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**Blood of the Earth:  
Natural Resources, Economic Visions, and Revolution in La Paz, Bolivia, 1927-1971**

A Dissertation Presented

by

**Kevin Young**

to

The Graduate School

in Partial Fulfillment of the

Requirements

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in

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**Stony Brook University**

The Graduate School

**Kevin Young**

We, the dissertation committee for the above candidate for the  
Doctor of Philosophy degree, hereby recommend  
acceptance of this dissertation.

**Brooke Larson – Dissertation Advisor  
Professor of History**

**Paul Gootenberg – Chairperson of Defense  
Distinguished Professor of History and Sociology**

**Ian Roxborough  
Professor of History and Sociology**

**Sinclair Thomson  
Associate Professor of History  
New York University**

This dissertation is accepted by the Graduate School

Charles Taber  
Dean of the Graduate School

Abstract of the Dissertation

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Natural resource extraction and resource nationalism are central to understanding recent protests around the world. These mobilizations have important precedents in mid-twentieth-century Bolivia. The quest for national control over natural resources—particularly tin and oil—was the central factor uniting urban sectors in the years before and after the 1952 Bolivian Revolution, which brought to power the Movimiento Nacionalista Revolucionario (MNR) party. Focusing on La Paz, this dissertation examines the contours of popular economic thought and the conflicts among urban popular sectors, the MNR regime, and the United States to define economic policy. Natural resources were the key locus of contention in the country, and debates about their use shed light on conflicting ideas about economic development, wealth distribution, and governance. While most MNR leaders favored a relatively conservative “revolution,” urban popular sectors like factory workers, students, and war veterans articulated more radical visions. By the late 1950s these voices began accusing the MNR of betraying the promises of 1952,

particularly the pledge to use Bolivia's resources for economic development and social welfare. The alienation of the MNR's urban supporters facilitated the party's ouster by the army in 1964.

The project also reappraises the Cold War in Bolivia and, by extension, the rest of the Third World. U.S. officials' main concern was not Soviet-style Communism but Bolivian revolutionary nationalism, which sparked fears of economic nationalism (especially in the minerals and hydrocarbons sectors), material redistribution, and an independent foreign policy. Extensive U.S. "informal diplomacy" activities sought to supplant Bolivians' resource nationalism and suspicions of private enterprise with faith in capitalism. This mission aligned with that of MNR officials, who also sought to contain popular radicalism after 1952.

Yet U.S. and MNR efforts were only partly successful. I challenge prior historiography on the revolution by showing how popular resistance left an enduring imprint in both economic policy and political culture long after 1964. Popular mobilization in twenty-first-century Bolivia testifies not only to Bolivia's persisting social and economic problems but also to the inability of past Bolivian governments and their foreign allies to extinguish deep-seated beliefs about natural resources, social justice, and democracy.



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## List of Abbreviations

(For archive name abbreviations see Bibliography)

CBF	Corporación Boliviana de Fomento (Bolivian Development Corporation)
CEPAL	Comisión Económica para América Latina (Economic Commission for Latin America [ECLA])
CEPB	Confederación de Empresarios Privados de Bolivia (Bolivian Confederation of Private Business Owners)
CEUB	Comité Ejecutivo de la Universidad Boliviana (Executive University Committee of Bolivia)
CGTFB	Confederación General de Trabajadores Fabriles de Bolivia (Bolivian Confederation of Factory Workers)
CNI	Cámara Nacional de Industrias (National Chamber of Industries)
CNSS	Caja Nacional de Seguridad Social (National Social Security Administration)
COB	Central Obrera Boliviana (Bolivian Workers Central)
COMIBOL	Corporación Minera de Bolivia (Bolivian Mining Corporation)
CON	Central Obrera Nacional (National Workers Central)
CSTB	Confederación Sindical de Trabajadores de Bolivia (Bolivian Workers Union Confederation)
CUB	Confederación Universitaria Boliviana (Bolivian University Confederation)
DoS	U.S. Department of State
FAD	Federación Agraria Departamental (Departmental Agrarian Federation [La Paz])
FEJUVE-El Alto	Federación de Juntas Vecinales-El Alto (El Alto Neighborhood Council Federation)
FOL	Federación Obrera Local (Local Workers Federation [La Paz])
FOS	Federación Obrera Sindical (Workers Union Federation)
FOT	Federación Obrera del Trabajo (Workers Labor Federation)
<i>FRUS</i>	<i>Foreign Relations of the United States</i> (U.S. State Department publication)
FSB	Falange Socialista Boliviana (Bolivian Socialist Phalange)
FSTMB	Federación Sindical de Trabajadores Mineros de Bolivia (Bolivian Mineworkers Union Federation)

FSTPB	Federación Sindical de Trabajadores Petroleros de Bolivia (Bolivian Oil Workers Union Federation)
FUB	Federación Universitaria Boliviana (Bolivian University Federation)
FUL	Federación Universitaria Local (Local University Federation)
ICA	International Cooperation Administration
LEC	Legión de Ex-Combatientes (Legion of Ex-Combatants)
MAS	Movimiento al Socialismo (Movement toward Socialism)
MIR	Movimiento de la Izquierda Revolucionaria (Revolutionary Left Movement)
MNR	Movimiento Nacionalista Revolucionario (Nationalist Revolutionary Movement)
NPE	Nueva Política Económica (New Economic Policy)
OIAA	U.S. Office of the Coordinator of Inter-American Affairs
OWI	U.S. Office of War Information
PDC	Partido Democrático Cristiano (Christian Democratic Party)
PIR	Partido de la Izquierda Revolucionaria (Revolutionary Left Party)
PMC	Pacto Militar-Campesino (Military-Peasant Pact)
POR	Partido Obrero Revolucionario (Revolutionary Workers Party)
POS	Partido Obrero Socialista (Socialist Workers Party)
PRS	Partido Republicano Socialista (Republican Socialist Party)
PS	Partido Socialista (Socialist Party)
PSOB	Partido Socialista Obrero de Bolivia (Socialist Workers Party of Bolivia)
RADEPA	Razón de Patria (Cause of the Homeland)
TIPNIS	Territorio Indígena y Parque Nacional-Isiboro Sécore (Isiboro Sécore Indigenous Territory and National Park)
USAID	U.S. Agency for International Development
USIA	U.S. Information Agency
USIE	U.S. International Informational and Educational Exchange
USIS	U.S. Information Service
USOM	U.S. Operations Mission
USTFN	Unión Sindical de Trabajadores Fabriles Nacionales (National Union of Factory Workers)
YPFB	Yacimientos Petrolíferos Fiscales Bolivianos (Bolivian State Oilfields Company)

