calls 'institutions'), and which are the social expression of the workers against attempts by the company to reduce overall wage levels. But how is this<sup>possible</sup>?; what does it mean? What relation if at all, do any or all of these three institutions have with the 'other sources'?

As a result of the 1907-10 mining depression, and the start of World War I, mineral prices fell and the working miners were forced to accept a wage reduction. This does not, however, only refer to the wages paid by the company. The company stores - despite selling imported goods at prices well above that of the free market offered the 'advantage' of providing credit facilities to the workers: an 'advantage' that was punctually deducted when the fortnightly wage payments were handed out.

... el obrero sin dinero pudo 'aviarse' con productos costosos, cuyo valor sería descontado de su salario de la próxima quincena. (Platt: 33)

There was thus a double pressure on the miners income:

- a pressure by the company on the wage he earned; and,
- the need to spend part of his forthcoming wage, on products at the pulpería (company store) which were much more expensive.

So began a process of the workers' indebtedness, useful to the company as it was able to build up a stable (ever present and indebted) labour force, tied to its requirements ('enganchada').

Given this so-called double pressure, the living and working conditions of the mines became so desperate that an escape valve was necessary. Here came into play what Platt has called the 'juqueo/rescate complex'. This is how he defines it:

Un Juku en esta época era una persona que extraía sin autorización, mineral bruto o refinado de los parajes subterráneos, las plantas de beneficio o los almacenes, para venderlo después a un rescatador de minerales, quien también podría ser dueño de un trapiche donde se molerían los minerales brutos en un simple quimbalete.  
(Platt: 35)

For the company these activities were quite simply treated as 'theft of mineral' or the illegal appropriation of revenue that belonged to them. In an attempt to stop these practices, it introduced armed watchmen.

Platt quotes a letter from Patiño, which highlights the tin barons' anguish regarding this custom of mineral theft. He also revealed that in Uncía, Huanuni, Antequera, Avicaya and Poopó, there had been formed:

'... verdaderos gremios de contrabandistas que a título de comerciantes y rescatadores han hecho del robo la más lucrativa de las industrias. Son ellos los que frente a las empresas establecidas instan al trabajador al hurto de metales, los que en admonición constante precipitan la infidelidad de los empleados y los que en acecho permanente contra los productos de los establecimientos metalúrgicos, se constituyen en pulpos de innumerables tentáculos que chupan lo mejor y lo más rico de la sangre de las empresas.'

(underlined in the original; in Platt: 36)

What happened was that an alliance had been established between the jukus (the clandestine collectors/stealers of the mineral - the miners -) and the mineral purchasers/middlemen - rescatistas - in the town and villages (this was the juqueo/rescate complex) to 'steal' mineral which <sup>would</sup> later be sold to the commercial houses.

In this way there emerged a chain of transactions which:

- enabled the miners to supplement the deficit in their earned income;
- allowed the village folk to participate in revenues which would have otherwise gone to the mining companies;
- provided the commercial houses with other sources of mineral creamed-off from part of the big mines' production.

Now if we keep this example in mind, when we move to examine Comibol's production figures, we find that a high proportion of it is made of by 'other sources'. Thus 'other sources' is a euphemism used to refer to purchased mineral ('mineral rescatado'), subsequently bought from Comibol by the Banco Minero (mining bank).

If we analyse the trend in the 'other sources' figures - in the periods 1953-56, 1957-61, 1962-64 and the year 1965a (January to May) and 1965b

(April to September) - some interesting details come to light. The table 'Average Monthly Production of Tin (1953-65)' shows the average monthly production figures from the mill and 'other sources' (but excluding pre-concentration), and total production for the aforementioned period. Column D shows that the proportion of purchased mineral (rescate) or 'other sources' as a percentage of Comibol's total production, rises steadily between 1953 and 1955. The highest level was reached between January and May 1965 (40.37%).

For this reason, it is important to point out that Platt's observations concerning the era of the tin baron Patiño, specifically in the first half of the twenties, <sup>show that</sup> juqueo persisted as a practice within the mining industry after nationalization in October 1952.

In the pages that follow we will look into this in greater detail. I will examine the trends in the mineral purchase figures ('other sources') in Comibol, within the terms of reference proposed by Platt: although I will only be referring to two institutions and not three. These are: the company store, and the juqueo/rescate (mineral purchase) complex.

At the beginning of this chapter, I mentioned the fact that in the first years of Comibol's operation, the government passed a number of decrees which raised the level of employment in the nationalize mining industry by 24%, between 1952 and 1956. I have already shown that this did not provoke an increase in labour costs as the miners' real income was falling and it was this that allowed the re-distribution of the existing level of labour costs once the supernumeraries started to enter into Comibol.

Table XXVIII: AVERAGE MONTHLY PRODUCTION OF TIN FOR THE PERIOD 1953 - 1965

	Comibol Mill			Other Sources			*	Total Comibol		
	DT	%	FT	DT	%	FT		DT	%	FT
53-56	4,210,733	39.71	1,671,907	1,017,048	35.89	365,028	17.92	5,227,781	38.96	2,036,936
57-61	2,933,272	37.69	1,105,522	1,156,797	37.87	438,140	28.38	4,090,169	37.74	1,543,662
62-64	2,398,524	36.60	827,599	1,602,593	35.58	586,313	40.05	4,001,117	36.59	1,463,912
65(a)	1,931,264	31.17	601,955	1,270,231	32.08	407,498	40.37	3,201,495	31.53	1,009,953
(b)	2,813,811	37.72	1,061,455	1,134,258	34.05	386,183	26.51	3,948,069	36.89	1,456,638

DT = Dry tonnes

% = Tin concentration level

FT = Fine tonnes

\*  
% = Percentage of other sources out of Comibol's total production

(a) = January - May 1965

(b) = June - September 1965

(These figures were obtained from Canelas 1966: table 20, p. 50; table 24, p. 95; table 28, p. 115; table 41, p. 141; table 47 p. 150)



Agreeing with Platt's analysis, I would like to suggest that the miners accepted a reduction in the wages after the revolution - which enabled more supernumerary workers to find employment in Comibol, as the prevailing wage total was distributed among more workers - because they had the pulpería to fall back on (the goods sold in it were in fact cheaper than on the free market, plus it gave them access to free credit). The Ford, Bacon & Davis report had shown that pulpería purchases made up 66% of a miner's average total income. While his basic wage was only 17% of it.

Also, from the moment of the tin barons political defeat and the nationalization of the tin mines, the miners treated the stealing of mineral (juqueo) as something they were legitimately entitled to within the new 'pact of association' and 'pact of reciprocity' established with Comibol, the state authorities and the symbolic figure - within the terms of reference of Andean cosmology - of the President.\*

In this complex of asymmetrical relations of reciprocity, Comibol played the role of mediator between the state and the government authorities on the one hand, and the mining workers on the other. The popular and democratic nature of the MNR in the first years of the revolution established an ordered and reciprocal structure of asymmetrical relations of labour exploitation in the mines of Comibol. The revolution was for the miners a moment of the 'world turned upside down', a return to a social and economic re-ordering represented by the relations of reciprocity based on a 'new pact of association'. The 'world turned upside down' was represented by the company store which lost its former connotation as

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\* Platt (1981) refers to an 'associative pact'. With regard to the relations of reciprocity, see Moore 1977.

an institution of labour extra-economic coercion and extortion. The new - post 1952 - pulpería was an institution that gave the average worker an opportunity to purchase imported goods at subsidized prices, and where the pulpería benefits became an effective extra wage, better than still the real wage. The workers sold their pulpería quotas coupons on the free market, for cash.

In my view, this transformation of the pulpería<sup>barata\*</sup> was a sufficient reason, in the first years of the revolution, to resort to the 'theft' of mineral to supplement their meagre earnings.

This is one reason which can help explain the low level of 'other sources' as a percentage of Comibol's total production in the 1953-56 period (see table p.144)

In the fifties the situation in the mining camps - described by Platt for Uncia of the twenties - changes: with the national revolution and the nationalization of the mines, the miners ceased to be exploited by the private companies or extorted by the company store. They had in a sense become the 'owners' of Comibol and regarded as rightful their claim to pulpería benefits.

In the post-revolutionary period, but particularly between 1953-56, the subsidies to the Comibol cheap company store were according to the Ford, Bacon and Davis report so large that:

'Es asombroso encontrar que esta pulpería barata en algunas de las minas arriba mencionadas representa más que el total de los costos directos de extracción y beneficio en dichas operaciones'

(In Ruiz González: 186)

(\*For an explanation into what the institution of the pulpería was like before the 1952 revolution see p. 140-141.)

The 'theft' of mineral by the miners (juqueo) and the supplementary income obtained via the pulpería<sup>barata</sup> during those years, can be contrasted with the economic distributionism in the top levels of the Comibol bureaucracy, the trade union leadership and among the central government leadership. But theft had become an efficient practice in the latter bureaucratic-clientelar upper echelons, ranging from acts of petty corruption and speculation, to the mineral purchase organized by top Comibol and mining bank (Banco Minero) officials; as well as speculation with foreign exchange, an activity that was causing the decapitalization of the state mining industry.

Nevertheless, I suggest that such theft by the upper bureaucratic echelons in the government, trade unions and Comibol cannot be compared to 'theft' from those at the base of the hierarchies, the underground miners. Because for the miners, juqueo and the pulpería<sup>barata</sup> were a necessary form of supplementing their income, in order to reproduce their labour power. This suggests that the pulpería could be seen - in Andean terms - as a different type of institution, contrasting the habitual view of its function, as expressed by one liberal minded observer of the mining and political scene:

... los productos de primera necesidad expedidos a precios bajos con el propósito de mejorar la dieta del trabajador y, tener por parte de la empresa, la seguridad de que el trabajador invierta una parte considerable de sus ingresos en el consumo de alimentos y vestidos, reduciendo el consumo de bebida alcohólicas, perdió su significado educativo, y proporciones cada vez mayores de los artículos de pulpería proveían el mercado negro. Estas ventas clandestinas aumentaban el ingreso monetario de los trabajadores en una proporción que pudo fluctuar entre el 30% al 60%; provocando, empero, una disminución de la dieta alimenticia y el aumento del consumo de bebidas alcohólicas, trayendo como resultado la disminución de la jornada semanal de trabajo y el rendimiento productivo per-cápita. (my underlying)  
(Ruiz González: 186)

The argument against 'theft' by those below, be this through the company store or the stealing of mineral, can be discarded if we consider that as well as representing basic necessity for labour reproduction, it is based on a notion of 'moral economy'\* which provides the miners with criteria of legitimacy to assess or condemn certain corrupt practices within Comibol. How is this possible?

When the stabilization was put forward at the end of 1956, the working class including the miners supported the idea. They were convinced that the existing framework of legitimacy, of the 'pact of reciprocity' and 'pact of association' that came in their eyes with the revolution, would be kept. This was a legitimate view for miners who in terms of their Andean traditions and cosmology, understood their revolution as a 'new order', a radical transformation; that is . . . . . an inversion of the world (mundo al revés) that had existed prior to 1952.

But when the stabilization was implemented, it started . . . . . to break with rather than confirm these implicit reciprocal pacts: the pulperia<sup>barata</sup> was eliminated and the 'compensation bonuses' paid were insufficient to cover the basic needs of the workers from 1957 onwards. Many miners were , as I pointed out earlier, forced to resort to endebting themselves at the pulperia.

The standard of living of the miners deteriorated when the stabilization cut-backs were introduced. Social conflicts also increased, there were attacks to and looting of company stores, the taking of hostages and a

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\*. Tristan Platt uses this notion which has been taken from EP Thompson.

series of prolonged strikes.

The 'explosive material' started to accumulate (Platt 1981: 45) and it let off its first 'sparks' (chispazos) when the confrontations between the MNR miners militias (reestructuradores) clashed with the trade unions militias of the COB at the Colquiri congress (1958) and Huanuni (1959). The latter clash ended with the hanging of the Huanuni pro-Siles leader of the MNR militias (made up of supernumeraries), Celestino Gutiérrez. A hanging in some aspects comparable to the earlier murder of the pro-Siles peasant leader, Vicente Alvarez Plata by the peasants of Achacachi who backed the COB against government attempts to interfere with the rural union organizations.

With the abolition of the cheap company store after 1957, the miners had no other option for securing the reproduction of their labour power than raising their income by returning once again to the secular practice of mineral 'theft'.\*

The forced return to the practice of 'stealing' mineral is largely due to the abolition of the pulpería. This also led to the breaking up of the

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\* Platt points out that historically the 'theft' of mineral had been an established custom in colonial times. It had survived since the fourteenth century when it assured the reproduction of the Potosí mitayos (ayllu indians drafted to work in the mines). This was called corpa. At the end of the eighteenth century, the mingas or free workers, had mineral collection rights, the K'ajcheo, to make up their salary. They refused to accept any form of work unless these rights to 'steal' mineral were recognized. In 1810, the mining system of partnership (aparcería) was established. In it the k'ajchu worked from Saturday to Monday 'stealing' mineral. In 1859, the k'ajchas were producing 35% of all of Cerro de Potosí's (the most important mining centre since colonial times) production. Juqueo thus lies within a tradition of mineral 'collection rights' which came to be regarded as 'theft' with the growing penetration of overseas capital and the gradual setting up of a capitalist mining sector. Liberalism was an ideology incapable of understanding this phenomenon, a key element of a miners Weltanschung and so important for their survival.

'associative pact' that had arisen from the new labour conditions created by the revolution. Other stabilization measures including Siles Zuazo attempt to divide the COB, showed at another level the attack on the expectations the workers had about the revolution, especially in terms of what had seemed a return to an Andean moral economy tradition.

For these reasons, the miners returned on a big scale to the theft of mineral, for it was after all a traditional activity, fully justified in terms of their moral economy. What I am suggesting too is that those 'above' in the upper bureaucratic echelons had a vested interest in the miner returning to 'steal' mineral. I have already given figures showing that mineral purchase represented until 1956 barely 17.92% of Comibol's total production. Such a low level of mineral theft by miners and the ensuing sale to the mineral purchasers represented commercial loss to the rescatistas and their associates both in the Banco Minero and the Central Bank. In the first years of the revolution, prior to the stabilization, they failed to make the enormous profits trading with stolen mineral.

But once the stabilization measures were introduced, the miners had no alternative but to return to stealing mineral following cut-backs in their wage benefits and the abolition of the pulperia<sup>barata</sup> subsidies and quotas. This was highly advantageous to the mineral purchasers, the government and trade union speculators. The 'extra wage' of the miner became a source of benefits for all those above (in the upper echelons) who had not made big gains from the earlier situation when the pulperia<sup>barata</sup> still existed.

Thus in the second period of the national revolution, 'after the stabilization' between 1957-61, the 'other sources' as a proportion of the total production of Comibol rose to 28.38%. In the third period (1960-64)

- the moment when all the production related variables in Comibol reached their lowest crisis point - 'other sources' topped just over 40% of the company's total production. ( See table p. 144).

I earlier espoused the reasons why the miners were not to blame for the crisis of Comibol. In fact, the ones responsible for the company's debacle were in the upper echelons of Comibol and the government, they sought to make money out of the 'theft' of minerals.

The Ford, Bacon & Davis report recognized the workers' right to strike, as strikes were 'their only recourse of stem' the continuous fall in their real income. One observer commented:

En el lapso 1952-64 fueron el propio gobierno así como los ejecutivos y técnicos de la entidad los verdaderos y principales responsables de la continua elevación de los costos unitarios de producción y las gigantescas pérdidas anuales. (Canelas 1966: 105s)

The pecuniary gains obtained from this corrupt collusion of mineral purchasers, Comibol bureaucrats and government officials were enormous. This situation was so convenient for them, that the company was in a situation of kept 'permanent transition' (Platt 1981: 41); by this I mean that inefficiency and corruption atrophied the development of its productive forces. This enabled the plundering of Comibol by a new bureaucratic oligarchy which had replaced the tin barons in running the industry.

The following figures showing the purchase of mineral from 'other sources' for the 1960-65 period were:

Table XXIX: VALUE OF MINERAL PURCHASED FROM 'OTHER SOURCES'

Year	Value (in US\$)
1960	1,972,037.30
1961	2,093,825.99
1962	3,201,177.57
1963	1,682,240.46
1964	7,780,643.25
1965*	9,343,388.00
	<hr/>
	26,073,312.57

\* Amount calculated on July monthly figures.

(Source: Canelas 1966: 116)

Canelas says that the variations in the purchase of minerals:

... a nuestro juicio sólo pueden explicarse porque los años en que las compras han sido menores ha existido un control más adecuado la producción propia, bien porque los años en que se elevan quizá se organizara el robo en grande, con la obvia complicidad de una cadena de personeros de Comibol de diversos niveles, desde la mina hasta la Oficina Central. Particularmente el monto de adquisiciones de 1964 resulta por cierto alarmante, y esa cantidad de prácticamente 8 millones de dólares no deja de constituir una cifra atractiva y remunerativa para cualquier organización de ese tipo, que además sepa que goza de impunidad. (Canelas 1966: 117)

The 'other sources' figure increased in the first months of general Barrientos' regime. But when the May 1965 decrees passed, 2,000 workers dismissed and wages cut by 40%, mineral purchases fell to 26%. One explanation for this fall in mineral purchases is that there was less 'theft' of mineral. This was probably due to increased repression or because most of the dismissed miners were underground workers. It is also probable that the mineral purchasers needed time to re-adjust to the new political situation, including changes in the state and Comibol's bureaucracy. In the end it seems the new climate of military rule was just as advantageous to them.



Proof of this is the editorial of the La Paz daily, Presencia on 1 July 1965, two months after the dismissal of the workers and the cut in wages. The editorial denounced the existence of a chain of theft which was set up with the complicity of top Comibol officials. The Catavi mine is a typical example of camp where the mineral was stolen by night, then sold to Comibol, stolen once again from Comibol and re-sold back to it again.

Pero el hecho interesante es que en Catavi, por ejemplo, el mismo abogado de la empresa - ahora ha sido exonerado - estaba comprometido en el rescate. Se calcula que con lo que Catavi pagaba por rescatar su propio mineral robado, se podía cubrir las pérdidas. (Canelas 1966: 163)

Bearing this in mind, I would like to highlight something I said earlier on in this chapter. That the upper echelons of Comibol and government officials were the ones to blame for the crisis and collapse of the corporation. First it was systematically decapitalized through speculation with its foreign exchange revenue earnings which were handed over to the Central Bank; later they compelled the miner to steal mineral from the company. Paraphrasing something the tin baron Patiño said in the twenties, it could be said that in the upper echelons there existed 'effective syndicates' of contrabandists; government officials and mining executives, state bankers or trade union leaders who used the mining bank and the Central Bank to 'make theft the most lucrative of industries'. ( See p.131).

Then, <sup>once</sup> these practices became institutionalized, not even the US inspired Triangular Plan could save Comibol from itself. Its failure and collapse was due to the special vested interests that existed inside the company which did not coincide with the yankee 'self-help' proposals for public sector institutions, as outlined by the Solomon plan. Needless to say, the most convenient form of 'self-help' these syndicates could envisage, already

existed in Comibol: the institutionalized 'theft'/theft; the first by the underground miners and the second by the upper echelons of the Comibol bureaucracy.

If the factors that spark off the Uncía massacre were the 'institutions' of the company store and the juquo/mineral purchase complex, in my view, it is also probable that both these factors coupled with the significance of the nationalization of the mines and the subsequent crisis of Comibol, became the material which did not explode because the military intervened the mines and, after 1965, started to repress the trade union movement.

REVOLUTIONARY NATIONALISM  
AND  
THE RESTORATION OF CRIOLLO HEGEMONY  
PART TWO  
Winston Moore

CHAPTER THREE

SANTA CRUZ: POLITICAL, ECONOMIC AND  
ETHNO-CULTURAL ANTAGONISMS

## I THE ORIENTE AIMS FOR NATIONAL INTEGRATION

### A SANTA CRUZ IN THE NINETEENTH CENTURY

Although the people of department of Santa Cruz in the eastern Oriente lowlands did not want to become the ruling axis of the new nation when the Republic of Bolivia was founded on 6 August 1825, this is no longer so today. The main interest in the region at that time centered on developing agriculture and cattle raising, products later sold to the urban centres on the Altiplano, the inter-Andean valleys, the mining camps and across to northern Argentina.

The cruceños also found that in the first fifty years of Republic, they were cut off from fully participating in the political life of the new 'nation'.

Yet, at the same moment Santa Cruz was establishing commercial links with the continent's southern cone and through the Paraguay river, the River Plate and the port of Buenos Aires to Europe, there appeared - as if in contradiction - a political movement seeking as a matter of priority, closer links with the Andean region. It is not entirely clear whether this movement aimed to drop the attempt of linking the region overseas through the Atlantic, and press instead for Santa Cruz's real integration with a western Andean Bolivia, and an outlet for its goods via the nation's Pacific port of Antofagasta. This latter solution seems the most likely as the region had to protect its interests and the commercialization circuits for its products, which had existed since colonial times bringing it closer to the west of the continent rather than the south-east.

Santa Cruz had since the second half of the nineteenth century formed part of the silver mining circuit which boomed in Potosí. This meant the commercial interests of the oligarch<sup>ies</sup> of the south (in the departments of Chuquisaca, Tarija, Potosí and Cochabamba) and the cruceña oligarchy coincided. The commercial circuit between these areas controlled by these oligarchies, assured the exchange of agriculture and cattle products from various ecological and geographical areas: the savannah lowlands (llanos), the tropics, the inter-Andean valleys and the Altiplano.

A feeble silver mining bourgeoisie, at that time also allied with the southern oligarchy (particularly that of Chuquisaca), started from the mid nineteenth century to strengthen the Bolivian economy's ties with the international market. Santa Cruz traded sugar cane<sup>\*</sup>, its main agricultural

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\* In 1869 Santa Cruz produced 800,000 'arrobas' (a weight of 25 lbs or 11.5 kilograms) of sugar. Half of this was sold in the Bolivian Andean

product, and other commodities including rice, coffee, bananas, cassava (yuca), fruits; and processed goods such as salt beef (charqui), leather, fat, molasses and sweets.

1 The Andrés Ibáñez movement: from Egalitarianism to Federalism

Despite the importance of the region, the desire for integration with the western Andean region was ignored by central government which<sup>was</sup> at that time based in the capital, Sucre. This response roused federalist sentiments and lead to a revolt by the caudillo (strong man) Andrés Ibáñez. He won the support of the peasantry and urban artesans and demanded: an agrarian reform with land for the peasantry, fair wages, the abolition of the trafficking of day labourers and the cancellation of debts held by all workers. It is worth noting that this populist movement with strong federalist connotations appeared at a time when cruceña confidence<sup>about</sup> its economic potential and the possibility of links overseas via the Atlantic<sup>looking promising</sup>. The region also aimed to project itself to the Andean markets and the Pacific, commercializing its savannah and tropical goods.

Ibáñez's utopian-egalitarian Socialism, later transformed into a federalist Populism, was replaced by a conservative cruceña counter-revolution which for the next fifty years repudiated the egalitarian aspects espoused by the revolt.

The death of Ibáñez was followed at a national level, by the war of the

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region, the rest was consumed locally in the department or sold in northern Argentina. La Paz did not consume Santa Cruz sugar, as it received supplies of Peruvian sugar from the Cuzco area.

Pacific with Chile. The war led to conflicts between the anti-Chilean and jingoistic 'Liberals', and the pacifist 'Conservatives'. The pacifists eventually won their case and from 1884 onwards the Conservative oligarchy led by Gregorio Pacheco - a wealthy silver mining grandee - entered government after a National Assembly convened to implement a new constitution, and set up a formal two party political system. It was while the Conservatives were in power (1880-1899) that the coincidence of interests/<sup>was</sup> strengthened between the southern and the Santa Cruz oligarchies. An attempt to further affirm the hegemony of the southern oligarchies led the last conservative President, Severo Fernández Alonso, to sign a settlement decree which said that the President and the legislature should be based in Sucre, the capital of the republic. The important northern trade centre, La Paz - the liberal bastion - reacted against the decree and after a series of bitter battles, colonel José Manuel Pando, the Liberal Party leader, became President. That year, 1899, of the Federal Revolution- marked the triumph of the Liberals and an end of Conservative rule. the seat of government was transferred to La Paz although the capital remains until today in Sucre.

As a result of this conflict, party political opposition acquired a new connotation: Federalism (Liberals) vs Centralism (Conservatives). The positions of both parties were however merely conjunctural, Federalism waned as a political issue at the beginning of the twentieth century (see Klein: chapter 1).

While it is true that the Conservatives prospered under the boom of silver mining of the late nineteenth century, so too did the Liberals, from a tin mining boom that followed silver's demise. Tin mining in fact became more important and had a greater impact on the republican economy than silver ever had. These avatars of 'national' politics and the economy help us



understand how the demise of silver production and the hegemony of the Conservative southern oligarchy wreaked havoc on the southern commercial axis of which Santa Cruz formed an integral part. The boom in tin mining and the political defeat of the Conservatives at the hands of the northern Liberals, started Santa Cruz's relative decadence in the twentieth century.

#### B THE RISE OF THE TIN STANDARD: THE DECADENCE OF SANTA CRUZ

The transfer of the economic and political axis from Sucre to La Paz led to isolation, economic decline and disregard for the region which stood disarticulated from its southern axis commercial links.

The rubber exploitation boom in the department of Beni (north of Santa Cruz) gave Santa Cruz's depressed economy a temporary respite, it enabled the region to break its trade dependence on the Andean region and obtain high prices for its products until 1914 - when the boom ended. \*

The crisis that came after the rubber boom collapse was aggravated by the fact that the rubber fortunes were not invested in local productive ventures. Most of the profits were exported overseas.

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\* According to Sandoval Morón, rubber exploitation was undertaken by the eastern oligarchy, in tune with its 'extractive mentality'. Before the rubber boom there had been quinine (1860-72) and in the seventies it was the indiscriminate deforestation of wide areas through a fine wood exploitation boom. The overexploitation of the labour force and the system of labour recruitment through forced debts (enganche, similar to that of the company stores in the mining centres) are part and parcel of the same phenomena. Although Ibáñez tried to abolish these practices, they persist.

After the change-over in the leading sectors of the Bolivian oligarchy, both in the economic field - tin - and in politics - rise of Liberal hegemony and the transfer of the capital to La Paz - a major change in economic policy took place.

The need arose to ensure the entry into the country of large amounts of foreign capital by abolishing the remaining protectionist barriers raised the first fifty years after independence. Direct links were established with the world market and during the first two decades of the twentieth century, foreign capital flowed into the country. In the previous chapter on mining, I examined the significance of this influx/foreign capital linking it to the control and expansion of the tin mining industry. Foreign capital enabled the tin barons to consolidate their mining activities, but these changes were disastrous for Santa Cruz:

En efecto, la era del estano coincide con la sustitución de productos agrícolas nativos por sus equivalentes importados: son sustituidos algunos productos del Altiplano, pero ante todo se margina la producción de azúcar cruda y otros productos de Santa Cruz, que hasta fines del siglo XIX se comercializaban al resto del país. (Ibarnegaray: 11)

Sugar imports brought into Bolivia on the railways built along the Altiplano to the Pacific ports competed against domestic sugar production, but also disarticulated the internal market networks in existence since colonial times.\*

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\* The rail link with Perú was very important. A Trade and Customs treaty was even signed in 1905. This offered ample guarantees for the importation of products from Perú, which were being produced in Santa Cruz. Although neither sugar nor rice are mentioned, the substitution of these products was possible first through contraband, and later with other legislation.