## Acknowledgments

During the research for this project I encountered what seemed like constant roadblocks (including the literal road blockades that have been a hallmark of popular protest in Bolivia in the past half-century—which were in fact the least burdensome, and most forgivable, of the obstacles). Anyone who has attempted archival research in Bolivia can surely identify. I have often joked that my list of *agradecimientos* (acknowledgments) for the project would be outmatched by my list of *desagradecimientos* (sardonic “thanks”). Although it is not customary to begin an Acknowledgments section on such a sour note, I do so in order to underscore just how much I appreciate the individuals and institutions who did facilitate this project.

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## INTRODUCTION

### **Natural Resources, Political Culture, and U.S. Intervention in Twentieth-Century Bolivia**

Bolivian social movements captured the world's attention in the first years of the twenty-first century. From 2000 to 2005 they defeated a plan to privatize water, toppled two governments, and catapulted an indigenous union leader, Evo Morales, into the presidency. While a host of demands fueled this cycle of revolt, anger over the private appropriation of Bolivia's precious natural resources was arguably the single most important unifying issue. The catalyst for the popular coalition that ousted President Gonzalo Sánchez de Lozada in October 2003 was the government's plan to export unrefined natural gas to the United States at cheap prices rather than "industrializing" the gas sector (by refining the gas domestically and producing hydrocarbons derivatives) or at least demanding a bigger share of the proceeds to fund social welfare and economic development. Over a decade later, debates over natural resource wealth continue to dominate the Bolivian political scene and have even threatened the stability of the Morales regime by exacerbating tensions within its popular support base.<sup>1</sup>

Recent events in Bolivia have striking historical parallels in the mid-twentieth century. Natural resource wealth—particularly tin and oil—occupied the central position in the popular nationalist imaginary that developed starting in the 1920s and crystallized with the 1952 revolution. At multiple political junctures from the 1930s through the 1960s, resource nationalism would be the key factor uniting mineworkers, urban workers, students, war veterans,

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<sup>1</sup> On the mobilizations of the early 2000s see especially Hylton and Thomson, *Revolutionary Horizons*, 101-26; Webber, *Red October*; Gutiérrez Aguilar, *Los ritmos del Pachakuti*; Mamani Ramírez, *Microgobiernos barriales* and *El rugir de las multitudes*; Dangl, *The Price of Fire*. On the Morales period see the sources cited in the Epilogue, particularly Kohl and Farthing, "Material Constraints to Popular Imaginaries," and Gustafson, "Amid Gas, Where Is the Revolution?"

middle-class professionals, and other urban sectors. Natural resources do not always spark only conflict and division, as much scholarly literature suggests; they can also help generate powerful political coalitions.<sup>2</sup>

Appearances of unity were also deceptive, however, for resource nationalists were a very diverse crowd. Some sought to replace capitalism with socialism, some just wanted to ameliorate capitalism's worst excesses, and some favored economic "modernization" but not redistribution. Still others were driven by a chauvinistic nationalism much more akin to fascism than socialism. The failure to transcend ethnic, gender, and regional differences and hierarchies also hindered unity. The economic and political visions of urban Bolivians, even those on the socialist left (with some important exceptions), excluded or marginalized the rural indigenous population. Women experienced a parallel subordination.

All these tensions intensified during the rule of the Movimiento Nacionalista Revolucionario (MNR) party from 1952 to 1964. Although the MNR was nominally at the helm during these years, its control over urban popular sectors remained superficial and tenuous. As its economic policy shifted rightward (with help from the U.S. government), subtle conflicts and grievances within the MNR's support base became more pronounced. By the late 1950s a growing portion of the regime's urban base accused it of failing to fulfill the promises of 1952, particularly the pledge to use Bolivia's natural resources for economic development and social welfare. The alienation of the party's urban supporters facilitated the MNR's ouster by the Army in November 1964. The decade of the 1960s witnessed the emergence of a new popular coalition independent of the MNR that focused especially on the effort to protect Bolivia's state oil

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<sup>2</sup> Much research on "conflict goods" and the "resource curse" makes this assumption (e.g., Bannon and Collier, eds., *Natural Resources and Violent Conflict*).



company—not unlike the coalitions of prior decades and the ones that arose again in the early twenty-first century.

The implications of this story extend well beyond Bolivia. Economic dependence on extractive industry is a common and enduring predicament throughout Latin America, Africa, and Asia. A large body of economic literature dating back at least to mid-century has linked extractivism to high poverty levels, high inequality, low growth, and structural tendencies toward rent-led development. Paradoxically, resource-*poor* countries may be better off in some respects than those that are rich in natural resources, as “resource curse” theories argue.<sup>3</sup> Scholars in this school highlight the ways that dependence on a single primary export commodity can distort a country’s economy, leaving it especially vulnerable to fluctuating world market prices and reducing incentives to diversify. They also point to the so-called “Dutch disease,” referring to how a primary commodity export boom can lead to appreciation of a country’s currency and over-emphasis on that commodity, thus hindering the development of other export sectors. Extractivism can also have far-reaching consequences for the rest of a society. Many studies in the Latin American context have focused on Venezuela’s oil wealth and its implications not just for economic development but for state formation, culture, and consciousness.<sup>4</sup>

Usually dependence on primary commodity exports is accompanied by subordination to foreign capitalists or at least domestic elites far removed from the realities faced by their fellow citizens. Largely for this reason, resource nationalism has remained a crucial element in the political cultures of many resource-abundant countries. Resource nationalists are united by their demand that the home nation should be the main beneficiary of natural resource extraction.