The collapse of domestic sugar production led to the stagnation of the Oriente's productive forces, as no technological innovations were introduced to make more efficient the outmoded method of sugar milling still used in Santa Cruz. Faced with competition from overseas and neighbouring countries, cruceño sugar lost its competitive edge. The Oriente economy remained constrained and its regional dominant classes and criollo caste fell back and languished compared to the increased economic influence of the Andean criollo-bourgeoisie:

En realidad, el desarrollo de la minería del estaño, impuso barreras al desarrollo económico de la agricultura cruceña, desarticulando su débil desarrollo comercial y postergando hasta mucho después el desarrollo pleno de esta extensa región. Es posible por lo demás afirmar, que la postergación de esta región constituyó la base de la rivalidad tamba-colla, que aún en la actualidad puede observarse. (Ibarnegaray: 15)

#### 1 The 'cruceñidad' becomes consciousness

The limitations and barriers raised by this Liberal oligarchical economic model, against the integration of the Oriente with the Andean region, helped the cruceña criollo landowning oligarchy construct a class consciousness and autonomous ethno-cultural identity for the region. A regional intelligentsia group founded in 1903, the Sociedad de Estudios Geográficos e Históricos (SEGH), became the institution that articulated a cruceñista ideology. The journal published by the SEGH, dealt at length with the region's most pressing problems and needs. Among its objectives, the SEGH said it aimed to 'channel regional aspirations within an elitist and non-party perspective' (Roca: 180)

The aims of the Society were from the start:

- To link Santa Cruz with the western or Andean area of the country, and to the Brazilian and Argentinian markets.
- To protect its agricultural production from the increased importation of similar commodities from Perú and Chile.
- To lobby the government about the dangers that lay behind, leaving isolated vast areas of the national territory.
- To warn of Paraguay's expansionist plans.\*

Central government ignored these warnings coming from the Oriente via the SEGH.

#### C THE CHACO WAR AND THE RECOVERY

The financial situation of Santa Cruz's local government began to improve after 1926 when it won authorization to levy local tax/royalties on alcohol and brandy production. President Hernando Siles in 1929 also modified the petroleum law introduced during the Presidency of Bautista Saavedra. The Siles amendment said that out of the 11% state participation in oil royalties, 30% (of this amount) should be allocated to the treasuries of the oil producing departments; these funds - earmarked

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\* The foresight behind these proposals is uncanny. The last two warn of the danger of an impending war with Paraguay and the loss of national territory. The second comes true in the forties, particularly so after 1952 when a protectionist policy of agricultural import substitution was promoted by the MNR following the guidelines of the 1942 Bohan plan. I examined this in detail in chapters 1 and 2 and I will continue to refer to it in this chapter. Regarding Santa Cruz's links with other parts of the country and its neighbours: Argentina, Paraguay and Brazil, railway lines were built to Brazil and Argentina starting 1942, at about the same time as a paved all weather road was built between Santa Cruz and Cochabamba.

for public works, road building and the promotion of agriculture and cattle raising - would be administered by a Junta Impulsora (development council).\*

The recovery of the cruceña economy in the second half of the twenties was stymied by the 1929 economic depression which flattened Bolivia's import capacity. The crisis combined with the outbreak of the Chaco war (1932-36). Paradoxically, the war gave an incentive to agriculture and cattle raising in Santa Cruz, as the war zone was the department's southern border with Paraguay. All means of communication to, from and within Santa Cruz improved, as troops and supplies had to reach the front line.

1 The development of Santa Cruz: 'Socialism' for the military and the local intelligentsia

The frustration and loss of legitimacy of the political parties increasingly regarded as traditional, stemmed from Bolivia's Chaco defeat. This is why, people who were unhappy with the prevailing political system, turned <sup>their eyes</sup> to the young army officer corps for leadership in running the country. These young officer Chaco war veterans put forward proposals for modernizing and integrating the country, based on social justice, programmes inspired in the social constitution-  
alist ideals of <sup>the</sup> Mexican Revolution. Some of those elements belonging to the egalitarian and socialist tradition proposed in Santa Cruz by Andrés Ibáñez 50 years earlier, were recovered and linked to the traditions of struggle in the mines and urban centres. The new doctrine of military socialism spread through war veterans' associations (Legiones de Ex-Combatientes — LEC).

\* A predecessor of the later Departmental Development Corporations (see Roca: 197)

In Santa Cruz, lieutenant Froilán Calleja, supported by the LEC, was named departmental Prefect and set up a local 'socialist regime'. The war veterans demanded jobs and an end to inflation. Lieutenant Calleja, in open mobilization against Santa Cruz's oligarchical sectors, declared a state of war in the department. He called on general David Toro, the President, to introduce fair prices for basic foodstuffs to benefit the popular classes, start a programme of public works, give priority to the naming of cruceños in the Santa Cruz public administration posts, and recognize the autonomy of the local university.

General Toro was succeeded as President by colonel Germán Busch, a Chaco war hero of Oriente origin (from Beni, not Santa Cruz) who identified with the camba popular classes, the Oriente troops <sup>he</sup> commanded during the war. Busch was among the first who moved to end the secular isolation of the Oriente. In 1938 he signed a protocol with president Getulio Vargas of Brazil to build a railway between the frontier towns of Corumbá (Brazil) and Puerto Suárez (Bolivia). Brazil was, in exchange for building this railway, granted access to oil reserves in the Oriente. After a number of delays, the railway was completed in January 1955. Argentina signed a similar agreement in 19 November 1937, just before the nationalization of the Standard Oil Co. It offered to build the Yacuiba-Santa Cruz railway in exchange for oil.

During the Germán Busch Presidency, several cruceño congressmen - keen to press ahead with new social legislation - joined the Socialist Bloc within parliament. They were: Adolfo Román jr., Remberto Prado, Agustín Landívar Zambrana, Sixto Montero Hoyos, Aguino Ibáñez Soruco and Francisco Hurtado.

a) Adolfo Román and the creation of the Unión Obrera (UO)

Prominent among the cruceños congressmen was Adolfo Román jr. who represented a new type<sup>of</sup>/caudillo: 'The first populist caudillo in Santa Cruz since the execution of Andrés Ibáñez' (Palmer: 117). Of lowly background, Román fought in the Chaco war and was an organizer of the Santa Cruz veterans association LEC. The dominant cruceño oligarchical sectors attempted to slur his support for the lower classes. Like Ibáñez in his 1876 candidature, Román - the popular candidate - was labelled a 'yellow comba' (comba amarillo). Roman's response to the slur was similar to that of Ibáñez; he said that this identified him with the Santa Cruz workers and that all the barefoot workers (descalzados) should unite.

Ideologically, Román found inspiration in the writings of the Bolivian intellectual Tristán Marof - a contemporary of José Mariátegui of Perú - and argued, paraphrasing Marx, that 'socialism was not a mere doctrine, but also work and action'. Noticeable, on the other hand, was the growing influence of the Aprista doctrine - the Alianza Popular Revolucionaria (APRA), movement founded in 1924 by the Peruvian intellectual Víctor Raúl Haya de la Torre - an incipient form of the national left. He said:

Las fuerzas de la izquierda dominan en la actualidad el escenario nacional. Pero ni el fascismo ni el comunismo podrán tener éxito en Bolivia, porque son doctrinas exóticas que no pueden vivir aquí.  
(In Palmer: 117)

Román main interest was to organize and mold<sup>u</sup><sub>A</sub> the Santa Cruz workers into an effective social force. Under the Presidency of Germán Busch, taking advantage of the decree on obligatory syndication passed by the military socialist government, Román in 1938 set up the Unión Obrera in Santa Cruz. More than a trade union organization, in its early years, it was similar to

a political party;\* in 1944 it amalgamated with the local MNR and became its worker base.

To sum up, with the rise of Román a popular struggle pressing worker and peasant demands started once again in Santa Cruz; articulated by a socialist political discourse, it showed the dominated sector it could take power. But Román died in a mysterious highway accident on 12 May 1940.\*\* According to Sandoval Morón, a local MNR leader, the man responsible for the accident, became rich soon after incident.

b) The Orientalista (racist) opposition

The Orientalist (racist) party was set up in opposition to the socialist bloc in parliament. The party was founded after the 19 January 1939 Pact Of Cobija which was signed by 19 congressmen from the departments of Beni and Santa Cruz. The pact proved extremely contentious, as it contained a clause whereby the Oriente was proposed as a region separated from the rest of Bolivia:

'... aceptando como un principio básico la integridad de cada uno de los departamentos orientales, dejando establecida nuestra identidad histórica y racial (...) y sosteniendo el principio de defensa de nuestra raza" (In Palmer: 112)

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\* In 1930 - prior to the founding of the Unión Obrera - there existed an incipient trade union organization, the Federación Obrera de Trabajadores (FOT), led by artesans.

\*\* During this year, as a result of the activities of the Partido Socialista Obrero Boliviano (PSOB), the PIR and other left wing parties, the Federación Obrera Sindical (FOS) was set up. It comprised the 1 May drivers union, as well as the print workers, tailors, barbers, and waiters. The FOS was abolished in 1945 and the department of Santa Cruz ceased to have a trade union central. The MNR quickly filled in this gap as most of the FOS affiliated unions had worked politically with this party. In 1943, Unión Obrera was formally incorporated into the MNR.



President Busch, replying this party's praise of his oriental origin and the interest he had shown for the development of his homeland, nevertheless rejected, in the following terms the Orientalista party proposals:

'Ustedes hablan de defender la raza oriental como si fuese diferente a la gente del resto del territorio. Sin pensarlo han cometido un ataque contra la paz y armonía de la nación. Santa Cruz, Beni y Pando trabajan para la nación tanto en la paz como en la guerra. Deben repudiar este documento, que estoy seguro no representa realmente sus sentimientos, y trabajar para la integridad de Bolivia, sin diferencias regionales incompatibles. La nación debe estar por encima de todas las diferencias regionales' (In Palmer: 112)

The President's rebuttal of the Orientalista party was supported by cultural, political and trade union organizations throughout the country. Although the party did not thrive, the incident raised those fears the kollas (Andean peoples) had on the issues of camba (Oriental peoples) separatism, racism, and anti-nationalism.\* Suspicions which did a lot of harm to the genuine aims for development pursued by the people of Santa Cruz as a whole.

The Orientalista party's proposals were in fact better received when presented in straight forward nationalist terms. At the beginning of the forties, during the government of general Enrique Peñaranda, this party was restructured to form the 'Oriental Bloc'. The aim of the Bloc was cut across party lines and study national reality on regional terms. This meant that all congressmen irrespective of the party filiation, could express their solidarity with the Bloc.

#### D SANTA CRUZ DURING THE CONCORDANCIA AND THE VILLARROEL GOVERNMENT

After Busch's death general Carlos Quintanilla briefly took power and general elections were convened for 1940. General Peñaranda, the 'official'

\* Gabriel René Moreno and Nicomedes Antelo were in the late XIX century the leading exponents of Cruceño social darwinism. These ideas went on to become the mainstay of the cruceñista ideology. (See, Demelas:1981:58, and Rene Moreno )

candidate - that is the candidate of the Concordancia, an oligarchical pact between the Liberal and Republican parties - won the election. Peñaranda got the backing of most of the cruceño members of this pact. In return for their support, he offered them an attractive development plan. The Plan de Resurgimiento Nacional (PRN) was, however, to depend on attracting foreign capital investment to the country.

In chapter one, I showed that this plan was to be financed by a US\$25m donation subject to the signing of a protocol in Río between the US and Bolivia. This agreement was reached to compensate the US owned Standard Oil Company for its nationalization in 1937. The agreement rubber stamped and gave the go-ahead to the US mission of Merwin Bohan whose findings were linked to Peñaranda's initiative. The Bohan plan became, as I suggested, a development policy landmark for Santa Cruz and Bolivia during the next 40 years or so.

Peñaranda's pro-Oriente policy was weakened by the fact that he failed to name a single cruceño to his cabinet, thereby breaking a 25 years long tradition.

1 Edmundo Roca and the Unión Obrera: the first approach to the MNR

The Unión Obrera which had fallen by the wayside following Roman's death, was reorganized on 12 July 1942, and once again recovered its political effectivity. The drive to build the Unión Obrera up, came from its new leader, Edmundo Roca, and Hernán Boland, its secretary general. The Unión postulate of fraternity, love, help and Christianity, started to cristalize into a more radical slogan: 'Bolivia united without opressed classes'.

In this sense, the UO was at first more of a mutual aid organization rather than a party, yet strictly speaking it was not a trade union. At this time, UO's activities were reduced to organizing medical and dental services for its members, and setting up a night school. It also gave training and education, and helped press for a reduction in urban rents (later in this chapter, I will examine the urban situation in Santa Cruz). These mutualist initiatives built up its membership until it became the major 'political' movement in the city.

During this period, relations between the UO and the MNR got stronger, and in 1943 the possibility of a merger arose: both organizations coincided on their nationalist objectives and in their opposition to the Concordancia.

As I said in the introduction to this thesis, the Peñaranda government stained its hands and reputation with the massacre of striking miners at Catavi. The MNR ably denounced the incident in congress and won the support of the working class for its tough stance against the government. But the main loss of legitimacy for the Peñaranda regime came from postponing the December 1943 general elections until July 1944 - alluding to electoral registration problems. Thus, when colonel Gualberto Villarroel launched his successful coup on 20 December 1943 and deposed Peñaranda (it is important to remember that the coup was supported by the MNR and the military lodge Radepa), the cruceños who again felt central government had forgotten them - absence of cruceños in the Peñaranda cabinet, unfulfilled promises etc - expressed their support for Villarroel even before the political situation in La Paz was totally defined.

A departmental revolutionary junta was set up in Santa Cruz, with colonel Félix Tabera at the head. The UO backed the junta and called a demonstration

attended by 8,000 people. Edmundo Roca, the UO leader, came out and said the MNR was the best option available to continue with Busch's development project. It is interesting to note the build up in the UO membership on the eve of the Villarroel coup and after:

1942	=	2,000
1943	=	3,000 (May)
1944	=	5,000 (September)

## 2 Villarroel's social policy for Santa Cruz

In Santa Cruz there was a popular support for the MNR leaders and for Villarroel's nationalist programme. The President visited Santa Cruz in May 1944 and outlined the priority areas his development programme for Santa Cruz would have: education, communication and social services. To fulfil these the government increased its social fiscal expenditure, a trend which had begun in the last year of the Busch Presidency (see the beginning of chapter two). Also included were a number of benefits related to trade union organization, working conditions and holiday bonus payments. In the field of low income housing - Román's main interest - a housing programme designed by the workers was implemented. Other achievements of the Villarroel government in Santa Cruz included:

- Basic infrastructure: one fifth of the Cochabamba-Santa Cruz highway was completed. The railway to Yacuiba was inaugurated on 1 July 1944 and 180 km of the rail link to Corumbá was advanced.
- In the field of education, health and social welfare: a maternity campaign, health education, higher education with an emphasis on technical training.
- Construction of cheap housing for low income groups, especially workers.

- The law of 16 May 1945 provided the financial for setting up a public works committee: the Comité de Obras Públicas de Santa Cruz. It would be responsible for installing sewage, electricity, water and paving the city roads.
- Investment in the state owned oil company YPF, and funds for agriculture and cattle farming development via the Bolivian Development Corporation (CBF): this meant building an oil/gas pipeline and the creation of the Bolivian Agricultural Bank - Banco Agrícola Boliviano (BAB).

3 Fusion of the Union Obrera and the MNR: criollo-cruceños in the leadership, cambas in the rank and file

As I mentioned in chapter two, the MNR benefited from the social expenditure policy of the Villarroel government. In Santa Cruz this meant the MNR was able to broaden its power base, while on the other hand the former UO, which was assimilated into the MNR during this period, began to win the support of other sectors of the local intelligentsia as well as the 'distinguished criollos' who lent an air of respectability to the new regime. This was helped by the fact that Roca, the former UO leader, came from an established Santa Cruz family, as was the case with Boland, who in addition proved his skill as an excellent propagandist and organizer.

This meant the MNR took on a sort of schizophrenic character: despite the fact its grass roots support was the popular classes who ethno-culturally were cambas (native inhabitants of the region or else, mestizo mixed blooded people), the party leadership were individuals of Spanish or European descent or inheritance, what I have labelled regional upper class of criollo-oligarchic origin, that is the 'cruceñidad'.

The MNR set up its first party cell in Santa Cruz soon after it was founded by the nationalist ideologue and intellectual Carlos Montenegro. The new party had as its priority, the integration of the Unión Obrera within its structure. During the Peñaranda period, Juan Foianini, Edmundo Roca, Isaías Landívar and Hernán Boland - members of the departmental civic committee - said in order to avoid repression, <sup>that</sup> the UO was an a-political organization; at least until its membership had increased and become stable.

The membership shot up just before Villarroel's 1943 coup, as this was seen as the right moment to incorporate the UO into the MNR. In actual fact, after the coup the UO joined the MNR on 30 January 1944 and by September that year its membership had shot up to 5,000. In the next elections, 80% of the Santa Cruz electorate voted for the MNR. Edmundo Roca was nominated the Santa Cruz delegate to the national political committee (CPN) of the MNR, and also became the interim head of the MNR departmental command in Santa Cruz.

Sandóval - later to become an important caudillo in the region - looked back on this period saying:

El ejercicio del poder local por las masas en su nueva configuración partidaria, le permite ampliar sus bases y profundizar su acción al extremo de arrinconar en todos los terrenos a los grupos gamonales que se repliegan momentáneamente. Pese a que en el MNR de esta época se infiltraba mucha clase media ligada al gamonalismo, la enérgica posición de sus dirigentes y la presión de las bases consagra algunas reivindicaciones: allí se inicia la formación de los primeros sindicatos de trabajadores, se defiende a los campesinos, se procede a las adjudicaciones de tierras municipales para grupos de ex-combatientes del Chaco, se propugna la ampliación concreta de las leyes sociales. Sobre todo, se hace una nueva demostración de que los grupos periclitán y que el pueblo puede asumir el poder desplazando a viejas figuras acartonadas. (Sandóval: 53)

The Santa Cruz MNR members gave the party theoreticians and ideologues their due, but also put forward their own proposals, specific programmes necessary for the development of the region. Roca for example proposed a number of immediate changes compatible with Villarroel's new found social welfare policies. Instead of putting forward long term projects, he requested a housing programme for workers, communal dining halls and garbage collection.

He efficiently led the support for the MNR away from the influence of the cruceño elite. But having sailed from oligarchical waters he remained unsure to which port he should guide his ship to... But, at the moment when Roca managed to control the party right wing which had until then been reluctant to rid itself of its social connections, an even more formidable challenge emerged from the left. (Palmer: 187)

Roca's main rival for the Santa Cruz MNR leadership was Ovidio Barbery. A trader, colonizer and Chaco veteran, Barbery also came from a family with established colonial roots. Like Roca, Barbery was also a déclassé. The difference between the two was that while Roca had the support of the former Unión Obrera rank and file, Barbery's support came from the peasants in the Beni department and the provinces north of the city of Santa Cruz (later known as the 'integrated region' - la región integrada). This was the main reason why Barbery had kept his distance from the UO and MNR leaders. He had only joined the MNR two weeks before UO's formal incorporation to the party on 30 January 1944.

Elected to congress in 1944, Barbery lobbied for the implementation of rural credit for agricultural development and road building. He proposed a 20% tranfer of mining revenues to help the peasantry. Barbery's influence grew in Santa Cruz, while he continued to fight to take-over the party leadership from Roca. The struggle was on the one hand, a personal one but

other issues were involved: the credit policies of the recently created Agricultural Bank (BAB) and the project priorities of the development corporation (CBF), both part of the US Bohan plan strategy. For example, the local BAB branch offered credit facilities to the small peasant producer. The cruceña oligarchy was incensed by this policy, it claimed the funds were being distributed to MNR party supporters. The cruceños also argued the CBF should concentrate completing the road link to Cochabamba instead of funding the formation of new industries (most of them probably state-owned) which competed with the ones already established in the department.

According to Paz Estenssoro, the problems of the Oriente rested on the fact that 80% of the land belonged to absentee landlords. He, therefore, proposed the distribution of agrarian property among the peasantry, Chaco war veterans and indian communities through an agrarian reform. The proposal raised further protests of political favouritism from the regional oligarchy.

#### E THE SEXENIO: THE FRUSTRATION OF CRUCEÑO HOPES

The opposition to Gualberto Villarroel government in Santa Cruz was organized by the Kempff Mercado brothers; they led the local population to believe that a new period of peace and modernization would be inaugurated after his fall. So when Villarroel was deposed on 21 July 1946, the Santa Cruz university student leaders convened a public meeting (cabildo abierto) to elect a local government junta responsible for running the department's affairs. This junta was led by Oswaldo Gutiérrez, the local Liberal party leader. The Stalinist PIR - refer to the introduction - was as a member of the democratic anti-fascist front (FDA - Frente Democrático Anti-fascista), able to taste the fruits of power in Santa Cruz for the first time, although



it was unable to articulate a coherent nation-wide programme.

The new government led by Enrique Hertzog of the Partido de Unión Republicana Socialista (PURS) produced yet another national development plan which - compared with the Bohan proposals - gave greater emphasis to the mining and financial sectors of the Altiplano and inter-Andean valleys, than the Oriente. The cruceños, however, focus<sup>ed</sup> their attention on the CBF and requested the government to grant them representation on its board. They then started to debate how the outstanding funds in the CBF could again be used for investment in agriculture, industry and road building.

Top of the list was the construction of the Santa Cruz-Cochabamba highway; it would enable Santa Cruz to consolidate its agriculture import substitution policy started in the early forties but which would increase in importance after the revolution. Regarding the greater allocation of foreign exchange revenues for the region, O. Gutiérrez set up a Santa Cruz industrial development council - Junta para el desarrollo industrial del oriente boliviano - with powers to distribute foreign exchange to enterprises depending on their productive capacity. But the finance minister failed to include, in his budget calculations, the foreign exchange to be handed over to Santa Cruz for the junta. This raised protests, and once again confirmed cruceño suspicions that a central government in the Andean region was ignoring them. The governments of the sexenio - that six year period between 1946 and 1952 - forgot about Santa Cruz, such sleights of hand fuelled suspicions instead of contributing to peace and tranquility. By <sup>they</sup> 1949/would make their first serious challenge to the government in La Paz.

The national and municipal elections offered the cruceños a real opportunity to voice their opposition. The MNR won seven of the twelve posts on the

municipal council, in the January 1948 municipal elections. The government angered by these results annulled the elections, and named a comptroller to head the municipal council. Local government elections were called once again for May 1949, with the MNR doing even better than before: winning eight of the twelve city council seats, one more than last time. The government again annulled the elections, but named Melchor Pinto Parada the winner. Pinto Parada was promptly installed as the new mayor.

1 The civil war: a parallel government in Santa Cruz

Disappointed, the MNR leaders started to look for other ways of getting back into power; they opted for subversion and very nearly succeeded in the 27 August 1949 civil war. This move clearly reflected the extent to which the MNR had recovered and grown as a party, despite having been deposed three years earlier with Villarroel. Although the civil war revolt was first quashed in La Paz when a member of the party political committee (CPN) informed the government of the subversive plan. The police moved quickly and arrested 200 movimientistas (MNR party members) in La Paz, while the MNR rebels in the Altiplano mining city of Oruro surrendered soon after. In Santa Cruz, however, the political situation took an unexpected turn.

Although the rest of the country still remained in the rebels' hands despite the fall of La Paz and Oruro, the MNR was confident it could re-take the seat of government. In Santa Cruz another junta, this time a 'revolutionary' one, was set up; its members were: Edmundo Roca, Ovidio Barbery, Alcibiades Velarde, Pedro Ribera Méndez and Francisco Guardia Palmar. Santa Cruz became the hub of the civil war; there, general Froilán Calleja came out of retirement to lead the rebel forces and establish contacts with rebel groups in the interior. On 5 September 1949, a parallel government was set up in

Santa Cruz. Its members were:

Víctor Paz Estenssoro	-	President in absentia
Edmundo Roca	-	Vice-President (interim President)
General Roberto Ayrooa	-	Minister of Defence
Ovidio Barbery	-	Minister of the Interior
Pedro Ribera Méndez	-	Minister of Agriculture

The remainder of the cabinet members included: Mario Diez de Medina, Luis Peñaloza, Juan Lechín, Adrián Barrenechea, Francisco Mealla and Humberto Salas.

Durante dos semanas - el lapso coincide con los sucesos de 1924 -, Edmundo Roca fue jefe de un gobierno que no obedecía órdenes de La Paz. Ello permitió poner en primer plano de la atención nacional e internacional a un pueblo acusado como 'separatista' por la oligarquía altiplánica y que ahora se colocaba a la vanguardia de los planteamientos más revolucionarios que jamás se habían hecho en el país: nacionalización de las minas, reforma agraria y voto universal. Este programa lejos de postular la escisión del país, trataba de modernizarlo y unificarlo bajo la dirección de un gobierno central fuerte. (Roca: 208)

Analysing the implications of this revolt, Edmundo Roca the interim

President said:

'Santa Cruz se unió a la revolución dado su carácter nacional, por fin el desarrollo de sus productos, riqueza y líneas de comunicación se llevarían a cabo (...) El trabajo de unificación nacional ha sido sistemáticamente obstruido por la Rosca que temía a la producción cruceña más que a su propio enemigo, ya que ganan más importando alimentos extranjeros'. (In Palmer: 215)

Yet despite the impressive mobilization, the main centres of resistance in the country fell on 7 September 1949 and on 15 September, general O. Quiroga quashed the rebel strong hold of Santa Cruz. Not long after the defeat,

president Mamerto Urriolagoitia arrived in Santa Cruz to ratify Melchor Pinto Parada as mayor.

As the main MNR leaders in the region were then forced into exile, the party leadership was taken over by Alcibiades Velarde Cronenbold, Aurelio Salcedo and Luis Sandóval Morón. They gave the MNR a sense of continuity especially in the city neighbourhoods and in the countryside. They set up zonal commands, peasant commands, workers' cells as well as press and propaganda networks. An up-and-coming leader was Luis Sandoval Morón who edited the MNR newspaper, La Hora, while heading the local university students federation - Federación Universitaria Local (FUL)- as well as the federation secondary students - Federación de Estudiantes de Secundaria (FES).

## 2 Political orphanage on the eve of the revolution: the death of Roca and Barbery

Urriolagoitia, confident that things were under control, convened free elections for 1951. But unknown to him the elections became the signal for political activities to start up again nation-wide. In Santa Cruz, Oscar Barbery came back from exile while Luis Sandóval Morón began to consolidate his position as a local leader. Sandóval had entered the party in 1949 and would in the next few years, become one of the key figures in regional politics. Barbery reorganized the MNR and consistent with his organization of the peasant unions and the rural sectors of the party proposed: 'Land for everyone'. He aimed to introduce a land settlement programme and seize all the latifundia without compensation.

Roca returned to Santa Cruz at the end of 1950. While in exile in Buenos Aires, Argentina, he had become disillusioned with the MNR and the constant

internal struggles within it. Roca broke with the MNR and backed the candidature of Gabriel Gosálvez who received the support of Juan Domingo Perón, the Argentine President. The people in Santa Cruz shunned Roca whom they regarded a traitor, and voted for the MNR. The differences of opinion between Roca and Barbery came to a tragic head days before the election.

The way the story goes is that Roca approached Barbery in the street and killed him. Roca was later put to death by Barbery's relatives and supporters. The elections continued despite this tragic double loss. Although the MNR won the elections, a leadership vacuum emerged within the party, yet new caudillos like Oscar Barbery, Luis Sandóval Morón and Rubén Julio were on the rise.