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<sup>3</sup> One early developmentalist treatment is Levin’s 1960 *The Export Economies*. More recent works about the “curse” and possible “escape” paths include Auty, *Sustaining Development in Mineral Economies*; Auty, ed., *Resource Abundance and Economic Development*; Ross, *Extractive Sectors and the Poor*; Humphreys, et al., eds., *Escaping the Resource Curse*; Orihuela, “How Do ‘Mineral-States’ Learn?”

<sup>4</sup> See for example Coronil, *The Magical State*; Tinker Salas, *The Enduring Legacy*; Karl, *The Paradox of Plenty*.

Beyond that goal their specific policy proposals vary significantly, from those who advocate the total exclusion of private enterprise in favor of state or public control to those who merely favor higher taxes or royalties on private companies. Most go further and advocate specific uses for the proceeds, for instance to fund economic diversification programs, the development of manufacturing or higher-value-added activities, or increased social spending. Many resource nationalists also condemn their countries' economic elites and demand a more equitable distribution of wealth. Some, as in Bolivia in the early twenty-first century, insist that the natural resource sector in question should itself be industrialized, meaning that exports like natural gas would be further processed in the country, with less and less exported in raw form over time.

Resource extraction, and the resource nationalist sentiment that so often accompanies it, have become increasingly central to world events in the early twenty-first century. The explosive growth of non-Western economies like the BRICS (Brazil, Russia, India, China, South Africa), declining supplies of many natural resources, and of course the highly wasteful and fossil-fuel-based structures of consumption in the West have accelerated a global race for resources with profound implications. In this context resource nationalism has understandably been a focus of popular mobilizations in countries across Latin America, the Middle East, and northern Africa, where it has animated debates over economic development, wealth distribution, property rights, democratic participation, indigenous rights, and ecological crisis. Protesters have demanded a reorientation of economic policy to increase the flow of rents to "the people" and some have also put forth proposals for diversification and industrialization. These mobilizations have, in turn, confronted the perennial problems of cooptation, repression, foreign imperialism, divergent agendas among the revolutionaries themselves, and the perils inherent in resource-based development (e.g., the structural tendency toward rent-led growth). They have also been forced

to deal with questions that were marginal to policy debates until recently, particularly involving indigenous territorial rights and environmental destruction.<sup>5</sup>

Given these recent experiences, now is an opportune moment to reexamine the Bolivian Revolution. Mid-century Bolivia offers a case study of resource nationalism and popular mobilization that can help illuminate political and economic developments across the Global South in the twenty-first century.

### **The Revolution over Time**

The existing literature on the MNR period can be loosely divided into three waves: classic, revisionist, and post-revisionist.<sup>6</sup> Classic accounts, most of which celebrated the MNR's alleged role as a vanguard force, began to appear soon after the April 1952 revolution. Some were commissioned or written by government leaders themselves, while others came from more independent scholars.<sup>7</sup> All agreed that the revolution had resulted in major changes to the country's political, economic, and social structure. They highlighted especially the agrarian reform initiated in 1953, the institution of universal suffrage, the nationalization of the country's large mines, and the dismantling of the old Army.

Starting in the late 1950s, critical revisionist accounts presented a much more pessimistic view of the MNR. Disillusioned nationalists and Marxists described a party that had betrayed the promises of the revolution by welcoming foreign capitalists back into the country and repressing popular demands for further redistribution of wealth. Some of these critics also challenged the

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<sup>5</sup> For recent anthologies on extraction policies and indigenous rights around the world see Sawyer and Gómez, eds., *The Politics of Resource Extraction*, and Bebbington, ed., *Social Conflict, Economic Development and Extractive Industry*. On Bolivia see Hindery, *From Enron to Evo*, and other sources cited in the Epilogue.

<sup>6</sup> This basic progression (classic—revisionist—post-revisionist) seems to characterize the historiography on many revolutions, particularly the Mexican. See Joseph and Nugent, "Popular Culture and State Formation."

<sup>7</sup> Examples include Fellmann Velarde, *Víctor Paz Estenssoro*; Barcelli, *Medio siglo de luchas sindicales*, 257-92; Alexander, *The Bolivian National Revolution*; Libermann, *Bolivia*; Peñaloza Cordero, *Historia del MNR*; Céspedes, *El presidente colgado*.

notion that the MNR had ever been central to the revolution. Trotskyist writer Guillermo Lora, for instance, portrayed the party as cynical opportunists who had manipulated popular radicalism, while nationalists like Sergio Almaraz and Amado Canelas criticized the MNR's alleged betrayal of revolutionary nationalist economic policy.<sup>8</sup> By the 1970s and early 1980s, a spate of historically-grounded studies expanded on this analysis, painting the MNR as a relatively conservative force in the country.<sup>9</sup> Following the emergence of the *katarista* indigenous movement in the 1970s, new revisionist critiques appeared from a different angle. Silvia Rivera Cusicanqui and Tristan Platt published historical studies highlighting the paternalism and ethnic assimilationism of the MNR. They especially criticized how the MNR had cultivated clientelistic ties with peasant leaders and how its agrarian policy had tended to prioritize individual over communal land ownership.<sup>10</sup> While many of these studies recognized that some positive changes had occurred under the MNR, their main emphasis was on the cooptation and defeat of popular forces.

In the early twenty-first century a post-revisionist school has begun to temper this emphasis. New research has stressed the complicated negotiation of policy between popular forces and the MNR government, revealing the limits to MNR power.<sup>11</sup> Others have emphasized the enduring structural changes brought by the revolution, for instance the agrarian reform that had benefited around half of the Bolivian population in some way by 1970.<sup>12</sup> From the

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<sup>8</sup> Lora, *La estabilización and La revolución boliviana*; Almaraz Paz, *Petróleo en Bolivia*; Canelas, *Petróleo*; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*.

<sup>9</sup> Malloy, *Bolivia*; Volk, "Class, Union, Party"; Mitchell, *The Legacy of Populism*; Zavaleta Mercado, *50 años de historia*; Antezana Ergueta, *Hernán Siles Zuazo*; Nash, *We Eat the Mines*; Dunkerley, *Rebellion in the Veins*.

<sup>10</sup> Rivera Cusicanqui, *Oprimidos pero no vencidos*; Platt, *Estado boliviano y ayllu andino*, 18-21, 148ff.