No party did, however, obtain an absolute majority in the elections and congress had to choose the new President. But, Urriolagoitia resigned and handed over to general Ballivián in what for all intents and purposes was a preventive coup to stop the MNR coming to power.

To sum up, the sexenio was in political terms a time<sup>of</sup> renewed frustration for the people of Santa Cruz, despite the Bohan inspired changes that began to take place in agriculture and infrastructure development. The highway to Cochabamba was slowly being built, but the city of Santa Cruz continued to lack basic services such as water, electricity, and sewage. On the other hand, the death of the two most important regional caudillos, Roca and Barbery, left the cruceños orphan of political leadership and disappointed on the eve of the 9 April 1952 popular insurrection.

## II SANTA CRUZ AND THE NATIONAL REVOLUTION

### A THE REGIONAL TRADITION AND THE IMMEDIATE IMPACT OF THE REVOLUTION

This chapter examines some of the views held by a variety of social forces, groups and individuals in Santa Cruz, concerning the national revolution.

The vision of the underdog in Santa Cruz articulated by Luis Sandóval Morón, is an example of an ideology which combines class and ethno-cultural elements. He said the 1952 revolutionary process represented a quest by the oppressed classes to regain control of their historic claims. As we shall see, the issue of historical claims is complicated as both traditions and history can be recovered in a diverse way by different social classes (Laclau 107-11) For example, Andrés Ibáñez's programme and historic struggle can be recovered either from a cruceñista or from a camba perspective, emphasizing some aspects rather than others depending on the political motives.

Thus the period starting 1952 can be characterized by the diversity and transformism of political positions, not by a homogeneity. Nevertheless, the existence of a heterogeneous polity does not stop a national revolutionary 'consensus' from being structured, a consensus that ideologically integrates a national political and economic system, and brings the Andean and the Oriente regions together.

The MNR tried to impose a centralized policy, and in this sense Santa Cruz was drawn into the sphere of a revolutionary nationalism. Despite this,

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the region continued to put forward its own political guidelines. The integration I speak of is because of this, complex: central government tried to use Santa Cruz to boost national economic growth and development, but received in return a myriad/<sup>of</sup>conflictive relations at a regional departmental level, but also within the structure of the local MNR party.

Here I will show how and why the cruceño bosses (gamonales) drew upon the more dynamic aspects of revolutionary nationalism not only to thwart the popular expression of these, but to ensure any changes in the region took place on their terms. The revolutionary nationalists of the Altiplano tried to impose their brand of revolutionary nationalism on the country as a whole, but found that in the interior, regional self determination ran high. These early policy differences and regional MNR autonomy would lead to the creation of factions that eventually led to the downfall of the MNR. The US attempted to alter the course of the revolution by giving it an anti-communist and staunchly pro-inter-American flavour. Most of these aspects were covered in the first two chapters which provided us a national level - better even, an Andean - view of the 12 years of MNR rule. In this chapter, I will reconstruct events in this period from the point of view of the Bolivian interior, examining the political behaviour of a regional power centre, Santa Cruz de la Sierra.

1 The Santa Cruz MNR divides within the cogobierno

Let us begin by putting forward the <sup>interviews which</sup> a rising MNR political leader, in Santa Cruz, had about the 1952 revolution:

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En La Paz, la pugna por el poder se perfila claramente cuando se comprueba que quienes habían asumido el gobierno el 11 de abril, no tienen intención de concretar las medidas revolucionarias. Ello motivó por una parte la movilización de trabajadores hasta lograr la concreción de la Nacionalización de las Minas y sólo la ocupación directa de la tierra logra, 18 meses después, una Ley de Reforma Agraria que, si bien logra objetivos como la liquidación del latifundio y la liberación social del campesinado, no satisface totalmente las expectativas que se alentaban sobre tan trascendental medida.

Esto repercute en todo el país, y nos hace pensar en la posibilidad de una frustración de las reivindicaciones y postulados revolucionarios. En consecuencia debíamos adoptar actitudes y métodos adecuados. En Santa Cruz, habíamos predicado, sobre los proyectos de lograr independencia económica, soberanía política y justicia social. En términos de realizaciones, ello significaba la imposición de la Reforma Agraria, de la Reforma Urbana y de los derechos sociales, así como la liquidación de las injusticias y la explotación y el poder gamonal. Esos postulados a nuestro juicio debían cumplirse y nosotros les aseguramos a las masas que se cumplirían con todo lo que esto implicaba. No podíamos defraudar a un pueblo que, ansioso, esperanzado había creído en nuestra palabra y nos había seguido en la cruenta lucha de los últimos seis años, más la que se llevaba desde tiempo atrás.

(Sandóval Morón: 69)

Sandóval Morón is evidently very critical of the MNR leadership, this meant that neither the party officials holding high central or local government posts, nor for that matter the MNR leadership concentrated in the CPN, could rely on him to obsequiously tow the line. For this reason, one sector of the party in Santa Cruz, keeping in tune with the dualist and contradictory spirit of the cogobierno MNR-COB at the beginning of the revolution, opposed Sandóval from the start. This same sector opted for a more comfortable alliance with the célula de importadores (the MNR's own cell of contrabandists, speculators and importers), the officials of the departmental workers confederation - Central Obrera Departamental (COD) - and local MNR leaders related to or linked with the cruceña oligarchy.

On the whole, most of the Santa Cruz MNR sectors - including Sandóval's - at some time or other established close relations with that faction of the cruceña oligarchy which was undergoing a transformation into an agrarian



bourgeoisie.\* The final element in this alliance were the US government agencies which had - back in the forties - offered a development plan for the region to guarantee its national integration. The Bohan plan, as it was called, became the economic policy model adopted by the MNR after the 1952 revolution.

The US presence in Santa Cruz came in the form of credits, generous grants and a technical assistance programme. Putting aside their supposed ideological differences, these three sectors - the MNR 'right' (and at times also the 'left'), the most innovative sectors of the regional oligarchy and the US agencies - had a single objective: to transform the region's productive forces and place it on a secure capitalist footing, promoting agriculture cattle farming, and agroindustry.

In this sense, the political stance adopted by Sandóval Morón can be interpreted as anti-passive, because he aimed to stop the party leadership from running the revolutionary process along anti-popular and anti-democratic lines.\*\*

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\* It is well to take note that although Sandóval considered rightist the members of this group, it is paradoxical that they considered Sandóval to be reactionary. During the first seven to ten years of the revolution, it is at times difficult in Santa Cruz to use labels of left, right, vanguard or reaction. As I suggested in the introduction, this is due to the paradoxical political topography outlined by revolutionary nationalism in Bolivia, an explanation of which I will attempt in this chapter.

\*\* Regarding the passivity of the revolutionary process, the main measures of the revolution were, as I indicated in chapter one, implemented via compromises which depended on the power struggle within the cogobierno. This occurred with the US giving its diplomatic recognition, the conditions for granting US aid, and the introduction of an economic stabilization programme.

The roots of this popular frustration had been germinating long before the 1952 revolution. The MNR both in Santa Cruz and in other parts of the country, was suffering from a serious paradox - schizophrenia - in its structure. In Santa Cruz for example, the MNR leadership was of a cruceño ethno-cultural origin, of Spanish (European) origin, creating an endogamous caste, whilst the rank and file popular sectors were of indigenous camba extraction.

In the early/<sup>years</sup>of the revolution, these problems notwithstanding, Sandóval was not the only popular leader keen on ensuring that the revolution remained a radical process. There was Oscar Barbery, who as labour inspector in the region, organized peasant and worker trade unions. The rivalry that emerged between both these leaders was accentuated by the leadership vacuum that occurred with the death of Roca and Barbery on the eve of the revolution. This situation, coupled with a popular pressure for an urban and an agrarian reform which hit at the heart of the oligarchical interests, unleashed a violent political struggle in the region which Lawrence Whitehead (1973) has labelled 'a prolonged, acute and violent crisis of authority'. Sandóval Morón claimed the struggle was waged between his 'popular revolutionary tendency' and the 'right-leaning tendency of the MNR'.

## 2 The cruceña oligarchy and the MNR: their encounter

The cruceña landowning class-caste which did not have the class consciousness or vision of a progressive bourgeois class, were being groomed to become agricultural entrepreneurs using US <sup>aid</sup> and technical assistance, and state funds distributed in their favour using revenues creamed from the newly nationalized mining industry. This was the caste that had since colonial times dreamt of finding El Dorado or the Gran Paitití in the

Bolivian Oriente, the caste which continued to adhere to that mentality of unproductive and indiscriminate raw material exploitation. It was, in this sense, a reflection of its Altiplano sister, the mining-landowning-commercial oligarchy which concentrating on silver and tin mining enclave, established its links with the international market.\*

Paradoxically, the MNR called this same class-caste 'rosca' (see the introduction) in the Andean region and proceeded to wipe out its productive base with and agrarian reform and the nationalization of the mines, while it proceeded to consolidate important factions of its cruceño variant. The MNR even directly associated with it, a fellowship that marked - the 1957 civic movement, and Banzer's 1971 coup - and continues to influence events in the region. It is this class-caste which recovered tradition and the popular, within the hispanist and criollo perspective of the cruceñidad. This oligarchical sector won the popular support it required both from its 'poor relatives' (parientes pobres)\*\* - which included a number of local and national MNR leaders - and those middle sectors closely associated through regional commercial links, kinship relations, or the membership of local professional associations or clubs.

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\* Sandóval labelled this caste a 'cipaya bourgeoisie' and says this about its members:

Para ellos el papel de la burguesía consiste en recibir permanente y cuantiosa ayuda del Estado, si el Estado no tiene, gritar por inversiones extranjeras o ingreso de 'capitales privados' (...) No aceptan la ampliación o reinversión de las utilidades obtenidas. Para ellos el mecanismo es más simple: obtención de créditos, utilización parcial de los mismos, derroche de la mayor cantidad; desvío del destino de los fondos de financiamiento y consecución de más recursos, de cualquier parte, no importa a que precio; aunque esto signifique la hipoteca nacional y aunque ponga en riesgo la integridad territorial de la nación. (Sandóval: 75s)

\*\* A term used by the former MNR minister and sociologist René Zavaleta Mercado. (Zavaleta: 1977)

In this way, the Santa Cruz MNR - inspired by the US Bohan plan - backed the most conservative, passive and reactionary class, the cruceña oligarchy, instead of winning the active consent of the popular sectors in the region. Alfonso Gumucio Reyes, an influential MNR leader who had worked closely with Paz Estenssoro since 1937 and was in 1952 named head of the CBF, observed that in Santa Cruz after the revolution, the cruceña aristocracy - he used the term caste - backed the MNR in order to survive the revolution, not thinking for one moment it would benefit from it so much.

So there was a criollo-oligarchic 'entryism' into the MNR:

La gente desplazada el 9 de abril de 1952, propietarios de grandes extensiones de tierras y sus servidores (en conjunto la llamada casta aristocrática), se situó de inmediato al lado de los nuevos mandones. En general se jactaban de ser 'movimientistas', y en realidad lo eran en el sentido de que nada habían perdido con la revolución nacional. Rodearon y adularon a las autoridades dándose casos de militantes y dirigentes del MNR, que ingresaron al Club Social, el Club de Leones o al Rotary. (Portales: 15)

But, there was on the other hand, a movement in the opposite direction which ensured that certain MNR members returned to their own caste, a displacement which represented an effect of transformism.\* What happened was that some young radicals members of the cruceña criollo caste, who were MNR party members prior to the revolution, returned once in power to their caste of origin. Possibly because, since colonial times the common sense discourse for

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\* When Gramsci analyses transformism, he shows how one variant of it arises when the youth form the castes of upper estaments of society move close to the popular in an attempt to achieve hegemony. But, in the moments of crisis, the youth return to the caste dragging behind them the popular sectors, leading them into positions contrary to their class interests. Thus, it comes to pass, that the labour and popular movement can contribute to the formation of important dominant class sectors. (Gramsci: 314)

the exercise of political and economic power has been a discourse of domination with strong criollo connotations. In the process of return, they drew back with themselves - to a reactionary position - the popular sectors and other - at times anti-criollo - ethno-cultural groups. The institutions used in this return to their caste origins, included the COD, the peasant unions and some of the Zonal Commands of the MNR party.

3 Same as before: criollo-cruceños in the leadership positions

We find, for example, that after the revolution the majority of high public posts in Santa Cruz were taken up by young, criollo cruceños. One observer of the local political scene of this period said:

The revolution clearly changed the type of public officials in Santa Cruz. Whilst the Prefects (equivalent to state governor) continued to be chosen from among the upper class, the options were not restricted to the elite. Of the 21 prefects chosen between 1952 and 1964, nine came from the upper social strata (from the traditionally powerful families, the gente decente, decent people ) held this high post, seven came from a middle sector background (mainly rooted in commerce), five were collas (nearly all of them members of the military). The mayors, however, were the ones who best reflected the impact of the social revolution. Half the mayors came from families employed in middle sector occupations (they were basically merchants or traders), whilst only four could be said to have come from the upper class. Two mayors came from a working class background and four came from other parts of the country. The official leadership did reflect a certain amount of social mobility and economic change in Santa Cruz. (Palmer: 257)

This information is very interesting, as it shows that throughout the civil process of revolutionary nationalism, that is until 1964, the representation of central government in the region, normally administered via the prefecture (the governor), was exercised by individuals who belonged to the upper class, although not all belonged to the more exclusive elite as Palmer is keen to emphasize (elite is but another way of saying aristocratic caste). These

local representatives of the revolutionary nationalist government, were the poor relatives of the oligarchy; they did not as such belong to the elite but had a common criollo or more specifically in the case of Santa Cruz, a cruceño background.

The participation of the lower classes and the middle sectors - who were ethno-culturally the mixed race mestizo sectors (the term used in Santa Cruz is *camba*)- was more apparent at the level of local government.

Gumucio Reyes commented on the reasons behind the social and ethno-cultural stratification of political office in the department:

'Hubo un acuerdo tácito. Nosotros no nos metimos en la política municipal y la política cruceña se mantuvo al interior de la municipalidad'. (In Palmer: 265)

The tacit agreement to which Gumucio Reyes alludes was less a concession by the MNR than the result of a very lively and paradoxical power struggle when the cruceño civic movement rose in 1957 to challenge the political centralism of the MNR. The agreement does suggest that the MNR had to reach an understanding or 'compromise' with the local elite, like it did with the US concerning the main measures of the revolution. Compromises which provoked, as we will see, serious conflicts in and between the different sectors of the Santa Cruz MNR.

The conflicts started in the context of the political leadership vacuum created by the death of Roca and Barbery. An intense power struggle broke out with the MNR, which caused ripples beyond the party. Thus, Gumucio Reyes's statement that cruceño politics were confined to local government was not strictly speaking true, because it was to have a lasting impact on national politics.

## B AN OVERVIEW OF THE FIRST YEARS OF THE REVOLUTION IN SANTA CRUZ

In the first year and a half after the April 1952 revolution, the Santa Cruz MNR demonstrated its incapacity to provide strong political leadership in the department. Neither the popular sectors nor the urban oligarchy engaged in this period - which was one of significant political activity in the Andean region - in any form of debate nor analysis of the department's needs let alone make demands on central government. The party was more concerned with continuing with its pre-1952 practices, that is building up the membership or stating its support for the implementation of revolutionary measures that were more pertinent to the Andean region than Santa Cruz: nationalization of the mines, workers control and the agrarian reform. The impact of these measures remained unpredictable and open-ended despite the October 1952 nationalization of the mines. It was only when the US recognized the seriousness of the Bolivian situation - and in response to president Paz Estenssoro's aid request, normalized economic and technical relations between both countries: the Andrade-Mann Pact - that serious steps were taken to wipe the dust off the Bohan plan, and have the MNR implement it (see chapter one). Until a deal was clinched with the US, the MNR had no clear cut plan or programme to offer the people of Santa Cruz. Most of the measures it proposed were Andean-centric, and could remain so unless US aid and technical assistance was forthcoming.

En lo fundamental la Revolución Nacional en Santa Cruz hasta ese momento se resumió a un cierto cambio en el orden burocrático. Los funcionarios del PURS, gentes vinculadas a los intereses de los señores feudales, fueron sustituidos por señores de humilde condición social provenientes de las capas más bajas de la clase media. La organización partidaria en Comandos Zonales, al no haber planteamientos ni tareas inmediatas que realizar y no poseer la necesaria formación ideológica, no pasaban de ser expresiones del más desorientado populismo en servicio de los fines de sus jefes.  
(Portales: 15)

The MNR had at no point said it would do away with the urban or rural Santa Cruz oligarchy; on the contrary, the party proposed to modernize this class-caste, make it participate in the national revolution. Starting 1953, some of the movimientistas who had struggled against this oligarchy found themselves compromising with it, whilst other party sectors moved to confront this class-caste.

I must add to this the fact that on 6 January 1953, a few months after the US had granted its diplomatic recognition and the nationalization decree was passed, the MNR right wing, leading rosca figures, the right wing FSB party and purged sectors of the military, attempted a coup to alter the revolution's radical course.

Pressed from the right, Paz Estenssoro charted a middle-of-the road position by saying there was also a communist threat within the revolutionary process. Paz used this argument to convince the US to back the revolution with economic assistance and implement the Bohan plan proposals for the Oriente. The MNR now had a policy for the Oriente, but also a national policy - the Bohan plan - which coupled to the main measures of the revolution offered a convincing enough programme, both in and outside the country. An aid agreement was initialled on 6 November 1953, while starting the following year (1954) loans - of US\$2.4m - and grants - of US\$15.8m - began to pour into the country.

It is highly probable that the MNR had not devised a development programme for Santa Cruz until the end of 1953 when US funds started to flow.



1 The first definitions: the election of a departmental command (CD)

The Santa Cruz MNR remained in an ambivalent situation until the first departmental command elections were convened for June 1953, although these were later annulled. New internal elections were set for January 1954. In the interim the departmental command was intervened under orders from the the National Political Committee (CPN). Alcibiades Velarde Cronembold was named comptroller of the CD and prefect of Santa Cruz during this CPN intervention.

The results of the second election were:

By majority:

L. Sandóval Morón	2,190 votes
A. Velarde Cronembold	2,060 "
E. Sandóval Morón	2,010 "
N. Gómez Z.	1,980 "

By minority:

F. Barbery Justiniano	1,940 votes
F. Dabdoub	1,760 "

(In Sandóval: appendix)

According to Sandóval, the two minority candidates - Barbery and Dabdoub - were the opposition to his candidature. The election result means that Sandóval won over those party sectors of criollo origin, linked to the cruceña oligarchy who had dominated the Santa Cruz MNR since the revolution. The election raised the worst fears of the cruceñista MNR leadership groups; it proved that Sandóval - who was not of oligarchical origin - and his majority list, had rank and file support. The result is not, as I shall show, a casual split or a conjunctural phenomenon that emerged within/ <sup>the</sup> local MNR.

On the contrary, it is the product of specific economic, social and ethno-cultural determinations.

It is well to remember the compromise that took place between one sector of the MNR and the cruceña oligarchy —which kept its productive base unlike its Andean sister. It was this maintenance of the cruceña oligarchy and its happy coexistence with at least one sector of the MNR that provoked political confusion: did the Santa Cruz MNR have a local enemy? If it had no local enemy, then was its common enemy the Andean oligarchy and not at all the cruceña oligarchy? During the first five years of the revolution the party rank and file, and its leadership, struggled over this issue; it inspired unusual political alliances and confrontations, in a framework of much instability and violence.

a) The pro-camba sector of the MNR

One sector of the MNR, that led by Sandóval Morón, said the cruceña oligarchy and those MNR members associated or related to this class-caste, were the enemies of the people. According to Sandóval, the revolution must affect these groups in order for 'his' people to benefit. 'His' people were the cambada (cambas) which proposed the defence of their traditions and culture against the encroachment of the cruceña vision. Sandoval's camba popular base of support was the indigenous native peoples and mixed ethnic groups who had moved to the Cercado province and its capital, Santa Cruz, after Andrés Ibáñez's agrarian reform. They set themselves up in small plots of land in the turn of century process of land concentration which gave rise to an expanded rural and urban oligarchy. In the town of Santa Cruz, the tenants, migrants, artesans, workers and poor local residents found themselves exploited by the cruceño bosses and landlords. At a rural level, the

'tolerado' peons, share-croppers and tenant farmers suffered a similar exploitation at the hands of the rural landlords. In the following section, I will look in greater detail at the urban question in Santa Cruz.

It is this social reality that forced Sandóval Morón to press for an urban and an agrarian reform. But paradoxical as it may seem, Sandóval would at one point also come out in support of a section of the dominant cruceña class-caste which - following the Bohan recommendations - was in the process of becoming an agroindustrial, agricultural and cattle raising bourgeoisie. Sandóval's political behaviour must be placed in the context of this regional class and ethno-cultural reality, which in turn explains his need to win control of the departmental command (CD) - something he achieved in the January 1954 internal elections.

b) The pro-cruceño sector of the MNR

Another sector of the MNR established relations with the regional oligarchical class-caste - the cruceñidad - which went through several contradictory stages. First through<sup>a</sup> radical Jacobin stage, setting up urban and rural trade unions which took over agroindustrial or agricultural enterprises as well as medium size holdings, still using pre-capitalist forms of labour exploitation. The MNR which had seized the political initiative in the co-gobierno with the COB, tried to halt the activities of this party sector, that had close links with the trade union movement, as it endangered the US aid financing and created an atmosphere of political unrest and uncertainty in Santa Cruz.

Worse even, the combined party and trade union activities of this cruceño Jacobin led sector, harmed the sectorial structure of the party by allowing

the functional commands of the MNR to overlap with the COB affiliated trade unions. In the difficult juncture of the cogobierno - where the MNR was trying to establish its authority, bring the COB to heel, and prove to its US sponsors it was controlling the communists - such an organizational overlap was a dangerous tendency<sup>that had</sup> to be avoided. The full significance of this overlap will be understood better when, further on, I will analyse the MNR party structure.

This pro-cruceño sector of the MNR lent its support to the 1957 civic movement organized by the cruceña oligarchy's Comité Pro-Santa Cruz (CPSC). The support given to the CPSC would lead, as I will show, to the consolidation of a populism of the cruceña dominant classes, keen to defend its ethno-cultural values. The ideological discourse of the cruceñidad had the paradoxical capacity to assimilate other popular and democratic traditions such as camba ethno-cultural, political and economic values. This cruceño political discourse was so seductive, it even managed to attract some of Sandóval Morón's camba rank and file followers. The civic movement was in this way able to achieve an unusual reconciliation of the cruceño and the camba ethno-cultural views, whilst getting the functional sector of the MNR and local trade union organizations to back its anti-central government policy line. 'Comiteísmo' as it was called, managed to articulate a political and ideological language which presented central government, the kollas, and Luis Sandóval Morón as the enemy of all regional and cruceño interests, seen as threatened by the three. The crisis of authority in Santa Cruz that followed the death of Roca and Barbery continued but its parameters had changed: the struggle ceased to be within the MNR and it became inter-class (between workers, artesans and peasants against the landowning, commercial and urban oligarchy, and the emerging agrarian bourgeoisie) and inter- and intra-ethnic (between the kollas and the camba-cruceños, between the cruceños and certain

camba sectors, and between the camba groups themselves). But in this maze of class, ethno-cultural, party, regional and trade union antagonisms in Santa Cruz, two key rival groups had emerged, each seeking to define in their own terms the character of the national revolution in the region.

#### C ASPECTS OF THE DIVISION OF THE MNR IN SANTA CRUZ

The conflict between two rival groups was first expressed on a personalist basis between: Oscar and Freddy Barbery - two brothers related to the late Ovidio Barbery - on the one hand, and Luis Sandóval Morón on the other.

Not long after the revolution, Oscar Barbery was called to La Paz to work in the party's press and propaganda section, but he returned to Santa Cruz before the end of 1952 and was sworn in as the departmental labour inspector. From this influential position, Oscar Barbery started to distribute lands and set up a rural trade union network. He also founded the Central Obrera Departamental (COD) - the regional trade union confederation linked to the COB - whose local members were journalists, oil workers and drivers.

In December 1952, Barbery started a general strike demanding the implementation of social legislation. Central government was not pleased with this thorn in its side, and Barbery was promptly sacked as inspector and sent as secretary to the Bolivian Embassy in Rio de Janeiro, Brazil. Luis Sandóval Morón took advantage of Barbery's departure to make his first bid for MNR party leadership in Santa Cruz.

Luis Sandóval was a well organized and popular rising young political leader. He won the MNR departmental command elections (see results p. 192) in 1954 by calling for an 'action programme' of public works and the distribution of urban and agrarian lands. With this programme he was able to express what the party membership wanted out of the national revolution: Sandóval Morón represented the best traditions of struggle and demands of the camba people, going back to Adolfo Román and Andrés Ibáñez.

In an as yet unpublished autobiography, Sandóval Morón tells how he retreated to the party grass roots after a petty bourgeois group linked to the bosses ('de origen gamonal') seized control of Santa Cruz after the revolution, by controlling the MNR departmental command and the COD. The institutions Luis Sandóval used to consolidate his grass root support were the zonal commands, some labour and peasant unions, and armed militia groups. He proceeded with their support to implement the party programme. But, the MNR national political committee (CPN) - wary that Sandóval might be building up his own independent power base, or even worse seeking to split the Santa Cruz MNR - denied him support. He was summoned to La Paz where he was named Bolivian consul to Belem, Brasil. In the end he wrangled a way to stay on and work in La Paz. This was in February 1953, one month after the MNR right wing attempted a coup with the Bolivian Socialist Falange (FSB).

Sandóval smelt a rat, he thought the offer of the consular post was a manoeuvre - like that used earlier against O. Barbery who was sent to Rio - to distance him from his supporters. He turned down the offer and remained in La Paz working at the press and information ministry. By October that year, he was back in Santa Cruz; but in November, after another attempted coup this time by FSB, he was called back to La Paz and named under-secretary. In January 1954 the CPN convened elections in all the departmental commands.

There were attempts to stop Sandóval standing in these party elections; an incident was trumped up to suspend him from the party for 60 days. The party rank and file did, nevertheless, put forward his candidature for the CD elections which he won with the support of his own Bloque Obrero-Campesino.

Sandóval was described by a US historian in the following terms:

Morón was a swarthy fellow who came from the Vallegrande province, and it was precisely because of this he could not enter the cruceña high society. His political instincts meant, however, that his disadvantages could be converted into points of strength. This was because he was able to move among the lower strata of society organizing the camba, using techniques he had picked up from Aurelio Saucedo. Morón like Adolfo Román and Edmundo Roca, drew the campas to his banner and boosted his support by distributing land, using his army of Vallegrandinos to exercise strong arm tactics whenever his power had to be affirmed. (Palmer: 267)

In the above reference, we find several facts which corroborate my hypothesis concerning the inter-ethnic conflicts both in Santa Cruz society, and in the MNR party. Sandóval was a vallegrandino - a native of the Vallegrande province - of that distant province bordering the Andean - kolla - departments of Chuquisaca and Cochabamba. The Vallegrande province is renown for the uprising of the Chiriguano indians and for the death there of the royalist general Aguilera - a leading spokesman of the Hispanicist criollos of the region - on the eve of the Bolivian independence. The area is also known for the absence of any landowning class, ever since the first agrarian reform implemented by Andrés Ibáñez in 1876, introducing a petty commodity agrarian structure.\*

Of Vallegrande it has been said that:

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\* Regarding the first agrarian reform in the Andean context, see Tristan Platt 1982: chapter III.