<sup>11</sup> For instance Gordillo, *Campesinos revolucionarios*. Though it focuses on the pre-1952 era, see also Gotkowitz, *A Revolution for Our Rights*. On cultural production and struggle see Gildner, "Integrating Bolivia."

<sup>12</sup> Whitehead, "The Bolivian National Revolution," 41-47; figure quoted in Dunkerley, "The Bolivian Revolution at 60," 329.

perspective of diplomatic history, recent research has also pointed out how MNR officials after 1952 were able to exert significant power vis-à-vis foreign forces like the U.S. government, for instance by playing up the threat of a radical turn in the revolution in order to obtain more U.S. aid. Indeed, the very fact that the U.S. government chose to aid the MNR, rather than try to overthrow it, seems to reflect the constraints on U.S. imperial power.<sup>13</sup>

Building upon this recent scholarship, I argue that popular struggles before and during the MNR period had enduring legacies that are essential to understanding present-day Bolivia. The revolution was not simply a story of cooptation and defeat of popular forces, as some revisionists have implied. Despite the revolution's rightward shift and the MNR's 1964 overthrow, some revolutionary changes persisted long after. In the realm of economic and fiscal policy, the MNR and subsequent Bolivian governments were unable to initiate a full-scale reversal of revolutionary changes. The country retained a large public sector into the 1980s, including state control over most of the oil and mining industries and high educational expenditures by Latin American standards.<sup>14</sup> In the realm of political culture, revolutionary nationalism has survived as a defining aspect of the country's mainstream discourse until the present, to the point that even neoliberal measures like the privatization of mining in the 1980s or of oil in the 1990s have been publicly justified using revolutionary nationalist language.<sup>15</sup> Although the revolution's legacies in popular political culture are difficult to quantify, they are perhaps just as significant as the

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<sup>13</sup> Siekmeier, *The Bolivian Revolution*. For additional reviews of historiography on the revolution see Dunkerley, "The Bolivian Revolution at 60"; Whitehead, "The Bolivian National Revolution." A large body of recent literature emphasizes the constraints on both imperial powers and internal colonialist projects. See for instance Joseph and Nugent, eds., *Everyday Forms of State Formation*; Joseph, LeGrand, and Salvatore, eds., *Close Encounters of Empire*; McCoy and Scarano, eds., *Colonial Crucible*; Gobat, *Confronting the American Dream*; Lindsay-Poland, *Emperors in the Jungle*; Sawyer, *Crude Chronicles*.

<sup>14</sup> In 1980, for instance, Bolivia spent 25.3 percent of federal government expenditures on public education, which placed it near the top in Latin America (Wilkie and Perkal, eds. *Statistical Abstract of Latin America*, 160). See also Klein, "Social Change in Bolivia since 1952," 243-51.

<sup>15</sup> Antezana, "Sistema y procesos ideológicos." See also Antezana, "Veintisiete años después," 18-19.

policy legacies. In the early twenty-first century a series of mass mobilizations reminded the world that the resource nationalism, anti-imperialism, and egalitarian values that animated past struggles had not been extinguished. These ideas have remained core elements of urban Bolivia's enduring, if ever-evolving, "political cultures of opposition."<sup>16</sup>

My emphasis is not on MNR diplomats or government leaders. While the skillful diplomacy of Bolivian officials surely played a role in allaying U.S. suspicions about the revolution, the demands and mobilization of ordinary Bolivians were more important.<sup>17</sup> Specifically, it was the threat of more radical forces displacing the MNR that ultimately lent the Bolivian diplomats their power when negotiating U.S. aid packages and export contracts. Though MNR leaders used that threat to their advantage, they were also unable to fully control it. Popular forces constrained both the U.S. and MNR governments, and it was those forces that were primarily responsible for the revolution's long-term imprint on society.

At the same time, I do not wish to overstate the impact of popular resistance. One need only visit Bolivia today to see that the legacies of colonialism (formal and informal, foreign and internal) and other forms of exploitation continue to be felt. I also want to avoid fetishizing popular resistance as inherently heroic. Such resistance takes many forms, and often incorporates oppressive elements within it. Revolutionary nationalist discourse in Bolivia often cast Bolivian men as the "virile" redeemers of the exploited nation, employing tropes that endorsed gender and

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<sup>16</sup> Reed and Foran define "political cultures of opposition" as "the plurivocal and potentially radical ways of understanding one's circumstances that various groups within a society sometimes articulate to make sense of the political and economic changes they are living through"; they may draw upon "everything from historical memories of past conflicts to inchoate sentiments about injustice to long-standing religious idioms and practices to more formally elaborated political ideologies" ("Political Cultures of Opposition," 338-39). Webber's *Red October* applies the concept to Bolivia in the early 2000s. I conceive of political culture and ideas as closely tied to, but not mechanical reflections of, the material conditions in society, with the potential to help shape material conditions as well as be shaped by them.

<sup>17</sup> On the importance of MNR diplomacy see Siekmeier, *The Bolivian Revolution*. For a critique of top-down narratives of the April uprising itself see Murillo, *La bala no mata sino el destino*, esp. 29-49.

sexual hierarchies in the broader society. Even Marxists and anarchists were not immune to the influence of patriarchy, racism, and authoritarianism. The contest among currents and tendencies within leftist and nationalist circles, and the implications for the course of the revolution, forms an important sub-plot in the chapters that follow.

### **Revolutionary Nationalism and Popular Economic Thought**

In Bolivia the term *revolutionary nationalism* is usually associated with the MNR, but the phenomenon was much broader than the party and predated it. Bolivian sociologist René Zavaleta argues that a popular nationalist consciousness emerged in Bolivia in the aftermath of the Chaco War with Paraguay (1932-1935), which I discuss in Chapter 1. For Zavaleta the war was a “constituent moment” that helped give rise to a “national-popular” collective identity.<sup>18</sup> Building on Zavaleta and others, I argue that this new spirit of revolutionary nationalism prioritized the protection of Bolivian territory and resources and also contained a vague but powerful orientation in favor of a more egalitarian distribution of wealth and power; it thus overlapped closely with the related phenomenon of *resource* nationalism. Revolutionary resource nationalism would prove the central unifying force for popular political coalitions starting in the 1920s and especially after the war.<sup>19</sup>

Although the MNR eventually triumphed over competing opposition parties, it did so largely by riding the crest of a popular wave. Its recipe for success lay in selectively appropriating ideas already in circulation yet keeping its program sufficiently vague to avoid

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<sup>18</sup> Zavaleta Mercado, *Lo nacional-popular en Bolivia*, 261. Zavaleta was adapting a concept from Italian Marxist Antonio Gramsci, who had written of the “national-popular collective will” in Italy (*Selections from the Prison Notebooks*, 133). Herbert Klein makes a similar argument about the effect of the Chaco War on galvanizing nationalist sentiment (*Orígenes de la revolución nacional*).

<sup>19</sup> In the chapters that follow I deliberately leave the concepts of “popular” and “popular sectors” ambiguous. I understand them not so much as strict indicators of class position than as political identities that are somewhat fluid and contested, akin to the widespread political usage of the term *pueblo* by ordinary Bolivians and other Latin Americans (it was this latter term, not *popular*, that was more common in mid-century Bolivia).

alienating the disparate groups affiliated with it. Its leaders attacked the anticapitalist left and instead promoted an economic and social development vision based on *mutual benefits*. The only losers in this vision would be a small cabal of feudalistic oligarchs and nebulously-defined “imperialists.” Bolivian capitalists were explicitly included in MNR conceptions of the national community, and by the early 1950s most foreign capitalists and Western governments were no longer deemed imperialists. In this sense the MNR was a classic populist regime, and decidedly less radical than many other left and nationalist groups in the pre-1952 era.<sup>20</sup>

The MNR’s particular vision was never fully embraced by the population, however. Even after 1952, the MNR’s political hegemony would remain somewhat fleeting and superficial, with its legitimacy persisting only to the extent that it was perceived as fulfilling revolutionary values. Workers, students, and others articulated radical conceptions of revolutionary nationalism that went well beyond the MNR’s vague and relatively conservative program, even as they continued to offer formal allegiance to the government.<sup>21</sup> In the late 1950s and early 1960s, as policy shifted rightward, a range of popular forces would challenge the government from the left. These forces included not just the country’s famous mineworkers, whose radicalism has been the focus of many studies, but also a host of urban groups whose roles have not been fully appreciated by historians: factory and construction workers, teachers, students, artisans, war veterans, and others.<sup>22</sup> The increasing alienation of these groups from the MNR contributed to the regime’s

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<sup>20</sup> I use the concept of populism primarily in the economic sense, to identify policies and rhetoric that 1) downplay or suppress inter-class conflicts (i.e., rather than targeting capitalists) and 2) offer no sustainable vision of long-term economic development. For alternative definitions of populism focusing more on political style and/or discourse, see Laclau, *Politics and Ideology in Marxist Theory*, 143-98, and *On Populist Reason*; Knight, “Populism and Neopopulism in Latin America”; Panizza, ed., *Populism and the Mirror of Democracy*.

<sup>21</sup> A large body of Latin Americanist literature has examined how popular interests contest and help transform the meanings of national identity, citizenship, and other hegemonic frameworks. The relevant works are numerous, but a short list includes Gotkowitz, *A Revolution for Our Rights*; Larson, *Trials of Nation Making*; Flores Galindo, *Buscando un inca*; Roseberry, “Hegemony and the Language of Contention”; Gould, *To Lead As Equals*; Ferrer, *Insurgent Cuba*; Dubois, *A Colony of Citizens*; Thurner, *From Two Republics to One Divided*.

<sup>22</sup> For some key works on the miners see Chapter 5, note 5.



downfall in 1964. This political trajectory contrasts with that of other post-revolutionary situations in which the new regimes were able to consolidate strong and durable states based in large part on mass consent.<sup>23</sup> The failure of revolutionary institutionalization during the MNR period may be useful in understanding revolutionary outcomes in other underdeveloped countries.<sup>24</sup>

Popular interventions in economic policy debates were remarkably constant and visible in mid-century Bolivia, perhaps in part due to the virtual absence of formally-trained economists and technocrats who might otherwise have monopolized the realm of policy proposal and debate. These interventions offer insight into the contours of popular economic thought. Here I make use of two broad categories of sources. First, statements and resolutions from unions and other grassroots organizations provide a sense of their members' beliefs and demands. While usually authored by organizational leaders, such sources can offer valuable clues about rank-and-file sentiment. In organizations that are at least moderately democratic, leaders' rhetoric (if not their actions) will normally give at least an approximate reflection of their constituents' views. My second and less conventional source for gauging popular sentiment are the declassified records of the U.S. government. U.S. agents in Bolivia had no reason to exaggerate the unpopularity of foreign capital, the U.S. government, or the ideas they themselves were sent there to promote. Their candid observations about ordinary Bolivians' resource nationalism and egalitarianism thus provide reasonably reliable measures of popular attitudes.<sup>25</sup>

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<sup>23</sup> Twentieth-century Mexico is perhaps the best point of contrast given the two regimes' similarities. Both the MNR and the Partido Revolucionario Institucional (PRI) and its predecessors could be characterized as modernizing populists, and MNR leaders in the 1950s often evoked the Mexican example when describing their objectives. See Middlebrook, *The Paradox of Revolution*; Knight, "Domestic Dynamics."

<sup>24</sup> The study of revolutionary outcomes is still in its early stages, but important contributions include Eckstein, "The Impact of Revolution"; Foran and Goodwin, "Revolutionary Outcomes"; Middlebrook, *The Paradox of Revolution*.