De allí nace una riqueza funcional, que quita la hegemonía a la ciudad de Santa Cruz, donde radica la 'élite' del departamento. La facilidad de la evolución capitalista de Vallegrande se acentúa por la proximidad y facilidad de ingreso a los centros de consumo de Cochabamba y Santa Cruz. También de acá nace la clásica rivalidad entre cruceños y vallegrandinos, debida a la diferencia económica de las regiones. Así, parece que Vallegrande se convierte en una región autónoma y diferente de Santa Cruz. La unidad política y administrativa se diferencia en las dos zonas por las diversas etapas del desarrollo agrícola. Santa Cruz se sigue manteniendo feudal y todas las nuevas fuerzas están suprimidas. Mientras Vallegrande abandona todas las trabas feudales y marcha progresista, sin preocuparse de prejuicios sociales. (Janco: 11)

It is also worth noting that just before the revolution, there was a significant migration of vallegrandinos to the Cercado province (location of the departmental capital, Santa Cruz). This migrant flow increased after the revolution.\*

Having taken note of these facts, I would suggest that the so-called 'lumpen' or 'camba' support Sandóval Morón had during his period of strong man rule, was mainly made up of Vallegrande folk who migrated to the departmental capital either as colonizers or as seasonal labourers for the harvest, who eventually settled in the Cercado province. Their growing numbers and the support they gave to Sandóval aroused cruceño disapproval.

The right and the CPN which had been against his candidature from the beginning, resented his victory in the 1954 Santa Cruz CD leadership

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\* According to a study involving a comprehensive diagnosis of the region - the Macro-Diagnóstico Regional (Comité de Obras Públicas: 53) - the province of Vallegrande is the province with the highest level of outward migration in the department of Santa Cruz. In 1950 its population was 35,000; the projected population in the province for 1971 was 61,000, but a census that year showed only 32,000 souls were living there. On the basis of this and other information, it has been estimated that between 1950 and 1971, some 29,000 people migrated out of the province, primarily to the Cercado province.



elections. Thus, two months into his term of office as head of the CD, he was charged with killing a relative of the Fortún family (whose members were well connected and held high office in the interior ministry, the defence ministry and one of the top positions in the MNR's national political committee (CPN). He was subsequently expelled from the party and sent to the state penitentiary ('El Panóptico') in La Paz where he remained imprisoned for over a year.

Barbery - in the alternate central government tactic of keeping the two caudillos, Sandóval Morón and Barbery, apart - on hearing that Sandóval was again being held in La Paz, well away from Santa Cruz, decided to return to the region because his cruceño trade union movement (COD) was being shoved into the background by the growing importance of the zonal commands controlled by Sandóval. The zonal commands were a threat because they acted as parallel organizations to the COD affiliated unions, thus undermining the structure. Sandóval had also organized peasant and urban unions loyal only to him.

In order to understand the significance of this - the displacement of trade unions organized by Barbery, by a parallel organization like the zonal commands - it is necessary to explain in some detail the MNR party structure at a national and at a regional level.

#### D THE SECTORIAL STRUCTURE OF THE MNR: SECTORIAL AUTHORITY OR OVERLAPPING

During the first year of the revolution, there was no precise plan or programme drafted for Santa Cruz. For several months the political atmosphere was one of expectation and confusion, not least because the MNR's

stance regarding the cruceña oligarchy.

Another reason for the delay, besides winning US diplomatic recognition and US aid, in drafting a policy for Santa Cruz was that the MNR VI party convention approved in February 1953 the statutes (Estatuto Orgánico del MNR), although these were not actually enforced. Until their implementation in 1954, the MNR did not have an organic structure. Prior to the 1953 convention decision, all the party had were guidelines drafted by José Cuadros Quiroga in 1942. The effects of this organizational lacunae provoked conflicts, contradictory divisions and overlappings - both sectorial and personal - in the party. Yet, there was no reason to think that, when the statutes were 'implemented', they would make the slightest difference to these conflicts and paradoxical overlaps.

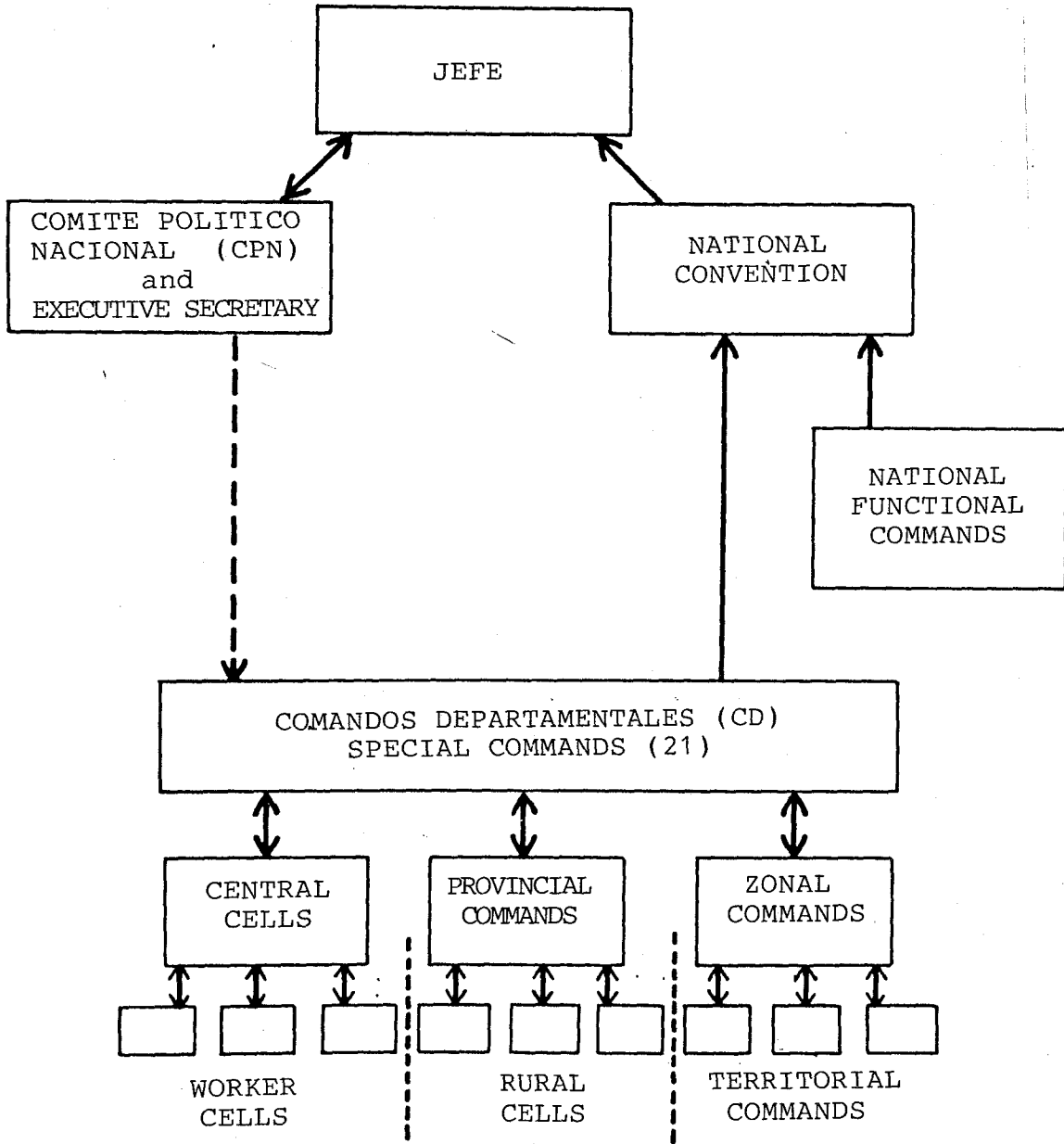
The statutes said that the party structure had to be constituted starting from two types of cells:

- The Functional Cells, set up on a departmental basis. Every trade union or industry had to have a 'central cell' in each department. This cell mediated relations between the rank and file, and the Departmental Command (CD). Also included with the functional cells were the rural cells linked to the Provincial Commands, which also came under de CD. This meant that all the urban and rural functional commands ultimately came under the authority and jurisdiction of the CD.
- The Territorial Cells, were cells subordinated to the Zonal Commands (CZ) which in turn came under the CD (see figure I).

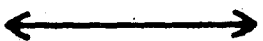
This schematic structure of the MNR based on the 1954 statutes, will help us understand how the Santa Cruz MNR was organized, and how its sectorial

Table XXX:

MNR ORGANIZATIONAL STRUCTURE ACCORDING TO THE 1954  
ESTATUTO ORGANICO



The lower entity elects the one above



Mutual interaction



Oversees local elections

structure lent itself to conflicts within the party and with groups outside it too. According to the statutes, both the functional and the territorial cells came under the jurisdiction of the CD. The CD were elected by the rank and file party members, but the candidates were first vetted by the CPN which in later years even prepared an 'approved list of candidates'.

In practice, however, a number of organizational possibilities arose despite the MNR's statutorily defined basic structure. These organizational variants gave certain commands more power and importance over others, in certain sectors, besides provoking an overlap of functions which had the most unusual political effects.

But, we must ask ourselves: what do we understand by 'sectors' and the 'overlap of functions'?

1 Sectorial authority: party predominance

Let us go back a bit and recall what I said earlier about Barbery's concern that the trade union he had set up was being displaced by a parallel organization: the zonal command. On the other hand, it was a well known fact that many MNR political leaders were also trade union leaders, besides holding high public administration (ministerial) posts and were in addition congressmen or senators. The best examples of this were: Juan Lechín, miners leader, COB executive secretary, Vice-President of the Republic (1960-64), minister of mines and senator; and Ñuflo Chávez Ortiz, (the cruceño) minister of peasant affairs, a member of the COB leadership and Vice-President (1956-57). This combination of high office posts among the MNR leaders was reproduced on a smaller scale at the departmental level (see Mitchell 1971: 115)

The supplantation of the trade unions by parallel organizations like the zonal commands, had a definite purpose. This purpose was to once and for all, return to the CD's statutorily defined authority, doing away with the organizational overlaps in and between the various commands. Such overlaps were endangering the party's 'ideal' (statutory) sectorial structure.

Let us therefore begin by studying the MNR's sectorial structure, returning later to the problem of the overlaps.

Despite the verticalist organizational structure proposed by the party statutes which gave the CDs a hierarchical importance, the MNR actually worked in a completely different manner. Instead of being a vertical and hierarchical party, it was structured on a sectorial model, like a circle at the centre of which stood the heads of the organization: this comprised 'el Jefe' (the boss or the leader)\*, the national political committee (CPN) and the Executive Secretary.\*\* According to Christopher Mitchell (1971), it is more useful to understand the party's sectorial structure this way, than in terms of a pyramid type structure which, he argues, is much closer to a revolutionary party. He thus claims that the MNR did not have the organizational structure of a revolutionary party, but one more compatible with that of a reformist grouping.

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\* 'El Jefe' was at the centre of this structure. He made decisions on the basis of pressures (or the absence of them) coming from other organizations which were part of this structure. He did, nevertheless, lay down the party policy line which the other organizations had to implement.

\*\* The CPN and its Executive Secretary was the ring around the Jefe. It held weekly meetings with the Jefe and it became the main party contact with the cabinet. The Executive Secretary participated without a right to vote in the CPN debates: keeping records, handling accounts and signing correspondence for and on behalf of the party.

What I intend to show are the differences and contradictions between the MNR's 'ideal' structure, and how this structure worked in practice. Three main sectors made up the party's organizational power base: the labour sector, the peasant sector and the territorial sector. The labour and the peasant sector were as I said earlier, functional commands, while the territorial sector was a command made up of zonal commands - institutions which represented the urban petty bourgeoisie - coming under the jurisdiction of the CD. It was this sectorial division of the party that represented the three pronged social base of the MNR which was, according to Walter Guevara Arze's Tesis de Ayopaya, an alliance of: workers, peasants and the middle classes.

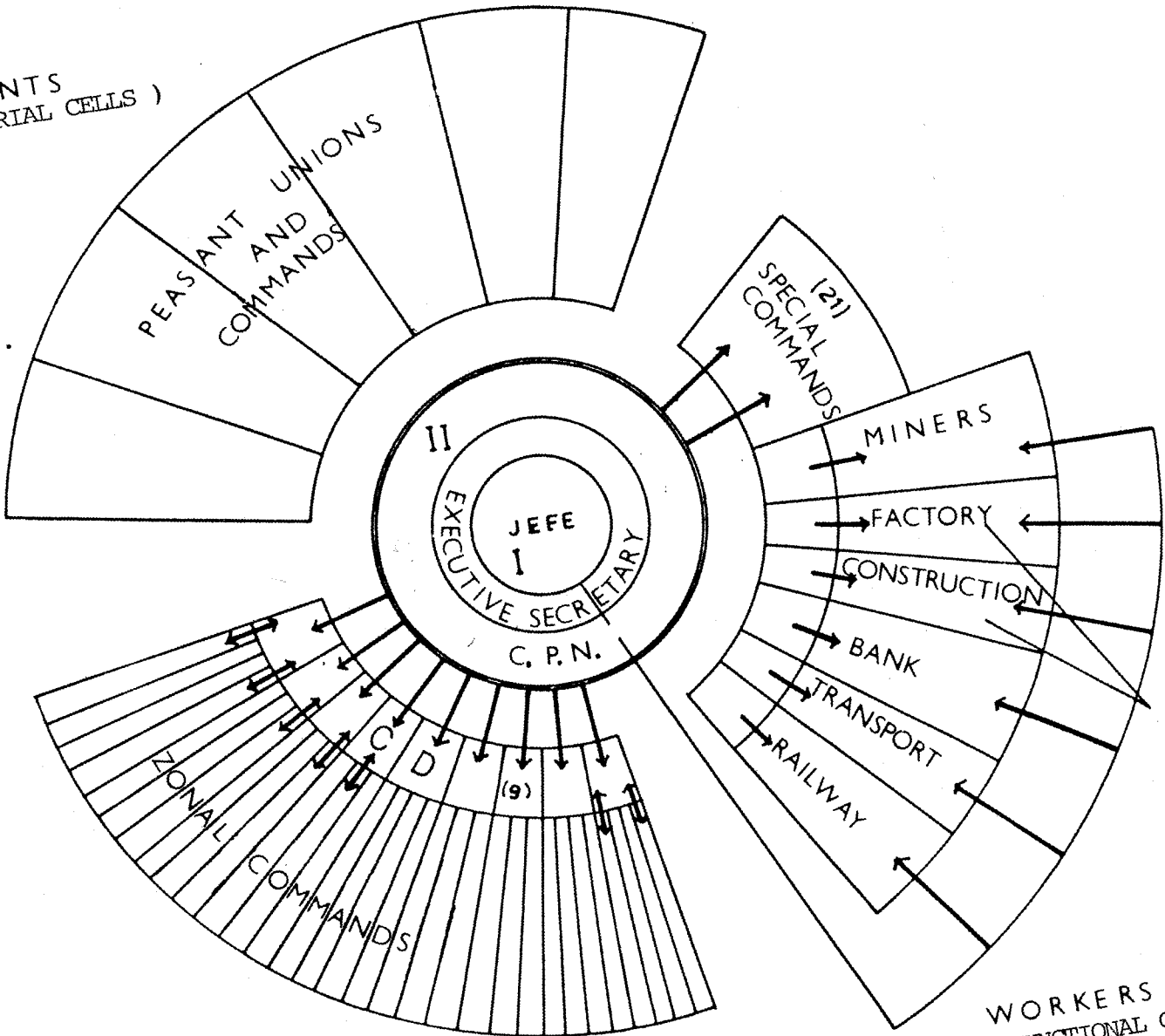
The three 'wedges' of the MNR's following have been labelled as social classes: workers, peasants and middle class. Of course the MNR's rhetoric, based on the idea of class alliance in the 'national revolution' has always pictured and extolled the organization as a 'poly-class party'. This was undoubtedly true in terms of electoral following: a majority of those in all three classes voted the pink ballot in every election from 1956 to 1964. But in organizational terms, the terms, the party was poly sector:\* its members were grouped into well defined functional and geographical hierarchies, each specialized or localized and relating to the party (if at all) directly to the central organs: the CPN and the Jefe. Thus there were no comandos uniting workers in many trades, but instead specialized ones for taxi-drivers, truck drivers, construction workers, miners, and so on. One did not relate to the party as a peasant, pure and simple, but as a member of such and such a sindicato on a particular ex-hacienda. The party organization did not cut across, but was conditioned by these special divisions in society, and if sectors in a given social class tended to act together (which explains their grouping in our diagram) that was a result more of converging interests than of party structures able to coordinate them. (Mitchell 1971: 101s)

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\* Sector: a social organization whose membership is direct and exclusive. Individuals ideally belong only to one sector and no other.

Table XXXI : MNR PARTY STRUCTURE

PEASANTS  
( TERRITORIAL CELLS )



WORKERS  
( FUNCTIONAL CELLS )

MIDDLE CLASSES  
( TERRITORIAL CELLS )

2 Sectorial overlaps: trade union predominance

Which then, were these overlaps that were undermining the authority of the CD with the other party linked organizations in the region? These overlaps are important as they show where the party structure was breaking down. Once the MNR had started to lose popular consent, the leadership and central government had no alternative but to impose their will.

To start, there was an overlap between the rural sector and the worker sector. The peasant unions which <sup>were</sup> in the rural sector and the peasant commands - the functional commands - had to be organizations autonomous from the trade unions and the worker commands - which were also functional commands. The MNR statutes had aimed for the ideal of a compartmented and orderly structure of sectors. The political events of Santa Cruz are a good example to illustrate why the party structures did not hold.

For example, Ñuflo Chávez Ortiz, the cruceño born minister for peasant affairs, had hoped to organize both MNR peasant commands as well as peasant unions, within the framework of the MNR-COB cogobierno. In practice however, he found it was easier to set up peasant unions in the countryside than MNR party cells. For this and other reasons, the task of party organization in rural areas was usually left in the hands of the trade unions. The leaders of local MNR peasant commands had no right to exercise any formal authority in the peasant unions; as they had to answer directly to the CPN in La Paz. Notwithstanding the distinction, the roles and functions of the rural commands and the peasant unions overlapped. This was the first type of overlap found in Santa Cruz during the period of the MNR-COB cogobierno.



A second overlap appeared between the peasant unions/peasant commands, and the worker sector of the party. I earlier suggested this possibility as both were, after all, functional sectors of the party. In Santa Cruz, the Barbery brothers had achieved this overlap by linking the departmental peasant federation - Federación Departamental de Campesinos (FDC) - to the Santa Cruz COD. Oscar Barbery ran the COD, Freddy Barbery the FDC.

The second overlap appeared with the mobilization of 'workers' in the urban centres. Although there were in fact few workers in Santa Cruz given its low level of industrialization (most artisans called themselves workers), Barbery structured and reshaped the trade unions until the COD was founded. The COD unions also brought together and organized professionals like owner drivers, artesans, and print workers within the zonal commands which theoretically belonged to the MNR's territorial structure, that is its departmental command. What the Barbery brothers had done was to organize zonal commands linking them to the functional structure they controlled. In fact, the zonal command should - according to the party statutes - only set up by the CD, usually under the leadership of Sandóval Morón. What the Barbery brothers were doing went against the sectorial configuration of the party: they were breaking its statutorily defined structure by combining or making the rural, labour and the zonal commands overlap under a single network. Worse even, this network undermined the authority of the CD, to which all other commands had - in theory - to be subordinated.

The third overlap, perhaps the most serious in the scheme set up by Barbery brothers, was the one between the party's statutory structure and the structure of the national trade union movement, the COB ( and its departmental COD subsidiaries). The political context in which this overlap took place was the MNR-COB cogobierno. The real danger - for the MNR - was that

the COB could attract to its organizational structure all the local MNR party institutions. In the past the habitual practice had been that all other organizations including the trade unions had to come under the party umbrella. The COB's aim to go beyond a strictly trade union role and become a political organization was a real threat to the MNR. This was compounded by the fact that the 'communists' in the unions and the party left represented in US eyes, a threat to hemispheric security and to the MNR's continuity in power. Such an overlap under the hegemony of the COB could in Santa Cruz lead to trade union control of the local party organization, wiping out the authority of central government and the CD in the region.

3 Paradoxes in the MNR's effective organization in Santa Cruz during the cogobierno: the ethnic vs the syndical

It is during the period of the MNR-COB cogobierno that the rivalry between Luis Sandóval Morón and the Barbery brothers, built up as they attempted to organize the Santa Cruz MNR according to their own terms and interests.

Keeping to the spirit of the Estatuto Orgánico which recognized the authority of the CDs over any other commands both zonal or functional, Sandóval Morón sought to have under his control all the party organizations in the department of Santa Cruz. He wanted to set up a power base in defence of the camba people, centering this on his caudillo image. His election as leader of the CD was a decisive step in this direction.

The Barbery brothers, for their part, aimed to consolidate their departmental power base using the trade unions, and exploiting the position of the COB in the cogobierno. They set up a Santa Cruz COD and the rural

unions, but also tried to extend their influence and power base by setting up their own zonal commands. These were, strictly speaking, part of the MNR territorial structure; they came under the CD and had nothing to do with the functional sectors. This encroachment by the unions in the party aimed to deprive the CD of some of its functions. The last hurdle the Barbery brothers had to pass in order to consolidate their power was seizing (or winning) control of the CD. They were never able to achieve this via elections. They did, however, support the CPN comptrollers, who were named in times of crisis to run a compliant CD.

There emerged a double paradox in this conflictive relation in the MNR during the cogobierno.

One paradox arose given the ethno-cultural origin and family ties of the Barbery brothers and their supporters with the cruceña oligarchy class-in-caste. This background had/no way hindered their attempts to organize the COD and the departmental peasant federation (FDC), as they somehow endeavoured to build up a 'classist' trade union nucleus. I mentioned earlier the transformist dangers that could arise when young radical Jacobin members of the oligarchy become popular or trade union leaders and succeed in leading the masses; thereby assisting the formation of new sectors of the dominant class.

The other paradox was that Sandóval Morón represented the poorer sections of the population, who were ethno-culturally *camba*. Sandóval also set up his own *camba* trade union base, the Bloque Obrero-Campesino (worker-peasant bloc) - which backed his candidature in the 1954 CD elections - yet he did not have any real control over the functional organizations of the MNR, although in theory these organizations came under the jurisdiction of the

CD. Unable to exert his authority within the functional organizations, he still endeavoured to consolidate the power of the CD in Santa Cruz.

In the two first chapters, I examined in detail the reasons why president Paz Estenssoro and the MNR, started to gradually move against the COB, in order to win US aid and support for the revolution. US pressure to implement a monetary stabilization during the presidency of Siles Zuazo actually split the COB. During this time, Sandóval adhered to the Estatuto in order to consolidate the position of the CD in Santa Cruz. Both circumstances helped Sandóval disarticulate the plans of the Barbery brothers to link the local functional structure of the party with the trade union structure of the COB. Despite the defeat of the latter, the Barbery brothers and Sandóval were alternately exiled from Santa Cruz or used politically according to the whims of the CPN leadership or the correlation of forces at any point in time during the cogobierno.

The moment of truth came when the MNR had to try and abolish these overlaps and restore the authority of the CD in Santa Cruz. Yet, this created another paradox, when the CPN gave the most reactionary groups in the region and the cruceña oligarchy the opportunity to organize their own institutions - the Comité Pro-Santa Cruz, the Gabriel René Moreno University, the Unión Juvenil (a cruceñista youth group) and the local press - for the defence of the cruceñidad. This combination of cruceño institutions confronted Sandóval Morón's CD and rejected outright his pro-camba, and anti-cruceño policies. The Barbery MNR grouping joined in with this cruceña reaction. Support was also forthcoming from leading national left-wing and trade union leaders who were that year defeated by the pro-Siles government wing of the COB, the Bloque Reestructurador.

4 The cupos as a means of transformism benefiting the CD

In order to consolidate his position in the CD, Sandóval Morón knew he had to control the cupos (food, commodity and imports goods quotas) distributed by the party to its members. The zonal command and the rural trade unions were the institutions authorized to distribute these:

'The sindicatos were supplied with organizational appeal by the power to distribute ration coupons (cupos) for food at reduced prices, and by the fact that only a sindicato could initiate and carry out the quasipradical process of land affectation and re-distribution under the agrarian reform. The sindicatos were the only post reform organizations that impinged on the lives of the peasants, and they became multi-functional social institutions, dispensing justice, providing leadership, entertainment, and a measure of representation in national politics'.  
(Mitchell 1971: 90)

To end this overlap in the distribution of quotas, damaging to the territorial organizations - the zonal commands - but beneficial to the functional ones - peasant unions and commands - Sandóval organized his own CZ to distribute the quotas together with his peasant unions. This clever move drew <sup>some</sup> unions towards the CD:

... el Comando recibía el cupo de tocuyo, de azúcar, de máquinas de coser etc. y el Sindicato no. Así se minó la más poderosa organización de clase de nuestra historia, la Federación Campesina Departamental.  
(Portales: 20)

In this way, the CD started to politically use its access to quotas, acting as a transformist mechanism over those sectors opposed to Sandóval within the Santa Cruz MNR:

El cupo (...) debió convertirse en el acicate para la organización de las gentes, los dirigentes tenían en él ingresos importantes y las bases se beneficiaban con la adquisición de algunos artículos y artefactos. El cupo fue pues un instrumento político y de enriquecimiento efectivo. (Portales: 15)

Convinced he had everything to gain and nothing to lose, Sandoval - although at that time still working in La Paz - took advantage of O. Barbery's transfer to the embassy in Rio, Brazil, to instruct his supporters in Santa Cruz to use the quotas to broaden his influence in the region:

The Comando Zonal was in charge of the distribution of quotas, of rationing basic foodstuffs on short supply, but most important of all the Comandos were loyal to Morón. When Barbery eventually came back from Rio de Janeiro he faced a tremendous task of reconstructing his power base. Morón's influence continued to hold sway in the Comandos Zonales: those who had received land and quotas from 'uncle Luis', remained staunchly loyal to him. (Palmer: 268)

Returning from Brazil, O. Barbery could only count on the support of the workers and artisans. He restructured the COD and used it to build up a militant class base, while prefect Severano Julio helped him organize the workers in the six main sugar mills.

5 The MNR/COB cogobierno in Santa Cruz: the case of the occupation and subsequent eviction from the San Aurelio mill

The agreement reached between the Santa Cruz prefect Severano Julio and the MNR leaders and trade union organizer Oscar Barbery, was for two reasons a good example of an alliance within the parameters of the MNR/COB cogobierno:

- The cogobierno as a trade union and a party relation within the MNR. This occurred because of the overlap between the functional organizations of the MNR (the worker and the peasant sectors) and trade union organizations

like the COD and the peasant union (FDC).

- The cogobierno between a departmental level trade union and party leader like Barbery, and prefect Severano Julio, the central government representative in Santa Cruz.

The combination of these two relations of force and consensus would have laid the basis for a solid alliance, coupled to the fact that no organized opposition had as yet emerged in the department. The departmental command became the institution sought after by the aforementioned sectors to consolidate their power and the authority of the MNR in Santa Cruz.

Backed by prefect Severano Julio, and with the sugar mill unions under their control, the Barbery brothers occupied the San Aurelio sugar-cane processing mill belonging to Ramón Darío Gutiérrez. Gutiérrez immediately sacked the workers and the union leaders. <sup>support of</sup> With the <sup>^</sup> the mill workers and peasants, Freddy Barbery proceeded to stop the mill working.