<sup>25</sup> That is, I am assuming that when "the evidence is against the grain of the bias of the sources," it is more likely to be reliable (Mintz and Schwartz, *The Power Structure of American Business*, xviii). For a similar methodology,

My argument about revolutionary nationalism is more controversial than it might appear. Many Marxists have downplayed the importance of popular nationalism in twentieth-century Bolivia. A Bolivian Trotskyist historian once told me that such sentiment had “existed only in Zavaleta’s mind.” Students of Bolivian labor history have gravitated toward the mineworkers in part because they view that sector as having had a proper, internationalist sense of class consciousness; other working-class sectors and the peasantry, meanwhile, are often dismissed as politically-backward and easily-duped victims of elite manipulation. Such portrayals are empirically dubious on several levels. They exaggerate the quiescence of the latter groups, wrongly imply class consciousness and nationalism to have been mutually exclusive, and dismiss popular nationalism as simply a sign of false consciousness. While I sympathize with those who are suspicious of nationalism in all its guises, I see no sense in denying its historical importance in the country’s political culture. We can acknowledge that nation-states are artificial and illegitimate constructions while still striving to understand the real-world consequences of nationalist sentiment. In Bolivia those consequences were very real, including for the Marxist left. The inability of Marxists to garner the allegiance of the majority of workers owes much to the resonance of revolutionary nationalism and the MNR’s success in delivering at least modest benefits to its supporters. Marxists and anarchists did still exercise influence on political and economic debates, and one argument of this study is that nationalism and anticapitalism often reinforced rather than contradicted each other. But the existence of a viable nationalist reform party deprived competitors to the MNR’s left of formal support.

My analysis of Bolivian resource nationalism and anti-imperialism will also be controversial among those who, from the opposite end of the political spectrum, dismiss such

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using official records from colonial India to understand popular consciousness, see Guha, *Elementary Aspects of Peasant Insurgency*.

sentiments as conspiracy theories motivated by “xenophobia” and irrationality.<sup>26</sup> Even some recent academic literature has pathologized popular sentiment in this way, bemoaning the “deep-seated loss aversion” of the Bolivian masses with regard to the country’s natural resources.<sup>27</sup> Such arguments echo State Department discourse of the 1950s in their anguish over the strength of Bolivian resource nationalism and their normative assumptions about the objective rationality of private enterprise and capitalism. I seek to provide a more nuanced historical understanding of Bolivians’ thinking about natural resources. Popular visions were more diverse and sophisticated than many commentators have suggested. Anti-imperialism was not so much a product of visceral xenophobia or “anti-Americanism” as it was a conscious rejection of the economic and political vision of the U.S. government and its Bolivian allies. Moreover, most Bolivian anti-imperialists were not opposed to *all* elements of U.S. or Western influence, for they selectively appropriated certain ideas and discourses promoted by the U.S. government, the United Nations, and other Western institutions.

Nor were popular demands for development as unrealistic as critics often allege. While these demands did sometimes reflect overly grand expectations for rapid economic development, their basic analysis of Bolivia’s underdevelopment was quite reasonable. The blame they directed at foreign enterprise was most of the time grounded in fact. And they were right to focus attention on how the Bolivian government might increase its share of natural resource rent and utilize it in order to foster redistribution, diversification, and perhaps limited industrialization (either by increasing value-added by processing raw materials domestically or by fomenting consumer goods industries like textiles). The barriers to diversification and industrialization in a

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<sup>26</sup> Daepf, “Bolivia’s Lithium Potential,” 56. See also Molina, *El pensamiento boliviano sobre los recursos naturales*; Morales, “Post-Neoliberal Policies and the Populist Tradition.”

<sup>27</sup> Weyland, “The Rise of Latin America’s Two Lefts,” 156. These depictions have a long history in academic writing on populism, which—at least until the 1980s—tended to view populism as primarily involving the manipulation of irrational masses by cynical and charismatic leaders (e.g., Germani, *Política y sociedad*).

small landlocked country like Bolivia were formidable, and considerably higher than in countries like Brazil, Mexico, or Argentina.<sup>28</sup> But there was no objective economic or geographic reason preventing Bolivia from achieving, within the span of a generation or two, an economy that was considerably more diversified, stable, and equitable than the one inherited in 1952. Small, resource-abundant countries are not simply doomed to perpetual poverty and underdevelopment.<sup>29</sup> Bolivia's natural resource wealth *could* have been reinvested in productive ways while also allowing for substantial increases in immediate consumption. Even if Bolivian activists have sometimes harbored overly optimistic expectations, neither their critiques nor their prescriptions for alternative policy can be dismissed as merely irrational fantasy.<sup>30</sup>

While this study is largely concerned with ideas, ideas do not exist in a vacuum. Economic ideas are never translated into policy based merely on their technical merits. Although economists, advisers, and other individuals may play significant roles in shaping policy trajectories, their power to do so is mostly a reflection of the balance of forces in the broader society.<sup>31</sup> This pattern was true of both those interests seeking to contain the Bolivian Revolution

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<sup>28</sup> On the disadvantages of small country size see Auty, *Resource-Based Industrialization*, 49-68; Kuznets, "Economic Growth of Small Nations"; Auty and Kiiski, "Natural Resources, Capital Accumulation, Structural Change, and Welfare," 28-29. Being landlocked is a major disadvantage, but may be greatly mitigated by resource abundance and having "good neighbors"; see Auty and Evia, "A Growth Collapse with Point Resources," 190; Collier, *The Bottom Billion*, 53-63. Many studies in the dependency theory school (see Chapter 2) emphasized the variation among dependent nations; see Valenzuela and Valenzuela, "Modernization and Dependency," 546-48; Cardoso Faletto, *Dependencia y desarrollo*. See also Bulmer-Thomas, *The Economic History of Latin America*.

<sup>29</sup> A few such countries have achieved considerable success in terms of both growth and equity. On Malaysia's postcolonial development see Abidin, "Competitive Industrialization with Natural Resource Abundance"; Yusof, "The Developmental State." For two of the best studies contrasting East Asian and Latin American trajectories since World War II see Haggard, *Pathways from the Periphery*, and Davis, *Discipline and Development*.

<sup>30</sup> I will not dwell on the objective economic possibilities, and this study is not an economic history. My point is that Bolivia's *potential* for sustainable and equitable growth was considerably greater than what was in fact achieved. Popular visions for diversification, redistribution, and some degree of industrialization were not merely pipe dreams.

<sup>31</sup> A growing number of studies deal with the transnational transmission of economic ideas and the role of the economics profession. See especially Love, *Crafting the Third World*; Babb, *Managing Mexico*; Valdés, *Chile's Economists*; Montecinos, *Economists, Politics, and the State*; Fitzgerald and Thorp, eds., *Economic Doctrines in Latin America*; Hall, ed., *The Political Power of Economic Ideas*. Montecinos and Markoff argue that professional economists in Latin America played a much more powerful role in the transition to neoliberalism in the 1980s than in the earlier transition to developmentalist policies in the 1930s ("From the Power of Economic Ideas"). I partly

and the workers, students, and others seeking to deepen it. Any study of ideas must therefore also take into account the concrete conflicts among the key players.

### **Bolivia, the United States, and the Cold War**

The United States government was one of these players. While it has often responded to revolutionary change in the Third World with overwhelming violence, in Bolivia it sought to influence events in more subtle ways. Starting in 1953 it used foreign aid and tin purchase agreements as means of restraining resource nationalism, progressive fiscal policy, and the power of labor. U.S. policymakers forged an alliance with MNR “moderates,” who shared the U.S. interest in suppressing more radical forces in Bolivia. Accompanying these levers of influence were extensive cultural and educational efforts. The U.S. Information Service (USIS) was deployed to Bolivia with the goals of “promoting popular acceptance of private capital investment” and convincing Bolivians “to think and act in ways that will further American purposes.” The agency showed films in schools, factories, and neighborhoods, and organized public photo exhibits, distributed educational leaflets, and ran a “news placement” program in which papers published unattributed articles written by USIS agents. These efforts were all part of what U.S. officials called “the Campaign of Truth” or “the battle for men’s minds.”<sup>32</sup>

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agree, but would stress that economists usually only attain the power to influence policy when their environments allow it; those environments are shaped by political struggle and other conditions. Here my perspective shares much in common with Marxism, and also with the “embeddedness” school in economic sociology associated with Karl Polanyi (*The Great Transformation*) and others.

<sup>32</sup> USIS-La Paz to U.S. Information Agency, Washington, May 27, 1958, in NA Record Group 306, Entry 1021, Box 2; Sorensen, *The Word War*, 5; Crandall to Department of State (hereafter DoS), June 29, 1951, in NA Record Group 59, Central Decimal File 511.24/6-2951; “Are We Winning the Battle for Men’s Minds in Latin America?” February 7, 1962, in NA Record Group 306, Entry 1032, Box 2. Much research, often directly or indirectly influenced by Said’s classic *Orientalism*, has explored the intersections of imperialism, culture, and representation. See Pike, *The United States and Latin America*; Kaplan and Pease, eds., *Cultures of United States Imperialism*; Joseph, LeGrand, and Salvatore, eds., *Close Encounters of Empire*; Appy, ed., *Cold War Constructions*.

Subsequent citations from the U.S. National Archives follow one of three formats: for Central Decimal File (CDF) documents (1950–1954), the date and decimal number are given; for Subject Numeric File (SNF) documents (1964–1966) the box number is given; all other documents follow the format [Record Group]/[Entry Number]/[Box]. Page numbers are given only in the case of especially long documents.

In addition to highlighting U.S. influence strategies, USIS records reveal what was really at stake in Cold War Bolivia. The “battle” was not between totalitarianism and democracy, nor was it primarily motivated by inter-superpower conflict or U.S. fears of Soviet-style Communism implanting itself in Bolivia. Rather, the main threat was Bolivian revolutionary nationalism, which conjured fears of economic nationalism (particularly in natural resource sectors), popular demands for material redistribution, and an independent foreign policy. USIS agents sought to replace Bolivians’ resource nationalism, demands for redistribution, and suspicion of imperialism and private enterprise with faith in the mutually-beneficial nature of capitalism. This mission aligned with that of Bolivian officials, who also sought to promote foreign investment and rein in popular radicalism. Starting in the late 1950s MNR officials would earnestly seek to strip revolutionary nationalist identity of its radical content. The real battle was among competing visions of economic and social development, and among more expansive and more limited conceptions of democracy.<sup>33</sup>

My analysis of the contest among these competing visions adds to a growing body of literature on the Cold War in Latin America that has redirected attention from the motives behind U.S. policymaking to the question of “what was being fought over in Latin America itself.”<sup>34</sup> In places like Bolivia U.S. intervention did not impose itself on empty terrain, but rather added to a pre-existing cauldron of multi-layered conflicts. At the same time, I am still interested in what motivated U.S. policy, since I think this question is closely related to the issue of “what was being fought over.” More often than not, U.S. government officials’ perceptions of what was at

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<sup>33</sup> For related arguments see sources cited in Chapter 2, note 95, especially Grandin, *The Last Colonial Massacre*.

<sup>34</sup> Grandin, “Off the Beach,” 426 (also quoted in Joseph, “What We Now Know and Should Know,” 10). See also Grandin, *The Last Colonial Massacre*, and the articles in Joseph and Spenser, eds., *In from the Cold*, and Grandin and Joseph, eds., *A Century of Revolution*. This approach is not entirely new. A number of older works integrate analysis of popular mobilization at the local and national levels with attention to imperial intervention. Exemplary models include Gleijeses, *Shattered Hope*, and Katz, *The Secret War in Mexico*.

stake were reasonably accurate and played a fundamental role in shaping policy. Moreover, I would argue that *neither* the motives behind U.S. policy nor the issues at stake have been adequately understood. Traditional accounts, like official rhetoric, have argued that superpower rivalry and anti-Communism were the central determinants of U.S. policy. I argue instead that the main threats to “U.S. interests” were independent nationalism and popular militancy, that many U.S. government officials understood that reality, and that their policies consciously aimed to counter those tendencies.

## **Overview**

The chapters that follow focus special attention on the city of La Paz, the Bolivian capital situated nearly 12,000 feet above sea level on the arid *Altiplano*, the sprawling high plateau region just east of Lake Titicaca. For over a century La Paz has been the political capital of the country, not only making it the center of governmental activities but also the most important site of popular mobilization, protest, and debate. What happened in La Paz had major implications for the rest of the country. Its political centrality made it a hub for communication with other regions. If certain features like its ethnic landscape—heavily infused with Aymara indigenous people and culture—made it somewhat distinct from other cities and regions, it was also increasingly connected to the rest of the country in the middle decades of the twentieth century. Thus, while not a comprehensive study of Bolivia as a whole, this dissertation is more than just a study of La Paz.