Don Ramón moved quickly first to raise funds to seize back the mill, then chose Luis Sandóval Morón to undertake the task. The reason for choosing Sandóval was obvious: he was the (elected) departmental command head and his territorial organizations had been in conflict with the functional sectors of the MNR led by the Barbery brothers. It has been suggested that Darío Gutiérrez even secured Sandoval's release from the Panóptico in La Paz where he was imprisoned accused of murdering a member of the Fortún family. Sandóval returned to Santa Cruz and organized an armed militia with his brother Edil. With it he intervened the San Aurelio mill and ejected the striking workers and their supporters.

Why did this alliance between an agrarian capitalist like Ramón Darío

Gutiérrez and a MNR leader jailed in La Paz, accused of murder, take place?

Perhaps the most plausible reason was that the San Aurelio mill played an important part in the government's plans to promote the development of capitalist agricultural enterprises in the Oriente. Gutiérrez had received state foreign exchange grants totaling US\$137,703.45 up to and including 1955 to set up his agroindustrial enterprise. The figures were published by Gutiérrez in a pamphlet: 'Orígenes y bases del ingenio azucarero "San Aurelio" ', originally a statement read on 25 September 1957 at the inauguration of the mill. This leaflet says Gutiérrez received the following sums to buy machinery, inputs and a small Cessna airplane:

Table XXXII : STATE FOREIGN EXCHANGE GRANTS TO THE SAN AURELIO MILL

Year	Table I	Table II	TOTAL US\$
1952	23,917.28	-	23,917.28
1953	5,736.49	50,266.12	56,002.61
1954	7,743.29	20,626.01	28,369.30
1955	3,128.26	26,286.00	29,414.26
	40,525.32	97,178.08	137,703.45

(These figures were prepared using tables I and II in Gutiérrez: 13-19)

Several arguments can be raised to justify the CPN decision to set free Sandóval Morón and allow him to return to Santa Cruz to regain control of the CD and then move against the Barbary organized occupation of the San Aurelio sugar mill installations. In the first place, what Barbary sought through the sit-in at San Aurelio was to seize the mill's adjacent agricultural land for distribution to the members of his union. Such a move would have gone against the official policy of creating an agricultural cattle raising and agroindustrial bourgeoisie in Santa Cruz. Secondly, the rivalry



between Sandóval Morón and the Barbery brothers was well known. As I said earlier, Sandoval controlled the party's territorial organizations, whilst the Barbery were attempting to create a focus of radicalization through the MNR's functional organizations. Freeing Sandóval at that time meant offsetting the influence of the Barbery brothers. In this way, the party wanted to keep up the dialectical game it alternately played with each of these caudillos, hoping that the confrontation between the two could benefit the interests of the CPN and central government in the region.

Sandóval Morón succeeded in removing the Barbery supporters from San Aurelio. Not long after, the murder charge against Sandóval was lifted and then proceeded to win the September 1955 departmental command elections with 5,900 votes for him and 4,000 for Barbery. Once again, his power and popularity among the rank and file was legitimated.

The Barbery brothers were in trouble. Central government and the CPN criticized their action at San Aurelio as it had broken the atmosphere of social peace in the department. The CPN aimed to break the influence of the Santa Cruz COD and subsume all trade union organizations to the authority of the departmental command.

This crack down on the functional sector and the trade unions weakened the little there was of a working class nucleus (albeit led by individuals associated with or descendent from the dominant ethno-cultural cruceñista caste). It also opened up a terrain of manoeuvre cleverly exploited by cruceña right wing to start articulating its regional counter-hegemony against the CD and central government.

## E AN ASSESMENT OF THESE YEARS

Given the instability and violence in the region, Sandóval Morón's rather erratic leadership of the CD after the revolution, was not conducive to the political and economic development of Santa Cruz. He fought for the maintenance of the party's sectorial structure which emphasized the pivotal role played by the CDs in regional politics. This fitted in with his objectives and those of central government; yet he failed to organically articulate popular and democratic demands of the region, into a canba ideological and political discourse under a CD direction capable of winning the support of the MNR criollos in the functional sector and the local COD trade union leaders, so as to forge an anti-crucenista movement. This would have solved the Santa Cruz MNR's dilemma, since the revolution, of identifying a local common enemy.

A more tactful approach to the region's problems would also have meant a popular advance and increased local participation in the changes taking place at a rural and urban level. A strong popular interlocutor capable of challenging both the crucenidad and central government, failed to emerge.

The people were thus left open to the initiatives of the dominant regional groups on the one hand, and the CPN on the other.

Central government for its part, also lost out as it no longer had a powerful progressive force - like the trade union movement - for its regional interlocutor.

But another strong regional interlocutor - for central government - was not long in appearing. The existence of the 'new' civic movement provoked a realignment of forces and a redefinition of political alliances which placed all the main political actors in a new context. In this new context, the popular canba sectors were drawn into the counter-hegemonic discourse of the cruceñista oligarchical sectors.

The people of Santa Cruz were made aware - by the cruceñidad - over and above some small changes at an urban and rural level, <sup>that</sup> the MNR and central government in La Paz had done little to solve the basic problems and satisfy their pressing needs. At an urban level, beyond Sandóval's effective though improvised urban reform, the revolution had done little. The growing local political instability and frustration at the end of Paz Estenssoro's term of office, built up into a series of new decisive confrontations during the government of Hernán Siles Zuazo.

### III FROM THE 1957 CIVIC MOVEMENT TO THE FALL OF THE MNR

#### A THE URBAN QUESTION: LANDLORDS AND THE VISION OF A 'BIG VILLAGE'

One of the main problems faced by the popular sectors in the city of Santa Cruz long before the revolution, was housing. In this section, I will first outline the urban issues prior to 1952, and how the situation changed after the revolution. It is important to examine this question as it will help contextualize the 1957 civic reaction against Sandóval Morón and central government.

The urban oligarchy was an important faction of the *cruceñidad*, it comprised some 50 families of criollo-cruceño origin, many with descendants going back to colonial times. The main source of livelihood for the urban oligarchy was agriculture and rents collected from leasing out rooms in old houses or plots of land in and around the city of Santa Cruz, where migrants set up ramshackle dwellings.

The tenants - in the urban holdings - were poor migrant families which had moved to the city of Santa Cruz after Andrés Ibáñez's 1875 agrarian reform. These nuclei of residences were known locally as tambos. By way of comparison, the tambos are similar to the shanty towns, favelas, or pueblos jóvenes that have appeared in the main Latin American urban centres over the last two decades. The tambos such as Cosmini, Hondo, Comercio, Caro, Limpio del Sol and Calama, remained in existence long after the 1952 revolution.

These urban oligarchs who comfortably lived off their rents were known locally as the casa-rentistas - house landlords. They were a powerful sector of the oligarchy in local economic terms, but also influential at a social and political level. They could arbitrarily set rent levels, and enforce the law with impunity in order to protect their interests.

A class-caste of *camba* tenants who having freed themselves from the feudal exploitation of the rural oligarchy, found when they moved to Santa Cruz that they were exploited by the urban faction of this same class-caste. Prior to the revolution, the rural and urban tenants had attempted through the Unión Obrera - which in the forties demanded rent reductions - to free themselves from exploitation by this class, often involving free and humiliating personal services.

Hence, at the time of the revolution, the housing problem was the most important urban issue. The situation was compounded by the fact that in the city limits there were many unproductive latifundia whose lands could be used for cheap urbanization. But the oligarchy knew these lands were valuable and would eventually increase in value, particularly when the railway link to Brasil and Argentina was completed, or when the highway to Cochabamba was built. Increased urban population growth only made matters worse, as no more houses were built nor plots sold to compensate for the housing shortage. This meant the poorer mainly *camba* section of the population was suffering the worst effects of the housing shortage. The *casa-rentistas* who monopolized the urban land and housing market, argued that in Santa Cruz there was more than enough arable and house building land. They said that the tenants refused to better their lot.

Los acaparadores de tierra, se habían cuidado muy bien en difundir, hasta su total aceptación, que en Santa Cruz no había problemas de tierras, que habían muchas y extensas y que si los pobres no tenían casa o terrenos era simplemente por 'flojos o borrachos', cuidándose de aclarar que esas grandes extensiones estaban acaparadas y protegidas por las autoridades, las leyes y hasta la escopeta patronal, para todo aquél que osara, no digamos entrar en la tierra, sino sólo sacar leña. (Sandóval Morón: 100)

Much closer to reality was the fact that the urban oligarchy was responsible for this deplorable state of urban stagnation; keeping the status quo provided it with one of its main sources of income. As Sandóval Morón aptly put it: 'they did not want to develop the city, but to keep it like a "big village"'. Before the revolution, this 'city' had an electricity capacity of only 700kw, no system of drinking water, sewage, nor street paving. It was in fact not even a big village.

1 The 'Comodato': the basis for an urban reform

The condition of the tambo tenants had deteriorated to such a point after 1953 (two years before the approval of an urban reform decree) that the leaders of the MNR zonal commands started in their own terms to implement an urban reform for the most needy, by invading several unproductive latifundia on the city limits.

The members of the land invasion movement were mainly tambo tenants who were granted small plots on which to build their houses. In the two year long land seizure campaign, 17,000 lots were distributed, and 30 new neighbourhoods set up by 1956.

Luis Sandóval Morón, who was a member and elected leader of the MNR departmental command through<sup>out</sup> this period, was the promoter of these land invasions. He decided to act and not wait for the urban reform decree, as he claimed the existence of unproductive latifundia on the city limits was illegal. He justified the land seizures by citing two laws - the 1880 property law and the December 1912 law which ratified the first; the laws stipulated that the Municipal Council was the sole and sovereign property owner in the Santa Cruz urban area: this started from the middle of the main plaza and extended over an eight kilometre radius. The law stated this area came under municipal ownership but recognized the right of the user of the land to build a house or dwelling on it, or make other improvements. In other words, the municipality could only offer a comodato, that is, make the land available on a leasehold basis, using the municipal ownership right to regulate the social use of property. The municipality

... adjudica, en favor del solicitante y su familia, la extensión necesaria para la construcción de su vivienda familiar, reconociendo la propiedad de las mejoras y construcciones, pero sin deshacerse del derecho de propiedad, o sea que concede, de por vida y hasta con carácter hereditario, solamente el usufructo de la tierra. (Sandóval Morón: 103)

The urban oligarchy, however, ignored this municipal prerogative and over the years started to accumulate land within this eight km radius but without fulfilling the stipulated social use conditions.

Sandóval who was a law student, read between the lines and proceeded to enforce the social function of property by redistributing the 'municipal' lands and granting comodatos to the urban popular sectors.

La expansión del complejo urbano sobre otros lugares contiguos al casco viejo de la ciudad se operó entre los años 1953 y 1960, recurriéndose al parcelamiento - comúnmente dicho 'loteo' - de quintas o cortijos de propiedad particular. Argumento esgrimido para el caso (no por cierto ilegal) fue de que los dueños de los fundos parcelados no eran propietarios con justos títulos, sino meros ocupantes, pues las tierras pertenecían todas al patrimonio municipal según la ley aquella de 1912. (Sanabria: 16)

In these comodatos, the new owners built their houses, free from any interference from the bosses. This de facto urban reform was implemented by the zonal commands, and won the MNR the support of urban small holders and proprietors who came under the hegemony of the departmental command. Many of the beneficiaries of this urban reform programme set up small shops or artesanal installations in their houses, using it as a basis for creating an independent source of income.

The social sector most affected by this urban reform were the landlords - casa-rentistas - who having accustomed to live off their rents and the labour services of their tenants, found they were not getting the same

volume of rent, as their former tenants had obtained a <sup>of their own.</sup> plot and house/

The zonal commands also grew in size and their growing political influence threatened the urban oligarchy.

Some landlords compensated their loss<sup>of</sup> income when migrants from the Andean region moved into the tambos vacated by the former camba tenants. But this in turn created other problems. The growing Andean indian-mestizo (kolla) presence in Santa Cruz, through colonization programmes and spontaneous migration provoked considerable anxiety among the cruceñista caste. It was worried that this rising ethnic disequilibrium would threaten its hegemonic position and change the values and traditions of the cruceñidad, a caste which for several years had been seeking its own renewal. The fear of being displaced provoked in the cruceñidad ethno-cultural estament, the most retrograde, racist and xenophobic reactions; from it emerged a strong anti-kolla or 'come-kolla' (eat the kolla) attitude which remains strong until today.

## 2 Inflation: losers and beneficiaries

The strong process of inflation unleashed after the revolution - which I examined in chapter one - hit the landlords hardest of all. Inflation cut the value of their rent income and they found themselves unable to maintain their standard of living. This was one of the reasons why the urban oligarchy started to react against the effects of the revolution.

Inflation did however benefit some sectors of the population: the small and medium merchants who appeared after 1952 and who speculated with foreign exchange or the quotas; the black marketers and the smugglers; and the local members of the MNR importers cell. There were also the traders who



backed the creation of local bus and truck transport services; they were among the first members of the COD. This heterogeneous mass of traders, artisans and drivers started to displace the landlords and the traditional traders, on their own ground and through widespread speculation in all sorts of goods and services.

La gran 'rosca' comerciante domina todo y hasta impone precios a minoristas y consumidores.  
(Janco: 29)

The only productive sectors in the region were agriculture, cattle raising and agroindustry, who with the support of US aid and technical assistance, government funds and the agrarian reform legislation transformed the agrarian structure of Santa Cruz.

These sectors became the corner-stone of the MNR's policy for aiding the formation of a national bourgeoisie. There was much in common between the high speculative activities of the rising bourgeois and petty bourgeois commercial classes and the agricultural bourgeoisie who benefited from the high rate of inflation until the 1957 monetary stabilization. They did well because they could adjust their price levels in order to assure their large profit margins.

En efecto, la producción de Santa Cruz por primera vez en más de 130 años alcanza a tener importancia nacional, pues, debido a la caída de la producción en el altiplano, debido a la total desintegración de la agricultura feudal y la no aparición inmediata de la esperada organización capitalista debe abastecer esos mercados de consumo. La demanda aumenta y también aumentan los precios. La 'chicha' de Cochabamba se produce con maíz de Santa Cruz, en porcentaje del 70 por ciento en base a una mezcla especial(...) También, el maíz alcanza hasta La Paz, las minas y otros distritos del altiplano (...) Por otra parte, debido a la escasez de arroz importado (el cual es, luego, reexportado) el arroz cruceño tiene gran demanda en el interior. Asimismo, los índices de producción de caña, yuca, café etc. tienen notable ascenso, con gran beneficio para Santa Cruz. La producción capitalista, tiene así, un auge sin precedentes desde 1952. (Janco: 34s)

B THE COMITE PRO-SANTA CRUZ: A MEETING POINT OF LOSERS AND DISINCORPORATED

The panorama I have analysed so far, changed when president Hernán Siles Zuazo introduced a policy of monetary stabilization. The economic circumstances of the dominant sectors in the region rapidly deteriorated. The urban landlords (casa-rentistas) who lost their rent income with the rising inflation 'could not hold out any longer'; the small and medium size agricultural producers who had benefited from the inflationary spiral in the first days of the revolution, realized that the stabilization ruined them by bringing down prices; also affected by the abolition of the multiple exchange rates and the quotas were the smugglers and black marketers.

All these sectors, that is the urban oligarchy - the long established merchants, traders and the landlords hard hit by the urban and the agrarian reform - and the small and medium farmers joined the disaffected new traders which had prospered during the first years of the revolution. The latter discovered that with the economic stabilization, they had been disincorporated from the system of political and economic distribution. Left in the cold by central government policies, they found a common ground on which to find a solution to their grievances. It was, to defend cruceñista ethno-cultural values and their way of life from the external Andean influences, central government policies and kolla migrants.

The cruceñista faction which took up the initiative was the urban oligarchy that recovered its institution, the Comité Pro-Santa Cruz. Further support came from the Bolivian Socialist Falange (FSB) and two other oligarchical parties displaced by the revolution, the Republican Union Socialist Party (PURS) and the Liberal Party.

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1 The 11% royalties: panacea for cruceño problems

To solve the most pressing problems in the region, the Comité Pro-Santa Cruz (CPSC) sought for the department a greater share of the revenues central government obtained from the exploitation of local oil resources. They wanted 11% of oil royalties according to the <sup>1938</sup> Busch law. In the long term, the CPSC wanted to win political control in Santa Cruz, then attempt to take power nationally.

The Siles Zuazo administration aimed to cut back on state economic expenditure but at the same time try to keep most oil revenues for the state, according to article 104 of the US drafted Davenport Oil Code approved in 1955.

But, controversy broke out concerning the need to interpret article 104. This set off a chain of events which led to important changes in Santa Cruz. According to article 104, the concessionaire had to pay the state 11% of the value of oil well head production. The oil code was however ambiguous regarding the 1938 Busch law as the law stipulated that this 11% had to be granted to the producing department. This ambiguity became publicly known when president Siles and vice-president Ñuflo Chávez fell out regarding the monetary stabilization measures. Chávez who was opposed to such measures, resigned from the Vice-Presidency, then attempted to seek political support in Santa Cruz where his cruceña caste credentials were impeccable, coming from one of the oldest and most established families. Chávez told the CPSC that the government was using the Davenport Oil Code to deprive the department of oil royalties as stipulated in the Busch law.

C STABILIZATION AND CENTRALIZATION: THE END OF DISTRIBUTIONISM  
AND THE COGOBIERNO

I will now examine how these events articulated during 1957, relating them to political events at a national level. Siles said - see chapter one - that the enemies of the revolution were inflation, contraband, the use of quotas and systematic fraud using the exchange rates. Siles argued that fiscal corruption could only end through a successful stabilization; it would, he said, renew popular support for the MNR and increase foreign investment in order to start Bolivia's economic development.

The stabilization had specific implications for Santa Cruz. For example, Siles well before he became president, advocated that the party exercise strong control over its territorial organizations: the departmental commands. To ensure this happened, as of March 1956 he backed CPN moves to intervene the departmental commands.

This recourse to intervention was a preventive measure anticipating a generalized 'indiscipline' that would arise following the implementation of the stabilization measures. After his nomination in January 1956 as MNR election candidate, Siles started to place people loyal to him in control of the departmental commands. To achieve this, he got the CPN to pass a number of resolutions approving the intervention of the following CDs:

- La Paz CD                      March 1956
- Chuquisaca CD                May 1956
- Beni CD                        July 1956
- Oruro CD                        September 1956

CPN intervention of the Santa Cruz CD was not considered necessary at this stage as that CD had been successful in laying down its authority and disarticulating any threat from the party's functional commands. The Santa Cruz CD, operating within the parameters of the cogobierno and having access to distributionalist resources (ie the quotas), was to a large extent able to keep to the organizational principles stipulated in the party statutes. It was at the same time, also able to centralize political power in the region under the leadership of the rising caudillo, Luis Sandóval Morón.

But, this power that the CDs had built up was disarticulated in part by the stabilization policy adopted by Siles. The stabilization did away with those distributionalist mechanisms used by Sandóval Morón, as head of the CD, to end the overlaps within the party: especially that between the party (its functional commands) and the trade union structure of the COB (which served in fact to bolster the authority of the CD in the region).

Siles sought to concentrate political power in the Presidency, in the CPN and for central government by stopping all these local mechanisms of 'consensus' and their institutions. His real aim was to do away with the cogobierno, with this so-called 'duality of powers'. The COB had to submit to the MNR.

On April 1957, Ñuflo Chávez, who was then Vice-President and in favour of the COB, criticized Siles' monetary stabilization policy. This critique coincided with a strong defense of the cogobierno by the COB leader Juan Lechín who also fought the President's attempts to get the COB to knuckle under to the MNR. In May that year, a number of factory worker unions started to protest a CPN attempt to rig their internal elections. The following month (June) Lechín convened a general strike for 1 July, opposing

Siles' stabilization plans and his attempts to restructure the COB. This decision was ratified at the workers congress on 15 June. But the decision was questioned by other sectors of the labour movement - the bank workers, teachers and factory workers - who openly came out against the strike on 19 June. After long drawn out infighting within the COB, Lechín gave way, recognized his defeat and suspended the strike.

This was a victory for the Bloque Reestructurador within the COB; Lechín's anti-stabilization and pro-cogobierno position had been defeated. The Siles government had rejected it outright. On the other hand, Ñuflo Chávez was forced on the 25 June, on the eve of the COB's defeat, to resign from the Vice-Presidency.

It is important to point out that both Lechín and Chávez did not, by opposing the stabilization, seek to bring down the Siles government. They were merely calling for the continuity of the cogobierno and the party's sectorial structure. They argued that both these features were necessary to ensure that the party continued to have a strong following and to give the revolutionary process a permanent dynamism. But the cogobierno and the MNR's sectorial organization came to rely on the political and economic distributionalist mechanisms since the revolution. The sectorial overlaps in Santa Cruz were but one example of how the cogobierno had become a serious threat to the MNR. The cogobierno had also served to subordinate the functional sectors of the MNR to the syndical structure of the COB.

This represented a latent danger for the MNR, which could all of a sudden find itself overwhelmed<sup>-med</sup> by the COB's syndical structure, both at a local (regional/departmental) level and nation-wide. As we have seen from the increased consolidation of Sandóval Morón's power in Santa Cruz, this

overlap situation was resolved in favour of the departmental command, well before Siles' election. But once in the Presidency, Siles moved to strengthen even more the party's territorial organizations: he named as head of the CDs, comptrollers who were loyal to him. With this increased centralization of power in the hands of the executive branch of government and in the CPN, Siles was in a better position to confront the COB and implement his economic plan, confident that he could muzzle the opposition.

It is highly probable that Sandóval may have used his new found authority in the Santa Cruz CD to support Siles' drive against the COB. I have already examined how successful Sandóval had been in subjecting the functional sectors of the party and the trade unions, to the territorial sector. Now, this subjection was achieved using the distributionalist measures in vogue at the time of the cogobierno. In this sense, that sector which could have been Siles' strongest ally, found it was hardest hit by the stabilization measures. The CD lost its distributionalist capacity - for example, the zonal commands lost their access to quotas - and it was weakened vis-a-vis the other (functional) party sectors and the rising cruceñista opposition.

We can deduce from this anti-cogobierno, anti-distributionalist and anti-CD move of Siles, that the President wanted to put an end to caudillo rule in the regions. He aimed to replace these MNR strong men, with comptrollers loyal only to him. Above all, Siles was eager to set up a CPN which would not only endorse his stabilization economic policy but introduce new mechanisms for the centralization of power, a move which in the end seriously undermined the sectorial structure of the party.



D CIVIC COMMITTEE AND ROYALTIES: IDEOLOGICAL AGGLUTINATOR AND  
POLITICAL CATALYST

Central government and the CPN were the next to clash with Sandóval Morón but this did not take place until the caudillo had first of all entered into conflict with the MNR's functional commands and the trade unions. At a local level, Sandóval was a good example of that level of in-party centralization which Siles was seeking for his own nation-wide designs. Thus, when the stabilization was introduced, Sandóval's leadership in Santa Cruz was opposed by those groups and sectors within the party that had ceased to benefit from the distributionism: the importers cell, the foreign exchange speculators, the black marketers and the quota speculators. They were joined in their opposition to Sandóval by groups outside the MNR affected by the inflationary spiral, by oligarchs who had lost their unproductive latifundia through urban reform, or had failed to take advantage of the agrarian reform.

The combination of these dissimilar groups and sectors who had fallen out with the head of the departmental command and central government policies, did not confront neither Sandóval nor Siles in a haphazard way; they needed first an ideological agglutinator and a political catalyist.

The ideological agglutinator was the Comité Pro-Santa Cruz - the department's civic committee; it called on the central government to assume its responsibility and improve urban conditions in the city of Santa Cruz. The CPSC was the institution that started to articulate a collective consciousness based on the cruceña ethno-cultural values, and hence under the hegemony of the regional oligarchy. They were sure that if they achieved this, they would in their own terms be able to devise the economic, political, social and ethno-cultural steps to be taken by Santa Cruz within the national revolution.

The political catalyst which brought together all these groups into a cruceñista civic movement was a request to La Paz that 11% of the oil royalties be retained in the department. This catalyst enabled several factors to come together: the defeats of the urban and rural oligarchy; the frustration of the speculators some affected by inflation, others by the stabilization; the multiple connotations of cruceñismo (cruceñidad, camba, camba-cruceño, etc.); the urgent need to modernize the 'big village'; the frustration of these local MNR sectors which had lost out (the functional sector, the COD, the FDC, etc.); a general economic crisis, and the strong regional sense of autonomy.

The cruceñista civic movement got the Siles government to first approve an interpretative law which granted the department its royalty share, then help oust strong man Sandóval from the region. Oil, did not however, prove to be an immediate panacea for solving Santa Cruz's social, economic and urban problems. The first fruits of economic development came from agriculture, cattle raising and agroindustry, starting precisely in 1957, the year the stabilization started and the cogobierno came to an end.

The Santa Cruz civic movement helped consolidate a new capitalist nucleus centred on the restructuring of sugar cane and rice production. Although I will examine the changes in the following section, it is worth noting that the highest increase in the production of sugar at the mills: 96%, took place between 1956 and 1957 (see CNECA 1971/72: the percentage increase has been calculated using table 21).

E SILES' STRATEGY: TO DEFEAT THE COB, MAKE CONCESSIONS TO THE CPSC AND TO OUST SANDOVAL MORON

Starting from this overall view, and having outlined the political topography in Santa Cruz and at a national level, further determinants can now be introduced to enrich the analysis.

At the height of the conflict between Siles (President), Ñuflo Chávez (Vice-President)/Juan Lechín (leader of the COB), the CPSC was restructured: its statutes were changed and, on 15 June, its members elected a new director. No sooner had this happened that the CPSC put in a request to central government for the installation of water pipes to provide the city of Santa Cruz with a fresh water supply system. At this time, Ñuflo Chávez revealed to the cruceña right wing, the CPSC and the FSB party, that central government was using the 1955's Davenport Oil Code to deprive the department of oil royalties allocated to it under the Büsch law.

Ñuflo Chávez's revelations to the CPSC were not however lacking a tinge of irony, as the 1955 Davenport Oil Code was ratified by congress and made law in the first congressional sessions of 1956 (there was no congress between 1952-56, thus all laws passed in the first four years of what was a de facto revolutionary regime, had to be approved when the first sessions of congress were convened after 6 August 1956) chaired by vice-president Ñuflo Chávez who, because of this post, was also the president of congress.

The crisis-ridden urban oligarchic faction and its allies used the CPSC to press their demands and mobilize the people of Santa Cruz, with a double purpose: first, to obtain the 11% royalty payments, then to bring down the MNR government; may be even both objectives could be linked. On 17

August, Melchor Pinto Parada was named president of the CPSC.\*

At the end of September, Siles met a Santa Cruz delegation in an attempt to find a solution to the royalties issue. But Pinto Parada and the CPSC disowned the talks. On 31 October 1957, unable to get article 104 changed, the CPSC called an open public meeting (cabildo abierto) which decided on a general strike in the department starting 1 November. In the meantime machinery and tractors were seized from the state oil company YPF to improve the city streets. That same day Lechín, in his position as senator (and not necessarily as leader of the COB), received a telegram from the Santa Cruz MNR via senator Omar Chávez calling on him to ask congress to pass a law interpreting the contentious article 104 of the 1955 Oil Code.

On 2 November, Siles flew to Santa Cruz and explained the government's position to a sceptical public gathered in the main plaza. After his visit, congress on 8 November debated the issue. Despite the claims that the Santa Cruz movement - like earlier ones - had separatist intentions, the senate passed a resolution expressing its support for the departmental mobilization.

On the issue of the 11% royalty payments, the CPSC was asking: a) that the government hand over the oil royalties to the department of Santa Cruz as stated in the Busch law; b) an interpretative law governing article 104, which would put an end to the ambiguity between the Busch law and the 1955 Davenport Oil Code.

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\* Pinto Parada became mayor of Santa Cruz in 1949, during the oligarchic government of Mamerto Urriolagoitia. He was named after the MNR won the - subsequently annulled - municipal elections.

Given the pressure and mobilization mustered by this civic movement, the government found itself all of a sudden besieged on two fronts:

- By the Santa Cruz MNR: in particular the departmental command led by Sandóval who was opposed to the government's stabilization policies, and a long awaited intervention - the naming of a comptroller by the CPN - of the CD which damaged the distributionism that had financed his buying up of a local consensus. Sandóval knew that the intervention of the CD - the CPN naming of a comptroller to run the command - was not a long way off.
- By the civic and falangista (FSB party) opposition: they called for the introduction of measures which ran counter to the stabilization policy planned by the Siles government, ie granting the department of Santa Cruz 11% of the oil royalties.

It is once again important to remember that central government had successfully defeated the COB on the issue of the stabilization, and ended the cogobierno MNR/COB. Not only was Lechín personally defeated as was Ñuflo Chávez, but the conflict ended with the victory of the pro-Siles Bloque Reestructurador within the COB. Lechín continued to struggle, but bearing this defeat in mind, it is understandable that he and other members of the COB and the MNR left wing offered their support to the CPSC and its 'just demands'. For after the political defeat of the COB by Siles, this civic movement in the oriente was the organization that most seriously threatened and opposed Siles' rule, not only on the issue of the stabilization but more specifically on issues directly related to the region itself: the call for Santa Cruz's pressing problems to be resolved and the call for an interpretative law on the royalties issue.

In this context, Sandóval Morón had everything to lose: he had not taken advantage of the opportunity to seize the demands now being articulated by the CPSC. Quite the opposite, he was accused of being against the interpretative law, and this label stuck. This led to accusations that he was not prepared to defend, but actually was against the interests of Santa Cruz.

On the other hand, because of his 'urban reform', and given the social and ethno-cultural origins of his rank and file supporters, Sandóval aroused suspicion and enmity among the urban oligarchs, the functional sectors of the MNR and his trade union opponents whom he had politically defeated before Siles became President. Siles now wanted to get rid of Sandóval and named a comptroller loyal to him, to run the CD.

Worse even, for Sandóval, and probably even for Siles, a military officer of kolla (Andean) origin, general Luis Rodríguez Bidegain who had good connections with the CPSC was named prefect of Santa Cruz. Once the CPSC was sure it had got approval of the interpretative law and consolidated its position in the region, the CPSC advanced against Sandóval demanding that he leave the city.

The ousting of Sandóval Morón by the CPSC, but with the acquiescence of the government, was followed by the intervention of the departmental command. Several comptrollers were named to run the CD, they were: Aquino Ibáñez, Oscar Barbero, Severano Julio, Omar Chávez, Jorge Flores and Julio Chávez, all enemies of Sandóval and pro-cruceñistas. Together with Melchor Pinto Parada, the president of the CPSC, they ruled Santa Cruz. This consolidation of the pro-cruceñista MNR sectors took place the same month Siles granted victory to the CPSC by signing on 12 December 1957, supreme decree

4799. This law said:

- that 11% of state oil company's (YPFB) royalties shall be exclusively set aside for the producing department.
- that the 11% shall be distributed as follows:
  - 6% will be considered part of state income, for use in projects of national importance within the producing department, ie railways and roads.
  - 5% will be entirely handed over to the departmental treasury for use in public works and industrial development projects. (See Ibáñez Franco: 121)

Even so, two more years were to pass since its enactment, before this law was actually implemented.\* It has been said that this delay between the enactment and the implementation of the decree was because Siles was keen to assure the centralization of political power of the the state, starting with the centralization of all state revenues and administrative functions. The political corollary of this was the need to end the power of regional strong men. Hence the blind eye turned when the 'comiteístas' moved to oust Sandóval from Santa Cruz. It also demonstrates the unwillingness of central government to provide economic resources and more autonomy to a region that was in its own right already able to stand up and fight.

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\* On 6 December 1956, congress enacted the Vega law which interpreted article 104 of the 1955 Petroleum Code, but president Siles refused to have it implemented. According to article 79 of the constitution, the president of congress can have implemented those laws which the president vetoes or refuses to implement. The problem reached a head when Siles passed the decree DS 4799 which gave a different interpretation of article 104 to that interpretation made by congress. It was only as late as 12 December 1959 that Rubén Julio, then the president of congress, implemented the law enacted by Siles.

After 1960, when oil production started to rise, Santa Cruz actually underwent a process of rapid transformation. Coupled with increased oil production came an agricultural and agroindustrial boom, aimed first at the internal market to achieve the import substitution of agricultural commodities and subsequently to the international market - this will be examined in the next section. This movement to the international market must be related to the increased national political presence and impact of Santa Cruz, particularly after general Hugo Banzer's August 1971 coup.

The first attempts to bring down the MNR government of Siles Zuazo and to influence politics nation-wide from Santa Cruz were felt starting the mid fifties onwards; this was after the winning the oil royalties, the second objective of the cruceño civic movement. Siles' main worry was that this political reaction building up in Santa Cruz - this small republic (republicueta) of the Rosca - could spread its tentacles to the rest of the country and endanger the 'revolution' itself.

Las autoridades designadas por el gobierno en Santa Cruz no tenían ningún valimiento. Melchor Pinto Parada era el Presidente de este distrito, que constituyó otro Estado, sus propias fuerzas armadas, sus propias autoridades, su propia economía, sus sistemas de represión(...)  
(Antezana Ergueta: 57) \*

The 'revolutionary' process was in any case transformed by the mere emergence of the comiteísta movement, which had become the bastion for the restoration of criollo hegemony nation-wide. I earlier examined how

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\* Antezana says that the separatist current within the CPSC was not promoted by Brazil, but by Chile which was keen to create problems in Bolivia, far from its own border. Antezana also says that the cruceño rosca extended its influence to the south of the country in what became a counter-revolutionary nexus that included the departments of Potosí, Tarija, Sucre and Cochabamba.



the cruceñista oligarchy survived the rigors of the national revolution and actually came to benefit from it. How the cruceños successfully incorporated to their institutions and attracted to their ethno-cultural ideology wide sections of the MNR leadership; the rank and file membership; the MNR functional sectors and the local trade union movement.

What happened was that the comiteísmo allied with a section of the MNR comprising several left wing congressmen including Juan Lechín, Virgilio Vega and Ernesto Ayala Mercado. This meant an alliance had been achieved between the functional sectors of the MNR - which at a local level were indistinct from the Central Obrera Departamental (COD) - with the comiteísmo, against the central government and the territorial sector of the MNR in Santa Cruz: the departmental command led by Sandóval Morón.

Some of the members of this unusual alliance, achieved by the comiteísmo, are named by Pinto Parada the then president of the CPSC, who said:

'... no sólo defendemos la posición del Comité y de nuestro pueblo, sino que atrajimos a la corriente cruceñista a legisladores de otros distritos, de otros sectores y aun corrientes nacionales dentro del partido gobernante, como el Sector de Izquierda del MNR que acompaño a la bancada curceña en todas las actuaciones camarales, como minutas de comunicación y peticiones de informe e interpelaciones. Fueron leales intérpretes de las aspiraciones de su pueblo los siguientes parlamentarios: Omar Chávez Ortiz, Virgilio Vega Terrazas, Jorge Flores Arias, Oscar Chávez Paz y Alfredo Ibáñez Franco, sumándose los hermanos Severano y Rubén Julio, representantes por el departamento de Pando y algunos otros del mismo y del Beni; el Senador por Chuquisaca Ciro Humboldt Barrero, el fogoso diputado Ernesto Ayala Mercado; los representantes mineros a la cabeza del Senador Juan Lechín Oquendo y otros que por el momento no recordamos' (Ibáñez Franco: 41)

Here we find former members of the POR Trotskyist party which made their entryism into the MNR after the revolution (Ayala Mercado), also national trade union leaders, and reference made to the most powerful section of

the trade union movement: the miners; congressmen from both the Andean region and the oriente; and finally regional caudillos of the oriente, the fiercest rivals of Luis Sandóval Morón.

Paradoxically with the rise of comiteísmo and the ousting of Sandóval, Siles lost control in Santa Cruz, and Sandóval's sector of the MNR (the CD) had to organize resistance without support from central government or the CPN. So continued the 'violent and acute crisis of authority in the region'. The local state institutions came under control of the comiteísmo, which renamed the governments' representatives as its own. This continued until 1959, in a ~~scenario~~ where the FSB-led political reaction went beyond the confines of Santa Cruz to impact the national political scene. The FSB tried several times to seize power through a coup or right wing insurrection: May 1958, October 1958, April 1959 and one planned <sup>by</sup> interior minister Walter Guevara Arze in May 1960. The purpose was to fulfil the second objective of this movement: slow down the revolutionary process and seize power.

F RESISTANCE, FACTIONALISM AND INTERVENTION: ASPECTS OF MNR  
POLITICS UNTIL 1964

1 Resistance and intervention: the Santa Cruz departmental command

President Hernán Siles Zuazo's strategy to end the cogobierno, and the political and economic distributions - the use of tactics: to dominate the party's territorial organizations, divide the labour movement and mobilize the peasantry - disarticulated the MNR's sectorial base, leading to a crisis of representation between leaders and led, and rulers and governed (see Mitchell: The Legacy of Populism). Even so, some sectors and groups had a greater capacity to resist than others. Among these, were

the departmental commands which were able to keep alive the local spirit of self determination, in opposition to the policy of <sup>the</sup> party (CPN) and government centralism. In Santa Cruz, the CD - despite being intervened by CPN named comptrollers who were local MNR functional sector members - and its rank and file members were able to retain a high degree of autonomy given the importance of local political issues.

Many of the CDs that resisted the CPN and the Siles government, started giving their - critical - support to Paz Estenssoro who was a likely MNR candidate for the 1960 general election. The CD's members wondered if an election victory for Paz could mean the return to the sectorial form of party organization which had given the rank and file so many benefits (a capacity to distribute political and economic favours) during his first Presidency (1952-56), but which Siles had eliminated with the stabilization. Will aware of this, Paz Estenssoro encouraged and got the CPN to convene internal party elections in all the departmental commands throughout 1959.

The fourth Santa Cruz departmental command election was held on October 1959. Luis Sandóval could stand as a candidate, so he returned to the region to regroup his forces not long after a failed FSB coup in 1958.\*

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\* In May 1958, Siles sent peasant militias from Ucureña, Cochabamba, to control the unrest in Santa Cruz and quash an FSB-led insurrection. Sandóval informed central government that the CD and its militias would not be able to recapture the city. The government moved a small detachment of troops backed by the peasant militias to win back the city, but several FSB party members who had retreated into the Terebinto area were cornered by the Ucureña militias and massacred. The incident fuelled anti-Siles Zuazo and anti-kolla sentiments among the cruceñistas, which remain strong until today.

The result of the October 1959 Santa Cruz MNR departmental command election was:

Luis Sandóval Morón	8,570	votes
Oscar Barbery J.	2,800	"
Severano Julio C.	130	"

Sandóval's renewed victory in the local CD elections not only showed that the other two candidates who had been named comptrollers were unpopular, It also suggested that the camba ethno-cultural groups in the Santa Cruz MNR had remained loyal to their caudillo, despite the fact that he had been forced to leave the department by the comiteístas when Siles failed to back him up.

Re-elected to lead the command, Sandóval started to restructure it politically and build it up into an 800 strong militia fighting force. Support came from the CDs in Cochabamba, Oruro, Tarija and Potosí, but also from the Cochabamba and Altiplano peasants, and the miners. The government reckoned that these initiatives would only further weaken its authority in the region. So, the CPN again tried to get Sandóval out from his power base in Santa Cruz. He was invited to La Paz to participate in the constituent assembly which was going to draft and debate a new constitution. Once in La Paz - and not having learnt from his earlier mistakes - he was accused of using a Constellation airplane for arms and drugs trafficking, resources which the government argued, were going to be used to organize armed struggle in Bolivia. A few days later, the army took over the city of Santa Cruz declaring it a military zone.

The military control of Santa Cruz was followed by intervening the CD for the fourth time. The head of the Santa Cruz military zone also became comptroller of the CD; his name was colonel René Barrientos Ortuño who

would three years later be the Vice-Presidential candidate on Paz Estenssoro's (consecutive) reelection ticket. Yet, once elected, before the end of 1964, he led a popular mobilization that culminated in a military coup which ousted <sup>ED</sup> Paz Estenssoro from the Presidency.

Although the 1959 CD elections gave legitimacy to local party leaders, loyalty to the CPN and central government remained quite high despite the negative effects of Siles policies. Paz Estenssoro did not modify these; the incumbent President continued to centralize power in the upper reaches of the MNR. This continuity in political centralization began to create rifts within the national level institutions of the MNR (the leadership, the CPN and the Secretariat) and at the departmental level.

Federico Fortún, the CPN head, adopted a critical and hard line approach against the CDs, hence Sandóval was ousted from the Santa Cruz CD leadership and the military intervention of the region followed soon after.

The continuity in policies since the 1957 stabilization frayed the complex nexus of relations between the people and the party leadership. The right to criticize top party leadership institutions disappeared, while the CPN ceased to be elected at the MNR party congress. In other words, the MNR was slowly turning into a party of complotters, the acquiescent pawns of political centralism.

Although during Paz Estenssoro's first Presidency the MNR was organized on a sectorial basis, this structure was disarticulated during Siles' Presidency by creating a number of factions within the MNR. The party structure as he had known it no longer existed when Paz started his second term of office. He unsuccessfully tried to run the party as if it still had a sectorial character, when it was in fact divided into a number of factions.

2 The faction replaces the sector: Siles' initiative, Paz's illusion

What had happened was that the stabilization had disarticulated the sectorial basis of organization of the MNR. It is worth recalling the tactics used by Siles: mobilize, divide and dominate. Siles, well aware that the party was falling apart, set up the Acción de Defensa del MNR, a group made up of several party members who had been involved in that first attempted coup against the MNR in January 1953. The Izquierda Nacional del MNR was another group founded by Siles which despite being on the other end of the political spectrum, complemented Acción. His intention was to use both organizations to cover the political spectrum - in the introduction to this thesis, I labelled this the trade mark of the MNR - but also replace or discredit those trade union leaders who were close to Ñuflo Chávez and Juan Lechín.

In tune with the factional build up in the party, Lechín's supporters reacted by setting up the Sector de Izquierda del MNR which later became the Partido Revolucionario de Izquierda Nacional (PRIN). A Sector Socialista also emerged, although there was little socialist about it as it stood to the right of the Sector de Izquierda. José Fellman Velarde, an important MNR writer formed the Frente de Unidad Nacionalista while Walter Guevara Arze (the author of the MNR's paraphrase of the Bohan plan) set up the MNR Auténtico which later became the Partido Revolucionario Auténtico (PRA).

The different factions were there to serve the whims and the personal interests of the different leaders; national factional leaders and their clientelar networks competed among themselves for support. Instead of bunging the party together, the introduction of factional politics at a

local level weakened the party even more.

Although Paz Estenssoro handled the party as if it was a sectorial one rather than a combination of factions, he could therefore not attempt to articulate it on a different basis, or at least one closer to what really was like. The counterpart tendency to this factionalism was centralism: the CPN, the Secretariat and the Jefe. These posts served to hold on to the reins of central government and party bureaucratic decision making. The party became an appendix of the state bureaucracy, unable to resist the assault of the factional groups within it. This stagnation and fragmentation of the revolution and the MNR led to the downfall of Paz Estenssoro's and the MNR.

a) Paz does not seize upon CD support: intervention and elections in Santa Cruz

Paz Estenssoro had a real opportunity to reorganize the MNR on a CD footing - <sup>an</sup> institution which despite constant intervention had survived the rigor of the stabilization and Siles' tactics. These commands had after all been crucial for securing the party nomination for Paz Estenssoro, and his 1960 election victory.

But once in the Presidency, Paz ceased to build up his support in the CDs as he feared this might provoke unrest among the different factions. Instead he thought he could give cohesion to the party and renew the link between the rank and file and the top leaders, by stressing economic development programmes and sticking to the guidelines of a ten year plan to be implemented under the US Alliance for Progress.

He was able to temporarily isolate and neutralize the factions by offering their leading members participation in the CPN or congressional posts. This was a clever move as he managed, for a time at least, to isolate them in the CPN which soon became a council of factions that seldom met.

The CDs on the other hand, received very little attention. Between 1960 and 1964, most of the CDs had neither internal elections nor were they intervened, they just stagnated. The exception to the rule was possibly the Santa Cruz CD which was intervened by the military; the military comptrollers were: general E. Vaca Medrano (August 1961 - May 1962) and general Julio Prado M. (December 1962 - December 1963). Internal CD elections were held again in December 1963 - like in 1959 - in the eve of the general elections. The winner once again was Luis Sandóval Morón.

The election results of the Santa Cruz CD in December 1963 were:

Luis Sandóval Morón	11,000 votes
Severano Julio	5,800 "
Alcibiádes Velarde Ortiz	3,500 "

This victory placed the caudillo in a strong position, because as head of the CD he could name candidates to the MNR national convention, about to choose the party candidate for the 1964 elections. Sandóval was confident Paz Estenssoro would be reelected, but that the more decisive fight would centre on the Vice-Presidency and the candidates for the CPN. The Vice-Presidential candidates were: Federico Fortún, general René Barrientos and Rubén Julio. Each had been nominated by one of the nine departmental commands, but Sandóval decided not to give his backing to any of the three candidates. Then he changed his mind and decided it was



important to stop Paz running for a second consecutive term in office. So Sandóval backed Siles Zuazo and Barrientos in order to oppose the 'fortunistas, julistas and the paz-estenssoristas'.

b) Siles brings the factions together against Paz

Siles at this stage once again became a prominent political figure, he had organized the Bloque de Defensa de la Revolución which brought most of the MNR factions together with several independent political figures. The factional leaders had come together under the leadership of the Bloque thinking that the political system could be opened up to greater participation and distributionism, if only Paz Estenssoro was ousted by a massive opposition movement. Oust him, but not destroy the basic political ground rules and system set up by the MNR following the 1952 revolution.

The factions suggested that the National Convention should not have only one nominee (Paz) to choose from, as the party's election candidate. They proposed instead that several candidates stand for the internal party elections. For a while, Paz toyed with the idea, but later turned it down as impracticable.

Paz's rejection of the factions proposal meant that contingency plans for a second way of ousting Paz were prepared. But these would only get underway once general Barrientos was elected Vice-President. The factional groups mistakenly believed that they could convince the military to first oust Paz from the Presidency, then return peacefully to the barracks, assuring the continuity of the civilian MNR model.

But by 1964, the military was no longer that 1952 demoralized armed forces defeated by a popular insurrection. As I have shown in chapter one, from 1960 onwards the military was a rising modernized political force, which had a strong support base among the Cochabamba valley peasantry. Between 1961-64 the military received US\$8.2m in grants from the US for training and hardware.

3 Barrientos deceives the factions: the military gets into power, an advance for Santa Cruz

According to Sandóval Morón, the support given to Barrientos was in order to oppose Víctor Paz Estenssoro. The reason why Barrientos won overall support first for his candidature as Vice-President then for the coup to depose Paz, was that he had someone to lobby for him within the Bloque de Defensa de la Revolución. He was Edil Sandóval Morón, Luis Sandóval's brother, at that time still the leader of the Santa Cruz CD. It was through Edil that Barrientos was in early 1964, able to present his coup plans to Lechín, Guevara Arze, Siles and other factional leaders. He very cunningly told the leaders of each of the fractions that supported him, that they would be the most favoured following the coup, also promising that the military was not planning to remain in government.

The factional groups and other discontented sectors started to arouse public opinion nation-wide through a series of demonstrations, strikes, etc. Other non-MNR political groups joined the chorus against Paz, they included the Liberal party, the Christian Democrats and the Bolivian Socialist Falange (FSB). Together they deposed Víctor Paz Estenssoro at the beginning of November 1964.

With Barrientos in the Presidency, the factional groups started to fight among themselves. This strengthened the position of the military and they decided not to leave. They had mobilized the peasantry, and established a military-peasant pact with them; they weakened the COB and began repressing political party organizations. By March 1965, it was evident that the military had no intention of returning to their barracks; instead, they wanted to rule on their own. In May 1965, they banned the unions, cut the work-force and reduced wages by 40% in Comibol.

This second military cycle - the first started with Toro and Busch, and indeed Villarroel - coincided not only with the Santa Cruz objectives of deposing the MNR but also with the 'take-off' of agriculture, agroindustry and the exploitation of hydrocarbons in the Oriente. Although it is true that the cruceños had yet to accede to power, they would achieve this seven years later with another military coup led by general Hugo Banzer Suárez - a cruceño who handed half the posts in his first cabinet to leading cruceño businessmen.

The 1964 coup against the MNR, although a transition from a civil to a military regime, did not bring about a substantive change in the policies or structure of the Bolivian State. The military, paradoxically presented themselves as the best defenders of the principles and objectives of revolutionary nationalism. This was because the MNR had failed to uphold its revolutionary precepts, having become the anti-thesis of these: the anti-nation.

IV AGRICULTURE IN THE ORIENTE: FROM ITS CAPITALIZATION  
TO ITS CRISIS (1940 - 1980)

A THE FIRST STEPS TO TRANSFORMING AGRICULTURE IN THE ORIENTE:  
BOHAN AND THE AGRARIAN REFORM

Having covered the urban question in Santa Cruz, I will now examine some aspects of the agrarian question during the national revolution. I will start by detailing the agrarian situation prior to 1952, then compare it with the agrarian reform conditioned structure following the revolution.

Included in this analysis will be how the agrarian question played a key role in the MNR objectives for the region, and how it also became the main issue of the cruceñista groups within the Comité Pro-Santa Cruz.

If a policy landmark could be cited which set the basis for a new approach to the insertion of the Bolivian economy into the world market this century - but without altering its raw material export character - it was the plan drafted by the Bohan mission which visited Bolivia in 1941. In chapter one, I examined how the Bohan mission and the entry of US technical and economic assistance took place after the signing of the Rio Treaty which first of all settled the issue of compensation for the nationalization of the US owned Standard Oil CO, then secured the supply of cheap tin for the allied war machine. The Bohan mission's findings set from 1942 onwards the form and style of Bolivia's economic development for the next thirty years.

The Bohan report proposed altering the export model, moving away from a single raw material export structure to a diversification of exports including tropical agriculture products and hydrocarbons (oil and gas).

This meant that the main emphasis of the Bohan mission's findings centred more on production in the Bolivian Oriente, particularly the department of Santa Cruz, rather than the Andean region, which had for decades been the hub of the country's external sector. It was estimated that implementing this programme in Santa Cruz would cost US\$88m. The first phase aimed to supply the country with products produced in Santa Cruz: rice, kerosene, diesel oil, fuel oil, sugar, cattle and hardwoods.

The steps towards implementing the Bohan recommendations included: a sugar production programme, the building of a rice mill and the setting up of a meat product processing plant. Also under consideration were plans for the exploitation of timber and rubber, and an irrigation feasibility study for Villamontes. In the area of hydrocarbon exploitation, it was suggested that production increase while exploration be undertaken to expand the reserves of the state oil company YPFB.

The report's main purpose - the diversification of the Bolivian economy - could not be implemented so easily in the forties given the acute rifts between Andean mining centred production and other productive sectors, both in and outside the Andean area. I earlier examined the rift between the Oriente and the Andean region from the point of view of the department of Santa Cruz.

El capitalismo minero, al no requerir de un mercado interno amplio contribuía como es lógico al mantenimiento de relaciones serviles en el agro y en otras formas productivas predominantemente autosubsistentes, y tal vez lo que es más importante, decidía un débil desarrollo industrial. En este sentido, se puede decir que el intento de diversificación del plan Bohan, exceptuando la parte referente a la extracción de recursos naturales no renovables, no se podía realizar sin un cambio profundo en las relaciones de producción en el sector rural, que liquiden a la fracción latifundista del área tradicional y como tal de su participación en el bloque de poder, lo que sólo fue posible con la Revolución Nacional. En efecto, el desarrollo de SC no hubiera sido posible, por ejemplo, sin la (...)

creciente colonización de zonas tropicales por familias campesinas del área tradicional y la migración temporal de campesinos libres de las ataduras que les imponía la clase terrateniente... 'feudal' (Ibarnegaray: 74)

By analysing Santa Cruz's secular struggle with the Andean region, it was possible to show that the main issue worrying the Oriente was improving the road and communications systems, first in the region itself, then with the rest of the country, finally with Brazil, Argentina and Paraguay, countries touching its border. In my historical introduction to Santa Cruz, I indicated how in the late thirties railways were built to Brazil and Argentina. Roads were subsequently made linking the rich agricultural areas of Warnes and Montero in the north of the department, with the Cercado province, where the departmental capital, Santa Cruz, is found. When the road link to the Andean department of Cochabamba was started, more Oriente produce began to reach the Andean markets. In return came a steady flow of migrants from the Altiplano and inter-Andean valleys, attracted by the production possibilities of Santa Cruz, the offers for earning cash in the harvest, or the government and US sponsored colonization programmes introduced after the revolution.

To complete the Junker transition which had started in the forties,<sup>\*</sup> the state used the 1953 agrarian reform law to promote the agricultural transformation and capitalist development of agriculture in Santa Cruz, in a manner totally different to the agrarian reform in the Andean region.

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\* According to Martin Green, the 'Junker' transition pointed out by Lenin, happens when certain sectors of the landowning oligarchy become agrarian capitalists, but they continue to keep their control over the state: the only change that occurs is in the relations of production in the landed estates. There is a movement away from forms of extra-economic coercion to wage labour. The other way is the 'Farmer' transition: small and medium agricultural producers concentrate their means of production, contract labour power and

What happened with the agrarian reform of 1953 was that the Andean landowning had its lands expropriated, while in Santa Cruz the agrarian reform helped consolidate the property of the cruceñista landowning oligarchy. The *camba* peasantry formerly, servile direct producers on the big estates received a share of them. The colonizers who came from the Andean region or from overseas (ie the Italians, Japanese, and the Menonites) also got lands according to the 1953 law. The road building links up to Warnes and Montero enabled the rich lands of those areas - the so-called 'región integrada' - to be brought into extensive agricultural exploitation by the top sugars and rice producers.

The department of Santa Cruz had large areas of land available for cultivation. Of the total surface area used for agricultural purposes in the department, only 13% of it was distributed by the agrarian reform, a further 27% was merely consolidated by the reform. The big and medium size landowner controlled properties were consolidated in their hands by the agrarian reform, only a small percentage of their lands were distributed or allocated in the form of small plots to the direct producers. Unlike the Andean region, the agrarian reform did not expropriate the latifundia to create a mass of minifundistas. In many cases the landowners were themselves receiving their land titles for the first time,

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\* ... gradually become an agrarian bourgeoisie. I think that in the first 25 years following the revolution, the Junker transition is the one applied to Santa Cruz - with state assistance, ie the funds from a decapitalized state mining company (Comibol), and overseas aid donations, loans and technical assistance. But as I shall indicate in this chapter on agriculture in the Oriente, after 1976 when the Bohan model applied to the Santa Cruz agriculture goes into crisis - as evidenced by changes in the structure of cultivation and the allocation of credits - the emphasis shifts to the Farmer transition, as small and medium sized agricultural enterprises, using capital intensive techniques, receive more assistance from the State, developments agencies, and the international banks.

in other cases, land titles were falsified or back-dated to 20 or 30 years prior to the agrarian reform (Heath: 333). In some provinces, the latifundia were not affected at all, in others they were partially affected like in the Cercado province close to the city of Santa Cruz where lands were seized by the followers of Luis Sandóval Morón and distributed to urban poor folk and migrants under his urban reform. Other lands were also later expropriated as part of the process of urban planning and development.

In this way, capitalist relations of production began to be introduced in to agriculture, with priority given to the consolidation of agricultural enterprises. It helped creating an agricultural wage earning class, as many direct producers were still tied to forms of extra-economic coercion. The transition however has not a clear cut one, as even today forms of extra-economic coercion coexist with wage labour. On the other hand, it was necessary to raise the intensity of capital throughout the different stages of the productive process, because production depended more on the productivity of the direct producer than on the instruments of production.

The agrarian reform law classified agricultural production in Santa Cruz into four categories: domestic units of production, up to 50 hectares; medium sized units, up to 500 ha; agricultural enterprises, up to 2,000 ha in size; and cattle enterprises, up to 5,000 ha.

Among these categories, the one that received the greatest priority was the agricultural enterprise. But in order to be classified as an enterprise, the agricultural producer had to fulfil a number of conditions stipulated by the agrarian reform law: introduce further capital investments; that a wage labour force must be contracted (hence the landowners



haste to free the labour force from forms of extra-economic coercion, and introducing modern instruments of production.

On the other hand, most medium and big agricultural producers who had sufficient land to set up agricultural enterprises, took advantage of the credit facilities made available to them, coupled with access to tax free imported agricultural machinery. Facilities were also granted for leasing equipment at subsidized prices from a machinery pool set up by the US sponsored Servicio Agrícola Inter-Americano, from 1954 onwards.\* Many producers were thus able to 'comply' with the agrarian reform regulations and turn their agrarian property into an 'agricultural enterprise', so avoiding expropriation (see Heath: 290)

Although some landowners did distribute some of their lands to their mozos (rural workers) - they had a right to these anyway according to the agrarian reform law as they were the direct producers - the majority, fearful of having their lands seized or expropriated anticipated such measures and dismissed their mozos to evade any possible future claims on their properties (Heath: 334). In other cases, the small producers (jornaleros, mozos, inquilinos or tolerados) organized themselves in rural unions, in order to consolidate or win recognition of the lands they held or, if possible, obtain more land. Their slogan was: 'la tierra para quien la trabaja'.

According to Sandóval Morón, the redistribution of land moved in a fanning out pattern from the main urban centres, that is from the centre to the periphery. The camba peasant was not the only beneficiary, but the migrants from the valleys, Altiplano and the mines also received land. None the less, Sandóval found that in the best agricultural land areas

it was practically impossible to allocate the 50 hectares stipulated by

\*'El credito supervisado con fondos norteamericanos fue el mas grande de los esfuerzos para "crear" una clase social, la nueva burguesía nacional, a la cual en los años 70 también se le destino ingentes recursos financieros.' (Centro de Estudios Andrés Ibañez: 1983:68)

law; a distribution only possible in the interior close to the border with the Beni department, or Brazil. Thus, in order to resolve this situation, Sandóval started with the help of the Comandos Campesinos de la Resistencia - which he turned into peasant unions to distribute these lands. He claims to have had good results, because what was important for him was to seize these lands first, then find a legal solution to the problem. Sandóval considered that this action was one of the most important popular victories in the country:

Y desde el plano del problema cruceño que nos ocupa, debemos destacar que la Reforma Agraria dio resultados positivos en los dos objetivos antes señalados (la liquidación del latifundio, y la liberación social del campesinado), aunque, por otra parte se hubiera desarrollado también la propuesta del gobierno central sobre la formación de bases capitalistas y empresarias en el agro. Aunque fuera en acción paralela, nosotros también logramos nuestros propósitos en favor de los campesinos pobres. (Luis Sandóval Morón: 95s)

We thus find that starting with the application of the 1953 agrarian reform in Santa Cruz, two complementary forms of agriculture began to develop in the region: the landed property of the so-called agricultural enterprises which belonged not only to the cruceño big landowners who came from a direct cruceñista oligarchical descent, but also those landowners (the 'poor relatives' of the cruceña caste) who returned as wealthy farmers to agriculture given their links and membership of the MNR; and the small holdings that were granted to the jornaleros, mozos, inquilinos and tolerados.

The colonization of the Oriente - a constant worry for the Spanish settlers and their criollo descendents since colonial times - came to be considered since independence a vital necessity if the country's inadequate population distribution was to be solved, agricultural production increased and Bolivia's borders defended.

But it was only in the forties that colonization officially became a part of state policy in three main areas: Alto Beni (La Paz), Chapare (Cochabamba), and Santa Cruz. It was at that time, during the drafting of the Bohan plan, that the debate on colonization policies centred on whether the migration should come from the Altiplano region or whether overseas immigration could also be considered a possible alternative. The US advisors recommended at this stage that immigration from southern Europe would be a good idea in order to expand agricultural activities in Santa Cruz.\* They offered to transfer and resettle over 5,000 European families.

In practice, however, the migration of peasants from inter-Andean valley regions like Cochabamba and Chuquisaca was pursued, and on a selective basis Japanese, Menonite and some Italian communities were established. But it was only after many problems in implementing a colonization policy, that in 1956 a group of 4,762 families from the interior set themselves up permanently in Santa Cruz.

It is important to analyse the contribution made by the colonists to the expansion of agriculture. Estimates made between 1965-66 put the total surface area cultivated in Santa Cruz at 120,000 hectares, or 20% of the total. Only 30% of the 26,295 ha was cultivated by national colonists, that is about 2.2 ha on average per family. The foreign colonists held 61% of the land held by colonists, and was estimated to be about 20 ha per family.

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\* During the dictatorship of general Hugo Banzer Suárez (1971-78), the idea of European colonization was raised once again. In the end, offers of white colonizers only came from South Africa and Rhodesia. But a public outcry of importing racism put an end to that.

In terms of crops, 53% of all the rice producers in the region were foreign colonists. They did not, however, get involved in sugar-cane production which they left to Bolivian colonists.

#### B CRYSTALLIZATION AND REORDERING: THE INTERNAL MARKET AS A PRIORITY

Perhaps the most advances in Santa Cruz after the revolution took place in the field of agriculture, cattle raising and agroindustrial development. One student of Santa Cruz's economic development (Ibarnegaray) says that the 1954-58 period is one involving the crystallization of a capitalist nucleus based on the channelling of national and overseas resources into the region. In chapter one which dealt with state expenditure patterns and overseas aid following the Bohan guidelines, I examined this in detail; in chapter two I detailed how and why the decapitalization of the state mining corporation Comibol became one way of funding this development. It enabled the cruceña class-caste to transform the relations of production in the region, so as to diversify its class structure as several capitalist factions emerged from it. Another observer (Samaniego) argues that this first period was one of reordering for the production of rice and sugar-cane. Using agrarian reform legislation, the production units were re-organized. This ensured the formation and consolidation of capitalist agricultural enterprises and the settlement of colonists and their families who could sell their labour power.

Medium and family sized agricultural production units were set up using directed, semi-directed and spontaneous colonization programmes. The Inter-American Agricultural Service (SAI) provided the technical assistance and credit via the Banco Agrícola Boliviano and the US inspired Supervised

Agricultural Credit (SAC) scheme . Most funds were channelled to the cane growers rather than the rice producers, while the overseas rice producing colonists had their own country of origin credit sources (see Reye: 76). Finally, the setting up of the sugar mills - designed also to produce alcohol - were at this stage crucial to stimulate increased cane cultivation. But, the increase in the area cultivated depended at first on the grinding capacity of the mills, later the main determinant became the rise of sugar consumption in the internal market.

By mid-1960, sugar-cane production had surpassed the grinding capacity of the mills and had also satisfied the country's internal market demand (Heath: 304). This started the crisis in cane production, forcing the government to export the sugar surpluses, but financing the operation using state subsidies. I will return to this point later, here it is sufficient to say that during the period of crystallization or reordering, the expansion of cane cultivation was stimulated on the one hand, by the building of mills, but on the other hand, the state provided assistance by fixing a price of cane promotion for each harvest. The internal market sugar prices were higher than those on the international market, and reached their peak in 1959 when the mills found that there were unable to pay for the costly cane coming from the producers. The state was thus forced to introduce a policy of subsidies both for the cane producers and the mills. The producers and millers also received tax privileges while national sugar production was protected from cheaper imports flooding the internal market, by the introduction of tariff barriers.

The policy of flooding the internal market with sugar meant that sugar consumption in the cities and mines shot up; although the increase in the consumption of the commodity among the Andean rural areas increased, it

was not that high. Samaniego's figures suggest that between 1958 and 1964 per capita sugar consumption rose from 15.5kg to 19kg. The industrial uses of sugar were limited, mainly for soft drinks, sweets and chocolates. In 1960, sugar occupied an important position in the basket of basic goods consumed in the urban and mining centres, and together with the increased consumption of rice in the Andean region, it helped to significantly reduce the costs of reproducing the labour force. This shows that the production of basic agricultural commodities in the Oriente did form part of a strategy which not only helped reduced labour costs in the sixties, but was also used as an argument to hold back demands for wage increases. (Escóbar & Samaniego: 79) This is however hypothetical, as the cost of structure individual enterprises would have to be analysed over a period of time. Similarly, as the internal market price of sugar was higher than that produced overseas, it is highly probable that sugar and alcohol contraband also flourished. None the less, the mining entrepreneurs and industrialists alike made a profit from this transfer of the agrarian rent from the Oriente.

C      'TAKE-OFF' WITH STATE HELP                      FROM THE INTERNAL TO THE  
INTERNATIONAL MARKET

Samaniego characterizes the 1958-75 period as one of agricultural development, and divides it into two stages: a) 1958-64, and b) 1964-75.

In the sub-period until 1964, the national market is stimulated by the state using credit and price policies. Sugar and rice became the main axis for the agricultural and economic development of Santa Cruz as both commodities represented the highest values of the gross product that came from the region, while absorbing also the highest proportion of local and

seasonal migrant labour force. This was the period in which the import substitution of both commodities was achieved. After 1970 a cotton cultivation boom took place, while sugar and rice continued to expand.

What happened was that the internal market got flooded with both products (sugar and rice) that were making the economic development of Santa Cruz possible. This occurred in 1964, the year the MNR was ousted from power by general René Barrientos. Not only was the internal market saturated, there were also surpluses for export. This was the first crisis of agro-industry, another crisis would occur in 1975 during the dictatorship of general Hugo Banzer Suárez.\*

Cane production continued to rise despite a sugar glut in the internal market and prices higher than on the world market. This made impossible for producers to sell overseas, the only exception was exports to the US which had granted Bolivia a sugar export quota, despite the fact that it proved to small for either the growers or the mill owners to make a profit.

In the end the high internal market prices were used to subsidize sugar exports and back the development of agroindustry. This situation shifted significantly in 1972 when international market prices went above those in the internal market. Even so, exports failed to increase as heavy rains

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\* At the time, the state tried once again to intervene and regulate cane production, fixing sugar production quotas for every mill. This was an attempt to control the power of the main producers and help the medium and small producers - as we shall see farther on, this was part of a series of dramatic changes that started to take place in the region's agriculture which peaked in 1975, a change which included a shift away from the production of sugar, rice and cotton to other commodities involving more intensive forms of agriculture production. But the big producers evaded these measures by formally dividing their large holdings between members of their family, allowing each to have the maximum quota. In addition, a cane

reduced the Santa Cruz cane yields, and the state had to import 40,000t to cover a shortfall in supplies to the internal market.

On the other hand, due to the 1970's oil crisis, the price of many agricultural inputs like fertilizers, pesticides and fuel shot up, raising the costs of production and reducing profit margins. Until 1975 when another more definitive crisis of Santa Cruz agriculture appeared, the expansion of agroindustry continued on a conjunctural basis.

1 The ups and downs of cotton, a speculative commodity

Cotton production had from the start been promoted by the Altiplano based textile industry, but as in other areas of production, the industry's take-off was made possible with state backing. In the fifties, virtually all cotton production remained in the hands of the Empresa Algodonera Boliviana S.A. , a producer of textiles which held a monopoly on the know-how and production of cotton in Bolivia. Throughout the sixties, production continued to be concentrated among a few entities, as finance or credit was not made available for the expansion of this sector. In addition, the commercialization of cotton was wholly controlled by the textile factories, the know-how on cultivation and the technology was also monopolized. In line with state agricultural import substitution policies, production rose to satisfy the internal market needs by 1969. From that date onwards, the policy shifted to promoting the export of cotton surpluses. It was the possibility of making high profits and receiving foreign exchange revenues that increased the number of producers, the expansion of the cultivated

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black market appeared, it had been set up by the big producers who had been unable to meet their quotas; they bought cheap cane from the small producers who did not have access to the quota system.



surface area increased dramatically from 1970 onwards.\*

The 1971-75 boom in cotton production and the subsequent collapse due to a temporary rise in the international market price of cotton, and was not the result of stable demand either in the internal or in the international market. In the short term, inexperienced people unaware of the complexities of producing a commodity like cotton, found they could make easy profits. These 'new agriculturalists' were not only encouraged by the international market price, but also by the ease with which they could obtain dollar credits from state and private banks, both locally and overseas.

... esta fiebre llegó a tal nivel que involucró a gente que nunca había estado en la agropecuaria, que nunca había sembrado nada, pues existió un crédito, liberal y fácil, que es el elemento fundamental que explica la expansión del algodón. Es decir si no hubiera habido semejante inyección de dinero a través del crédito, no hubiese habido expansión. Por ejemplo, ha habido sociedades y hasta cooperativas de empleados públicos residentes en La Paz que como era un banquete de créditos se pusieron de acuerdo, tenían sus contactos allá en los organismos de decisión. Sencillamente pensaron que era como sembrar papa, o algo por el estilo. Entonces vinieron algunos, miraron dónde era la cosa y agarraron un capataz, y esperaron que vengan las utilidades. Ha habido casos de profesionales, de médicos, que han dejado la medicina para venir a sembrar algodón sin tener idea. El algodón como cultivo relativamente sofisticado tiene sus problemas. Y ha habido comerciantes, hubo de todo. Toda esa gente con una absoluta ignorancia de los aspectos de la producción ingresó masivamente al algodón. (Interview, José Guillermo Justiniano. March 1982)

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\* In 1970, there were 10 associated cotton producers holding a cultivated area of 7,150 hectares. The following year the cultivated area rose to 16,000 hectares; the number of associates was 29. Of these, 10 were cooperatives and the remainder big or medium sized producers. By 1972, the cultivated area had increased to 47,000 hectares involving 114 associates: 52 individual entrepreneurs, 33 cooperatives and 29 limited companies. Between 1973-75 the cultivated area rose to 50,000 hectares, so too did the number of producers.

Now, the apparent cotton boom between 1973-75, did not last, and losses accumulated very quickly. This was partly due to the fact that there was no proper policy for the commercialization of cotton, given increased costs of production and lower yields per acre. Even worse, the price of inputs began to rise, the creditor banks raised their interest rates on loans granted to the cotton farmers, the weather changed, and the new agriculturalists extended the cultivation of cotton to inappropriate soils and microclimates. There were also problems at harvest time, the number of migrant harvest workers from the Andean region could not be raised, so a large part of the planted area was left unharvested. On the other hand, it is well known that most of the credits earmarked for cotton production were not used for this at all. Of the US\$59,204,167 lent to the cotton producers between 1971-75, the unpaid debt was US\$833,343, which meant that 67% of the original debt was not amortized. Many banks turned blind eye to this situation and continued to provide credits, both because international prices remained reassuringly high, but also because the Central Bank and the State Bank during the Banzer regime offered to underwrite these credits should there be a risk of default.

The current manager of the Cámara Agropecuaria del Oriente describes what happened in those years:

El 73 marcó, podemos decir, el pico de un ciclo de auge o expansión de la economía mundial. Y ante el temor de los problemas de tipo monetario, muchos países, entre ellos el Japón sobre todo, entraron a comprar masivamente materia prima. Pero, poco antes de crearse esta situación, la Asociación de Productores de Algodón (ADEPA), licitó alrededor de 95,000 fardos de algodón y se vendieron a tres o cuatro grandes empresas. Y se vendieron en esa oportunidad a US\$ 35.75 el quintal. Fue una buena operación, es decir cubría costos de acuerdo a lo que se calculó en ese momento. Esta operación se hizo en enero. A partir de marzo-abril, empezó el algodón a dispararse hacia arriba, y llegó a niveles superiores a US\$80. Más del doble. Esto hizo que surjan ideas de renegociar los contratos. Y fueron con la idea a la boliviana: el gobierno (...) sacó un decreto en el cual se prohibía la exportación del algodón a menos de

US\$56. Y desde luego, de esto iba a recibir un impuesto el gobierno. Naturalmente las leyes económicas se impusieron al final, con el precio internacional. Acá se retuvo el algodón porque se decretó el embargo de éste. El algodón no se lo almacenó y no habiendo almacenamiento se pudrió. Fue un desastre total.  
(Interview, JG Justiniano)

The following figures for production and the cotton surface area under cultivation, show the scale of the boom in the commodity and the collapse after 1975.

Table XXXIII : COTTON (surface area and production)

	Surface area under cultivation hectares	Production tonnes
1950	71	12
1958	700	119
1964	3,558	1,800
1969-70	7,150	5,520
1974-75	50,000	21,887
1975-76	29,664	12,630
1979-80	24,035	7,700

(Table taken from Escóbar & Samaniego: anexo 1, cuadro 1: 'Evolución de la superficie y de los principales productos en Santa Cruz)

## 2 Rice, the subsidized production of another commodity

Rice production like that of sugar and cotton, had also received state backing. The Banco Agrícola Boliviano had given credits to rice farmers since 1959, as well as buying up and selling their produce at promotional prices. But under a price incentive scheme these functions were slowly transferred - after 1960 - to commercial houses, which were organized under the Comité Nacional para la Comercialización del Arroz (CONCA).

The state continued to set the prices, and these were generally fixed above those payed by the middlemen (rescatistas, like those who commercialized the mineral stolen by the underground Comibol miners) to the producers. This policy helped to increase the surface area cultivated, as shown in the following figures:

Table XXXIV : RICE (surface area and production)

	Surface area under cultivation hectares	Production tonnes
1950	10,150	17,233
1958	13,500	17,000
1964	24,810	38,500
1969-70	41,610	53,520
1974-75	50,785	97,610
1975-76	45,730	78,790
1979-80	35,000	61,000

(Table taken from Escóbar & Samaniego: idem)

But, important changes took place after 1963. Rice production that year exceeded internal market demand and imports were stopped. CONCA was dissolved and the price to the consumer started to fall, although the state continued to fix it. The production boom took place in the integrated region, a rich agricultural area north of the city of Santa Cruz, where small farmers produce 90% of the region's rice.\*

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\* This proliferation of small rice farmers took place because they were the only ones who can grow rice and sell it at a low price. They sold virtually all their production to middlemen who bought up the un-hulled rice, given the problems individual farmers face in taking their produce to the market (high transport costs) or to the de-hulling mill (piladora). Until 1971, the BAB became the agency in charge of the commercialization of hulled and clasified rice. Since 1972 the role has been taken over by the Empresa Nacional del Arroz (ENA).

With the exception of 1972-74, the state kept rice prices at a level higher than the international market. But on the whole, between 1966 and 1976 it would have been cheaper to buy rice from Brazil. The situation of rice prices and production was therefore similar to that of the subsidized sugar prices which were higher than the international market.

#### D THE CRISIS OF CRUCEÑA AGRICULTURE

The final period I will refer to in my analysis of the cruceña agriculture is that of the 'crisis' which began in 1975 and continues to date. Between 1976-78 there was a negative (-5.87%) GDP growth rate in agriculture (Escóbar & Samaniego: 78). This crisis was due to the overall crisis of the national economy, partly due to the outdated character of the development model introduced from the fifties onwards, based on the 1942 Bohan plan findings.

To these conjunctural factors has to be added the energy crisis which started at the beginning of the seventies, coupled with inflation and the secular disequilibrium in the social and economic structures both at a national and regional level. The crisis of agriculture started in fact when a change <sup>OK</sup> to place from what has been called an internally oriented development - after the import substitution of agricultural commodities had been achieved - at the beginning of the sixties, to an outward model of development based on the international market. Once it had placed its commodities on the international market, Santa Cruz found it was in an unfavourable situation, given the high transport costs from the interior of land locked Bolivia, and the high costs of agricultural inputs. The region's competitive situation for agricultural exports got worse with the world crisis. The

price of sugar and rice was in fact higher in the internal rather than in the international market, the exception was cotton. Internal market prices continued to rise strongly between 1975-80. Because the Bolivian peso was overvalued, the producers were unable to undertake investments which would help them increase productivity, lower their costs and obtain a reasonable rate of profit. This helped agriculture expand, based on a few commodities, aimed primarily at the internal market. Given this situation, the producers responded to this crisis in the following manner:

The sugar-cane producers who had shown optimism by the rise in world market prices until 1975, continued to expand their surface area of cultivation until 1977. In 1978, a ban was imposed on the setting up of new sugar plantations and the cultivated surface was reduced, but not to the 1975 level. Despite the ban, the expansion and renewal of cane plantations continued although production started to fall. None the less, some of the cane growers stopped renewing their crops, given the down turn in the market and the aforementioned problems. The following table confirms this:

Table XXXV : SUGAR (surface area and production)

	Surface area under cultivation hectares	Production tonnes
1950	10,548	290,365
1958	15,000	600,000
1964	25,240	1,135,000
1969-70	32,000	1,216,652
1974-74	42,325	1,831,063
1975-76	62,346	2,431,649
1979-80	55,742	2,136,100

(Table taken from Escóbar & Samaniego: idem)

For their part, most of the cotton producers opted to decrease the surface area they had under cultivation, having felt the brunt of the cotton crisis after 1975, as the figures presented earlier showed. In fact, between 1975-80 the rate of expansion of the surface area of cotton cultivation was negative (-13.6%). Production and the yields per acre also fell.

The rice farmers who comprised the majority of small producers, suffered the fall in prices and began to cut back the cultivated area; global production and the yields per acre also fell.

1 Changes in the crops, the labour force and the urban situation

What then was the reaction of the producers regarding the critical situation these three crops - sugar, rice and cotton - had entered after 1975? Some farmers moved to diversify their production or else boosted the production of traditional crops like hard yellow maize or peanuts, or introduced new crops like soya or sorghum:

Estos cuatro cultivos, que pueden ser considerados nuevos de carácter industrial, incrementaron su superficie cultivada en forma espectacular. En el período 1964-75, este grupo estuvo con formado solamente por el maíz y el maní y su área cultivada prácticamente se mantuvo estancada, sin embargo con la introducción de la soya y la mayor participación del maíz, el grupo incrementó significativamente su superficie cultivada a una tasa anual del 15.4%. A nivel de grupo, la producción se incrementó siguiendo la expansión de la superficie cultivada, más que el incremento de los rendimientos. Sin embargo, a nivel de cultivo la soya incrementó fuertemente su rendimiento. Parte de la expansión de la soya se había realizado en tierras antes sembradas son algodón. (Escóbar & Samaniego: 83)

Furthermore, according to figures published in Escóbar & Samaniego study after 1975 there was a boom in the cultivation of food crops: yucca, wheat, bananas, potatoes and barley.

This is the way how during the moment of the agricultural crisis in Santa Cruz, the crop structure in the region began to change: that is, new crops were introduced while the older ones were reintroduced. It is this new crop structure that is currently in process of being consolidated.

The implications of this change go well beyond any simple modification in the type of crop; they also constitute qualitative and quantitative changes in the use of labour power, and in the use of capital. why is this so?

On the one hand, there is a growing tendency for a more intensive use of wage labour. The 'new' crops (peanuts, hard yellow maize, soya and sorghum) have expanded with the use of sophisticated technological packages which involve mechanization from the stages of ground clearance, through to sowing, pest and plague control as well as some harvesting. The harvest, does, however, on the whole rely on the extensive use of labour both in the small family sized enterprises producing for the market, as well as the medium sized and larger concerns. These new crop structure and the tendency towards mechanization reduced the need for a greater surface area of cultivated land, altogether a completely different phenomenon to the extensive characteristics of cane, rice and sugar-cane planting. This means that the development of capitalist agriculture in Santa Cruz since its consolidation in the fifties - it is well to remember that changes were introduced in the forties - until the mid seventies, was mainly centred on extensive cultivation, but also on an extensive use of labour. This had important effects on the demand for labour which tended to rely on seasonal migration from the Andean region particularly at the time of the harvest. The regional market comprised a relatively stable proportion (number) of local workers, while during harvest time the labour shortfall was covered by seasonal migration.



Attempts were made to solve the near permanent shortage of population and labour in Santa Cruz, through policies aimed at settling the migrants in the rural areas; these included: the colonization programmes, land distribution, the introduction of a minimum wage which ostensible assured labour's reproduction, the construction of schools and the expansion of local trade networks.

On the other hand, the new crops which had started to expand since the mid seventies, required less labour per unit of surface area cultivated, given the high degrees of mechanization these involved. This itself provoked a reduction in the labour force required by the farmers, cutting the demand of these. According to Escóbar and Samaniego, the current situation is as follows:

La tendencia actual por la mecanización es la disminución de la demanda de mano de obra en los meses de preparación de la tierra, siembra y cuidado de los cultivos (agosto a noviembre) y una concentración de máximos requerimientos en el mes de mayo, predominantemente de cosecha. La actividad de cosecha ha sido ya mecanizada en el caso de la soya y el trigo, existiendo ya intentos de hacerla para el maíz y la caña de azúcar. (Escóbar & Samaniego: 128s)

This reduction in the requirements of labour meant that many rural wage earners could not any longer rely economically on agricultural work. This set off a migration wave of unemployed agricultural wage earners to the city of Santa Cruz, and a shortage of labour precisely at the time when not even the Andean seasonal migrants were on hand to help out; that is the time for land clearance, tilling, sowing and the care of the crops especially in the months of August, September, October and November. Local labour was not as important for the May harvest, as the seasonal migrants took over this task. This internal migration of the local Santa Cruz *camba* proletariat to the cities, means that regional agriculture is increasingly relying on seasonal migration. But this is not the end of the story.

Besides the changes in the crop structure - in the intensity of these, of labour and capital - other changes are taking place in the composition of the rural labour force and in the ebbs and flows of migrants to the most important agricultural area in the department of Santa Cruz, the 'integrated region'.

To conclude it is important to point out that the rural population has undergone important changes given the fact that in 1950, 65% of the Economically Active Population (EAP) in Santa Cruz was involved in agricultural activities; by 1976 this had fallen to 45%, despite the fact that the rural EAP increased in real terms by 78%, from 63,000 to 112,000. Furthermore, it is important to stress that the EAP involved in non-agricultural activities predominates: in 1950 it was 37%, but rose to 55% by 1976.

The above figures compare well with the total rural population for the same dates. In 1950 the rural population was 71% of the population in the department of Santa Cruz, by 1976 it had fallen to 48%. The threshold year has been estimated to be 1972, that was the moment when the urban population of Santa Cruz topped the 50% mark of the total population; by 1980 the urban population was estimated at 56%. If the current trends continue, this proportion will increase to 60% by 1985.

E      AGRICULTURAL CREDIT: AN ANALYSIS OF ITS EVOLUTION BY DEPARTMENT  
         AND BY CROPS

If we now move to examine the agricultural credit trends for the main crops, we find that these figures corroborate or back up these changes that took place in the crop structure after 1975.

The credit figures indicate that until 1975, the state continued to give priority in the credit for the department of Santa Cruz. But after this year, most credit was channelled to finance agriculture production aimed primarily at providing the urban populations with basic foodstuffs. This change in the credit emphasis also constituted a modification in the credits allocated per department. The following figures show the allocation of credit per department in random years between 1958 and 1980. We find, for example, that in 1958, Santa Cruz received 42% of the agricultural credit, but the proportion fell to 21% in 1963 as more credit was granted to departments like Cochabamba and Beni. In addition, at the beginning of the sixties, credits moved away from agriculture towards state mining to finance the rehabilitation of Comibol following the guidelines of the Triangular Plan for reordering state mining.

This took place largely because the agriculture and agroindustrial development of the Oriente had fulfilled its original objectives of import substitution of rice and sugar. However, after 1966 the agricultural credits started to increase once again, and Santa Cruz managed to get a 50% of these, reaching 80% in 1973 but falling thereafter to 47% in 1979 and 35% in 1980.

The next table shows us that after 1976 the departments of Cochabamba, La Paz, Chuquisaca and Tarija increased their percentage share in the credit available. This was because the specialized production of foodstuffs for the cities was being promoted.

This means that a change has taken place in the state credit policies. The table after the next shows us that this change in the credit priorities is also reflected in the crop structure changes I have pointed out.

Table XXXVI:

## EVOLUTION OF THE AGRICULTURAL CREDIT BY DEPARTMENT 1958 - 1980 (percentages)

Year	Santa Cruz	Tarija	Cochabamba	La Paz	Chuquisaca	Beni	Others	Total
1958	41.7	16.5	12.5	12.0	10.0	4.4	2.7	100
1960	45.9	7.3	13.7	11.5	11.0	7.7	2.9	100
1963	21.2	5.2	22.6	7.8	11.0	27.2	5.0	100
1966	49.8	6.1	9.7	14.6	5.7	9.8	4.3	100
1971	69.6	2.3	2.0	15.2	1.3	9.2	0.4	100
1973	80.8	3.6	1.7	2.1	1.0	9.6	1.2	100
1976	60.8	7.0	7.5	0.9	1.4	19.9	2.5	100
1979	46.8	11.7	16.5	5.6	9.1	1.5	8.8	100
1980	35.1	19.9	14.2	12.5	6.2	1.4	10.7	100

(Table prepared using Escóbar & Samaniego: anexo 2, cuadro 1)

Table XXXVII:

## AGRICULTURAL LOANS GRANTED ACCORDING TO MAIN CROPS IN BOLIVIA 1971 - 1981 (percentages)

	Cotton	Sugar-cane	Rice	Sub-total <sup>1</sup>	Maize	Soya	Sorghum	Sub-total <sup>2</sup>	Others	Total
1971-73	63	23	0.2	86.2	0.30	-	-	0.30	13.5	100
1973-74	71	6	2	79	0.75	-	-	0.75	20.25	100
1974-75	52	16	10	78	1.09	-	-	1.09	20.91	100
1975-76	35	40	2.5	77.5	-	-	-	-	22.5	100
1976	46	25	5.2	76.2	1.7	5.5	7.2	7.2	16.6	100
1977	37.5	0.1	0.1	37.7	0.1	13.6	-	13.7	48.6	100
1978	42.8	6	-	48.8	8.5	10.3	0.3	19.11	32.08	100
1979	26.7	13	1	40.7	9.6	11.5	0.2	21.3	38	100
1980-81	27.7	15	4.5	47.2	2.5	13.3	10.3	26.1	26.7	100

(Table prepared using Escóbar &amp; Samaniego: anexo 2, cuadro 3)

Sub-total<sup>1</sup> which corresponds to the cane, cotton and rice crops shows that the percentage of credit allocated to this group from the total loans earmarked for agriculture, falls rapidly from 86.2% in 1971-73 to 40.7% in 1979, with a slight recovery between 1980-81. In the other group of crops - maize, soya and sorghum - (unfortunately the figures for peanuts were not included in the table) the figures for sub-total<sup>2</sup> show a continuous increase in the credit allocated to this group. In addition, the figures prove that after the change over in the crop structure in the mid seventies, credits for the maize, soya and sorghum production started to rise between 1976 and 1977, precisely the time when credits for the other group of crops (sub-total<sup>1</sup>) began to fall from 76.2% to 37.7%; that is, they fell by near 50% in one year.

We thus find that given the crisis of the first group of crops - which had received priorities for growth, subsidies etc since the forties starting with the Bohan plan recommendations - the agricultural credit in the late seventies is channelled to new more profitable crops and distributed more equally between the departments. But the question we must ask ourselves in returning to the topic of the thesis, is how did this bear on the restoration of criollo hegemony. And what in particular was the reaction of those powerful economic groups, namely the *cruceña* class-caste so closely linked to the crisis if not demise of the first category of crops: sugar, cotton and rice? It is in the following concluding chapter to this thesis that I will bring together the themes of the previous chapters, to suggest how the criollo dominant class restored by revolutionary nationalism found a way out of this critical impasse, enabling it to keep to its project of national hegemony not through consensus but coercion. Some may call this fascism, when it should in fact be called by its proper name: revolutionary nationalism.

## CONCLUSIONS

In this thesis I have examined the relations between the Oriente and the Andean region, and emphasized the paradoxes and contradictions within the dynamics of political and economic change in the department of Santa Cruz since the Chaco war. The purpose of this conclusion is to go over some of these points so as to highlight other aspects which will shed light on contemporary political issues.

The historical introduction to chapter three showed how the emergence of tin mining at the turn of the century and the transfer of the seat of government to La Paz - although the capital remained in Sucre - represented a major set-back for Santa Cruz whose mercantile relations with the south of the country were disarticulated. The rubber boom in the northern Oriente department of Beni did, however, offer a brief respite to Santa Cruz's depressed economy though its effective recovery only started after the Chaco war.



Throughout the decade of the forties, the first steps were taken for the capitalist transformation of Santa Cruz's agriculture using US aid and technical assistance in keeping with the Bohan plan guidelines. This process of modernization of the region's economic structure not only continued after the 1952 revolution, but became THE national development issue. Santa Cruz has for the three decades been a region granted priority in its development and integration to the Andean region. It began first with the import substitution of agricultural commodities such as rice, sugar and cotton - which later turned to the unsuccessful export of these - while top priority was also given to oil production.

At a political and ideological level, the cruceñidad ethno-cultural class-caste had, since the late nineteenth century, been aggressively seeking out and questioning its fragmented identity. The cruceños were not altogether sure whether they wanted to be an independent nation, form part of Bolivia or even perhaps annexe the region to a neighbouring country. The experience of the Chaco war proved decisive in settling these doubts, it affirmed their commitment to the Bolivian nation. Even so their concern gradually shifted towards making Santa Cruz the axis of political and economic power around which the country should turn. The 30 years since the revolution show how close they have come to achieving this under the leadership of the cruceñidad, which has become the bastion for restoring the hegemony of the criollo class-caste nation-wide. A position the criollos lost when the tin mining, commercial and latifundist oligarchy of the Andean region was defeated by the 1952 armed popular insurrection.

Santa Cruz's first attempts to seize power in the forties - it is important to recall a provisional government was set up here during the 1949 civil war - must be seen in this light. That is, in its attempt to

become the main regional interlocutor of central government. Regarding the 1952 revolution, when it took place it found the people of Santa Cruz and the MNR rank and file orphan of political leadership and disillusioned. The situation got worse during the first years of the revolution. Considerable confusion arose concerning what policy the MNR should adopt in the region. The great measures were after all more pertinent to the Andean region than the Oriente. This confusion was made worse by the fact that certain leaders and sectors of the Santa Cruz MNR, its 'poor relatives', returned to the cruceña oligarchy's fold. This happened while the Andean oligarchy - the Rosca' was being politically defeated and temporarily losing its economic base in agriculture and mining.

Given this lack of definition in its regional objectives and in clearly singling out its local enemy, the Santa Cruz MNR not only split along social class lines but also in an estamental caste sense: the class structure was at this time charged with strong ethno-cultural connotations. The other reasons for the split in the party involve specific contradictions that appeared within its organizational structure: the conflict between the territorial sector (CD) and the functional commands, the overlaps that emerged - given the existence of the cogobierno - between the MNR party structure and the COB trade union organization. Other conflicts arise given the following paradox. Youths with cruceño caste origin led the MNR functional sector: the workers and peasants. These same youths also had control of the local trade union structures, in particular the COB affiliate, the Central Obrera Departamental (COD). On the other hand, the MNR's territorial sector, the CD, was led not by a cruceño but by a camba called Luis Sandóval Morón. The paradox arises because the camba - the main dominated ethno-cultural caste in Santa Cruz - did not entirely coincide with the trade union and party organization run by youths of cruceño origin.

So there were cruceños in the leadership of both local trade union movement and the functional sector of the Santa Cruz MNR. On the other hand, there were cambas in the rank and file and the leadership of the MNR territorial sector.

Chapter three demonstrated how the political and economic distributionism, detailed in the first chapter, played a crucial role in determining the authority of some groups and sectors, and the subordination of others. A large part of chapter two examines from an Andean perspective and the context of state mining, how similar mechanisms were used first to win over the support of the miners, then to systematically exploit them and blame them for the collapse of Comibol.

It is

within these parameters that Whitehead's so-called 'violent and acute crisis of authority' unfolds in Santa Cruz, under constantly changing circumstances. In the mid fifties this meant that several popular 'consensus' were being articulated, embodying provincial, class, caste, economic and cultural interpellations, until the cruceñidad imposed itself on the rest and set up what for over two decades became a single intolerant regional consensus.

Although the cruceña oligarchy was not defeated but brought into participate in the national revolution, it took some years before this class-caste became the organic expression of the criollo reaction to the revolution and the restoration of this caste under the guise of a national revolutionary 'new bourgeoisie', both in the Oriente and the Andean regions. It first had to consolidate a new economic base, the political objectives would come

later. This class-caste was in any case inhibited the first years after the revolution, by the popular mobilization, the strength of the trade unions and the modernization and expansion of the state and civil society. This led to the formation of new economic and political system institutions - particularly those funded by the US under its 'services' programmes.

It was only starting 1957 that the cruceñidad had acquired sufficient knuckle to set up its own corporate body by recovering and transforming the Comité Pro-Santa Cruz. The CPSC served in these years not only to defend and promote the economic corporate interests of this caste but of the people of Santa Cruz as a whole. It was used to project the region and confront central government. The CPSC showed considerable ability in articulating under the cruceñista discourse, local demands and traditions, and in creating a highly autonomous regional civil society. What had started to emerge was a small independent republic of the Rosca ('una republiqueta de la Rosca') a focus of reaction which aimed to alter the course of the national revolution and eventually seize power. This is why after the department was granted 11% of all oil royalties, the cruceñidad constantly attempted to depose the MNR, and consolidate as national the regional power it had established in Santa Cruz.

Regarding the economic base of the regional oligarchy - it still was in the fifties - it is worth noting that the year 1957 the CPSC won enactment of the 11% oil royalty payments, the agriculture and agroindustry of the department had, after a period of reordering, consolidated itself. In chapters one and two, I analysed the historical, political, economic and inter-American relations background to this reordering. It involved political compromise, corruption, the decapitalization of Comibol, and the rising US influence within the revolution; first, using grants and

technical assistance, then loans and finally the dubious 'self-help' policy that withdrew budget support to the government and provoked the downfall of an MNR unable to compromise on the issue of social welfare, its raison d'etre. In the Oriente, the US influenced MNR policies led to the emergence of an agrarian criollo bourgeoisie; in the Andean region, the US inspired the Triangular Plan and the deliberate decapitalization of Comibol created a space in which criollo controlled private mining could once re-emerge, and by the late seventies become so powerful that a more appropriate label for it should now be 'big private mining' rather than its categorization as 'medium size mining' by the nationalization of the mines commission.

From 1958 until Barrientos' 1964 coup and the subsequent fall from power of the MNR, the Santa Cruz agrarian bourgeoisie was primarily concerned with supplying the internal market its products, something it had sought to do ever since the consolidation of the turn of the century liberal hegemony in La Paz which stopped its imports to the Andean region, given the competition of foreign commodity imports. The sale of Oriente commodities in the Andean urban and mining centres not only significantly altered the basket of basic needs, thus cutting the labour reproduction costs. This no doubt improved the profit margins of the Andean entrepreneurs but did not seem to make much difference to the economic performance of Comibol, as chapter two clearly shows.

It did not take long for the internal market to become saturated with these products, it in fact also coincided with the start of the second military cycle in 1964. The answer to this problem was to find some way of exporting these surpluses, something made possible by subsidizing their export - especially sugar - by resorting to high internal market prices.

Cotton is perhaps a better example which eloquently shows the ease and irresponsibility through which the 1971-75 production boom was achieved. The cotton boom found inexperienced 'new farmers' speculating with large sums of overseas contracted credits, most of which were never destined to production of the commodity. This is why when the cotton sector collapsed between 1973-75, it became a national scandal, toned down only due to the fact that top figures within the Banzer dictatorship and their friends were involved in the deal.

In fact, the entire boom or 'take-off' of Oriente agriculture was highly dependent, first on overseas aid and services; then favourable fiscal policies, subsidies and price fixing; finally a flood of overseas credits. The entire developmentist model as applied to agriculture in Santa Cruz, entered its definitive crisis starting 1975. This crisis was partly due to the general crisis of the national economy given the obsolescence of the Bohan model of development, but also due to the absolute dependence Santa Cruz agriculture had on state funds, overseas credits and US assistance. My suggestion is that given this practice of receiving funds without having to account for these in the end, the so-called national bourgeoisie picked up a bad habit. This habit is in fact related to the Hispanic-colonial heritage which highlighted new world values of plunder and easy gain. It is part-and-parcel of that ravaging mentality desperate to find the riches of El Dorado or the Gran Paitití in the Oriente, but which had to settle for the spoils of agriculture, and the systematic deforestation and wildlife extinction for commercial gain.

It is for this reason that this 'new criollo bourgeoisie' which is sometimes national revolutionary and at others simply cruceñista, never saw itself as national; for besides the fact that it has no enterprising sense of

production, it refuses to recognize its dependence on the state and overseas. In an attempt to cover up its failings, the cruceña bourgeoisie has tried to justify its emergence and its specific character by harking back to the benefits that the oil royalties obtained by the 1957 civic movement, brought to the region. History prior to 1957, that time span since 1942 in which the latifundists were transformed into an agricultural bourgeoisie, no longer forms part of its memory. According to the cruceñidad, the modern history of Santa Cruz and its drive for self determination, starts with the resurgence of the CPSC. A more objective analysis would no doubt explain the emergence of this bourgeoisie class-caste linking both its origins: Bohan and the 1952 national revolution on the one hand, and the 1957 civic resurgence in demanding a departmental share of the oil royalties. The only problem is that the ideological discourses of the cruceñidad cannot bear this double origin. Worse even, the suggestion that it was revolutionary nationalism that opened the doors to the creation of these relatively modern dominant class in the region, and the integration of Santa Cruz to the national space.

Keeping Gramsci in mind in order to analyse the different moments in the constitution of this 'dependent' class caste, the first economic-corporate phase is one in which the cruceña landowning oligarchy starts to undergo a transformation - the Junker road - in the forties, to become an agro-industrial, agricultural and cattle raising bourgeoisie. This process proceeds further after 1952 with the 'consolidation and reordering' of the region's agrarian structure both on the basis of the agrarian reform legislation introduced in 1953, and the technical assistance, credits and state funding. This a phase in which the class begins to establish its own nexus of solidarity with a view to consolidating its Junker transition.

This process lasted until 1956-57, when the *cruceñidad* by now a relatively homogeneous class-caste regroups the majority of the regional groups under the polished image of the Comité Pro-Santa Cruz. It is well to recall that this is a crucial juncture when those affected by inflation during the first years of the revolution, together with those groups opposed to the 1957 monetary stabilization came together to find a joint solution to their problems, but for the benefit of the department as a whole: the campaign for the 11% of the oil royalties and protests to the government for leaving the region and its urban centres in particular, to languish in neglect. The reorganization of the CPSC is no doubt a more advanced stage in the organization of the class-caste *cruceñidad* nucleus. Most important of all its hegemony starts to spread throughout the population attracting individuals from other social classes and ethno-cultural groups. Even so, at this point the nexus of interests between the popular and the dominant *cruceñidad* remains still within the sphere of economic issues - 11% of oil royalties, more attention for the urban needs in the region.

But the beginning of a political and state issue can be interpreted from these demands and how the CPSC went about winning them. For a start on the basis of a vision of increased regional autonomy, the CPSC is demanding a one-to-one relationship with the CPN and the government of president Siles Zuazo. The CPSC is not only asking for 11% royalties; the demand goes beyond this as it involves the right of regional self determination involving planning, economic and social infrastructure, the defence of its own culture and ethnic composition. This is the moment when Santa Cruz became a 'republicueta de la Rosca' while the process of the national revolution was at his height. It was at this stage when it had consolidated its regional hegemony, that the *cruceños* really moved into politics and began to challenge the state by aiming to depose the MNR and eventually



seize power. In the late fifties, central government would on several occasions have to intervene the region, but in particular after the failed FSB insurrection in 1958. Although the influence of comiteísmo would ebb after this 1958 failed coup and last about a decade, the coup of Banzer on 21 August 1971 opened the possibility for the cruceñidad in search of a wider audience and more power to enter this its third stage of development.

Despite the overthrow of the MNR in 1964 and the start of the so-called second military cycle with general Barrientos in power, the contradictions between region and nation do not disappear. The cruceños still eagerly tried to influence events, playing out the contradictions and struggles that were than taking place within the military governments.

... el ejército de Bolivia, una vez que se convirtió en árbitro y foro principal de la política de Santa Cruz, quedó sujeto a los mismos conflictos internos y faccionalismos que caracterizaron la política civil post-revolucionaria. Bajo el MNR, el jefe del comando partidario que controlaba Santa Cruz aparecía como peligroso ante la dirección nacional. Algo similar ocurre con el poder militar ya que el comandante de la guarnición local controlaba también las organizaciones de obreros y campesinos, la prensa y las instituciones gubernamentales. En resumen es el jefe militar el que representa un poder independiente capaz de presionar sobre el comando nacional del ejército. (Whitehead 1973: 29)

This regional pressure was frequently made more effective on a number of occasions either through or in unison with the military garrison in Santa Cruz. The best example of this issue of power was during the 1971 Banzer coup which brought together political parties, the CPSC, private enterprise and the right wing military in the so-called Frente Popular Nacionalista (FPN) which overthrew the left wing government of general Juan José Torres.

On that occasion, the cruceñidad - following its 1957 example - once again raised the cruceña tradition to defend its corporate interests, which it

said were none other than the present and future interests of Santa Cruz and Bolivia. It had first made this declaration to the military-populist government of general Alfredo Ovando in 1969 for having brought under state ownership its (Santa Cruz's) oil by nationalizing the Santa Cruz based US-owned installations of the Gulf Oil Company, and against general Juan José Torres in 1971 for having brought into public sector control its sugar industry. Quite simply, the state could not lay its hands on the capitalist private sector nucleus in the Oriente. This view was widely shared and supported by the majority of the social groups. This 1971 movement of the cruceñidad is similar to the 1957 one, the main difference is that it is more political as the 'camba' Banzer's coup victory gives the cruceñidad a direct access to government for the first time. In 1957 this was something they dreamed would one day happen.

In ethno-cultural terms, the 1971 movement brought the cruceñidad closer to the control of the state, and gave it the opportunity to broaden its sphere of influence and support base to incorporate the camba. Both terms which had formerly been antagonistic given their ethno-cultural connotations, fuse and become synonymous of the defence of the region's overall interest. This also explains why a criollo cruceño like general Hugo Banzer Suárez was able to present himself as a camba, in a manner that interpellated both the dominant and the subaltern sectors in the region. Given this fusion between the cruceño and the camba, the camba subaltern sectors no longer stood in the position of being at the bottom rung of Santa Cruz's social and ethno-cultural ladder, as this position had been assigned to the kolla migrants from the Andean region who had arrived there since the fifties as seasonal labourers who later settled there. This cruceño-camba symbiosis is so strong that the children of the first kolla migrants have developed an 'anti-kolla or eat the kolla' sense of identity. (Personal communication: <sup>ED</sup>

Hernando Sanabria, director of the Santa Cruz university library). What these children are evidently trying to do is to distance themselves from the kolla origins by trying to at least be identified as cambas. This in turn leads them to a wider identification with cruceña ethno-cultural values.

With this enormous capacity to retrieve its own subaltern sectors and get these to identify with its vision of the Oriente, the cruceñidad managed to construct a corpus of regional identity despite the changes which had taken place throughout the process of the national revolution and the 'violent and acute crises' of regional authority.

It must be said that during this third moment in search of broader based support, several political parties emerged eager to lead this process. The most persistent and incisive of these was the FSB which had tried to represent the position of the Oriente from the first days of the national revolution, although the MNR was in fact the party that carried through the development and the integration of Santa Cruz. More recently, Acción Democrática Nacionalista (ADN), led by general Hugo Banzer Suárez, appeared and it claimed success in consolidating the modernization of the Oriente in the national context.

On the other hand, the CPSC - despite having played a political role in certain key conjunctures - has always been aware of the advantages involved in having no obvious party links, let alone a dominant party trend within its ranks. Warding off such a possibility, the CPSC has always been well aware that adopting a party political position would run against the corporate interests of the regional dominant class it represented. This could disarticulate the consensus attained within the organization which

had over 100 affiliated institutions. None the less, it is important to point out that the CPSC fulfilled a role analogous to that of a political party; this is clearly reflected in the irregular fortunes of both the MNR and FSB parties in Santa Cruz compared to the comiteísmo. Even so, several parties had indirect influence on the CPSC, but this always happened on a secondary plane.

A good example of this was when the local garrison, the private business sector and the MNR and FSB parties came together with the CPSC to form a broad front to support Banzer's 1971 coup. These were practically the same groups that had rallied behind the CPSC banner in 1957; while the 1971 coup included several political leaders who participated in the 1957 movement, among them: Oscar Barbery and Severano Julio. They were still members of the MNR, perhaps the most important party that joined Banzer's FPN. The FPN ruled the country between 1971-74, but later disbanded when the dictator pressed ahead a further three years with the support of a military-criollo bourgeoisie alliance.

Although the MNR ceased very early to be a hegemonic party in Santa Cruz, the idiosyncratic influence of a criollo tainted MNR ideology blended well with the cruceñidad's ethno-cultural values.

The paradoxes of that political centre - ideological corridor - of revolutionary nationalism worked in Santa Cruz to bring together under the hegemony of the cruceñidad, the functional sectors of the MNR, the subaltern classes, the different urban and rural petty bourgeois groups and the cambia ethno-cultural estament. The ideological corridor of revolutionary nationalism enabled cruceño leaders and groups to pop up in different positions along the political spectrum according

to the conjuncture of their convenience. Oscar Barbery has elaborated on this drama of political ambivalence:

'... some are born ultra-left wingers, and others who find this position has already been taken up (...) must find another, playing whatever role is available. It does not really matter which role is played; it is more important to participate in the farce. Someone told me once, in confidence, that he was a Marxist; but given the fact that another friend had beat him to this position, he had to take on the role of a right winger so as not to play a secondary role.' (In Mitchell 1971: 187)

Barbery's comments on this fluctuation/oscillation of political positions along the ideological corridor of revolutionary nationalism, offers a clue as to how an important MNR leader who just prior to founding the Santa Cruz COD in 1953 defined himself as a non-Communist Marxist, yet gradually drifted into the political terrain of the *cruceñidad* and the CPSC. Then 20 years on, in order not to play second fiddle to his left wing Marxist/Communist friends and enemies, he supported general Banzer's reactionary and repressive regime.

The restoration of criollo hegemony was not therefore an entirely right wing, bourgeois and military phenomenon. The criollo left wing, the trade union movement and the subaltern classes are also responsible. This happened largely because most party and trade union political strategies focused on narrow class and economic issues leaving many spheres of national life: the ethno-cultural, regional, historical determinants, open to be rearticulated by the criollo bourgeoisie which used this terrain as footholds to restore its hegemony.

Since the rise and consolidation of revolutionary nationalism as the national official ideology of the Bolivian State, a paradoxical and

variegated political topography which I labelled 'political centre' emerged. It is a permanent conjuncture scenario where both farce and tragedy are played out like a carnival.

In recent years this carnival has got grotesque as criollo domination has entered a generalized crisis involving a break down in the forms of political representation set up after 1952. This has been aggravated by nearly two decades of military rule, a massive foreign debt, a crisis of production and the emergence of Santa Cruz based cocaine drug trafficking.

As I said in chapter three, this crisis of the cruceñidad was signalled by the collapse of Santa Cruz's agricultural export model. The crisis started to break out after 1975, partly due to a fall in prices for agricultural commodity exports, but it was also due to changes in the crop structure, and changes in the distribution of agricultural credit, giving greater priority to new intensive type of crops like soya, peanuts, maize and sorghum. Most traditional crops (cotton, sugar, rice) producers were unable to effect the change over into new crops, others squandered their credits, many went bankrupt. Extensive agriculture and agroindustry which had been the production base of the cruceña bourgeoisie since the fifties was in crisis. Leaders figures of the class-caste realized that the crisis would lead to their gradual disincorporation from the political and economic system, involving first a loss of regional hegemony then the national standing it had won for itself under military rule.

What the cruceñidad feared most of all was that both the changes in the agrarian structure leading to the emergence of intensive mechanized agriculture would give rise to a new entrepreneurial class, and that the return to democracy would undermine its institutions and lead to a left

wing/indian/peasant back-lash, which could threaten the continuity of cruceño ethno-cultural values in the region.

No longer would it also have 'easy' access to US aid funds as it had done since the forties, no longer would the state cover its bad debts. This precarious and dependent cruceña bourgeoisie nurtured by revolutionary nationalism had in the late seventies, a desperate need to raise 'other' large quantities of easy capital by whatever possible means.

The funds were to come from a new source of primitive capital accumulation, again based on agriculture, although the cruceñidad would not get involved in production, merely in the processing and the first stages of commercialization: the source was cocaine.

A partir de 1976, habiendo descendido de manera constante el nivel productivo del algodón sin ningún intento de sustituirlo con otro rubro, además de haberse retornado resignadamente a la estructura tradicional de la economía estatal (...) y, al mismo tiempo ser evidente el sorprendente repunte de la acumulación de capital de la burguesía de ADEPA, [cotton producers' association] y los militares, hubo un cambio en las actividades de los mismos. Ese cambio, sin lugar a dudas, significó la adopción de la cocaína como un factor de aparente 'salvación' para las clases dominantes de Bolivia. (...) En resumen se trataba de potenciar una actividad ilícita, tanto en el ámbito nacional como en el internacional, transformarla en hegemónica respecto de la economía paralela 'delincuencial' y luego incorporarla al sistema económico financiero estatal con el propósito de hacerla hegemónica allí también. (Bascopé A.: 66)

Those sectors which had benefited from the Bohan plan, US aid, the decapitalization of Comibol, the 11% regional oil royalties, the national revolution and the 'new distributionism' provided by the military not only feared losing their productive base - like the tin barons in 1952 - but their very raison d'etre as a class and the displacement of their ethno-cultural predominance attained through the 1957 civic movement, Banzer's 1971 coup, and the 1980 'cocaine coup' of general Luis García Meza.

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