Chapter 1 traces economic visions and debates in La Paz during the quarter-century before 1952. It examines the rise of resource nationalism in the years just before and after the Chaco War, showing how resource demands were increasingly central to coalition formation. But resource nationalism was just one of the motivations behind popular political mobilization.

A rich variety of political projects in and near La Paz confronted not just resource questions but a host of other problems, from capitalist workplace relations to ethnic and gender hierarchies. The rise of the MNR, also detailed in this first chapter, entailed the partial suppression of these other political projects, with important consequences. The chapter offers an explanation for why the MNR was able to triumph over other opposition forces in the decade prior to the revolution, highlighting the party's vague populist program and ability to appropriate others' ideas.

Chapter 2 examines economic policy debates in Bolivia in the early post-revolution period, 1952-1956. It highlights a fundamental conflict between advocates of "social revolution" and more moderate voices seeking only capitalist modernization and diversification, or "economic revolution." This conflict did not correspond neatly with party affiliations, for the MNR itself was also deeply split. I situate this tension in the context of broader Latin American debates about economic development, external dependency, and social justice taking place in the postwar years. Structuralism and dependency theory both found deep resonance in Bolivia, though I argue that the popular beliefs and idioms on which they were based predated these doctrines' formal introduction around Latin America in the 1950s and 1960s. This second chapter also introduces the question of U.S. intervention, showing how the United States government sought to "contain" the Bolivian Revolution by bolstering the power of the MNR's more conservative voices.

Chapters 3 and 4 explore this theme of revolutionary containment in more depth. The first examines three major economic policy reforms undertaken by the MNR with strong U.S. support: a 1955 oil privatization law, a monetary stabilization and austerity program begun in 1956, and the 1960s "Triangular Plan" to restructure the mining industry. These plans were not simply imposed by the imperial power; they were in fact favored by most top leaders in the



MNR as well. It was not out of concern for economic efficiency and growth that U.S. and MNR leaders supported these reforms—and indeed, none of them was particularly successful in those regards. Rather, the reforms gained official favor because of their political implications: they stood to favor the Bolivian middle and upper classes along with U.S. companies and creditors, while undercutting the power of organized labor. Alternative proposals made by unions and others in Bolivia were usually disregarded.

Chapter 4 approaches containment from a different angle, using the records of the U.S. Information Service and the MNR's own statements and propaganda. As noted above, USIS records offer insights about U.S. thinking and strategy. Yet they also reveal the failures of the U.S.-MNR project. The records themselves are remarkably candid about the “uphill struggle” facing USIS propaganda agents, who confronted “attitudes that range from hostile and suspicious to merely skeptical or apathetic.” Although most Bolivians were not formally Marxists or even anticapitalists, a “leftist thought pattern” was widespread and posed constant problems for capitalists and Western governments in the country.<sup>35</sup> The MNR had nationalist credentials that U.S. agents did not, but it too faced a growing crisis of legitimacy in the late 1950s and early 1960s as its economic policy shifted rightward. If revolutionary nationalism had become the hegemonic political framework in Bolivia, the MNR's conservative conception of it had not. The increasing resort to violence by the U.S. and Bolivian governments after 1956 ultimately reflected the failure of nonviolent persuasion to reshape Bolivian political culture.

Chapters 5 and 6 expand upon this argument. Chapter 5's case study of the La Paz working class, especially factory workers, shows the extent to which labor militancy constrained the ability of both the U.S. and MNR governments to contain the revolution. By the late 1950s,

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<sup>35</sup> USIS-La Paz to USIA, May 27, 1958.

as the full implications of the 1956 stabilization plan became clear, factory workers were consistently challenging MNR economic policy from the left, and their political allegiance to the government was proving increasingly tenuous. This history also challenges the notion that mineworkers were the singular driving force behind working-class militancy and that workers outside the mining camps tended to be quiescent. Especially noteworthy, and not yet thoroughly appreciated, is the extent to which factory workers and other working-class sectors concerned themselves with economic issues that did not directly affect them. They often weighed in on debates over the mining and oil industries, for example, and forged solidarity pacts with workers, students, and occasionally peasants. This concern for broad social questions by unions—sometimes called “social-movement unionism”—has been common throughout Bolivian labor history, including very recently, and is crucial to understanding the history of popular political mobilization in the country.<sup>36</sup>

Chapter 6 examines debates about oil. By the early 1960s the MNR’s re-opening of the oil sector to private companies had become a focus of controversy, especially as the 1956 austerity plan drained the state’s own oil company, YPF, of much-needed resources. The U.S.-based company Gulf Oil became the prime target. At a time when Bolivians increasingly pinned their hopes for national economic development on the promise of oil (and soon, natural gas as well), Gulf came to signify a reversion to past subordination and the betrayal of revolutionary values by the government. The 1960s saw a reprise of earlier popular coalitions as diverse sectors joined calls for defense of YPF and for the nationalization of Gulf’s concessions. In 1969 a short-lived military government sympathetic to economic nationalism finally expelled Gulf from the country.

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<sup>36</sup> On the early 2000s see Webber, *Red October*.

The Epilogue reflects upon continuities and changes in Bolivian economic thought and political culture since the 1960s, focusing on the cycle of popular mobilization in 2000-2005 and the presidency of Evo Morales (2006-present). Despite important changes in the country between the MNR era and this more recent period, key currents in Bolivian political culture have persisted over time and are in large part a reflection of previous struggles and conflicts. Those currents testify to persisting social and economic problems as well as the inability of successive Bolivian governments and their foreign allies to extinguish deep-seated popular beliefs about natural resources, social justice, and democracy.

## CHAPTER 1

### **The Road to Revolutionary Nationalism: Economic Ideas and Popular Coalitions in La Paz, 1927-1952**

The specter of revolutionary nationalism began to spread across Latin America in the 1920s. In economic terms revolutionary nationalism overlapped with resource nationalism, the quest to assert national control over natural resource wealth and overcome dependence on foreign capitalist enterprise. In most cases it also targeted domestic elites, whom it cast as symbolically foreign, and advocated a more progressive distribution of wealth and power among the national population. The Mexican Revolution of 1910 was a landmark event in the growth of Latin American revolutionary nationalism. In 1917 it produced a constitution that declared state ownership of the land and subsoil while enshrining new rights for workers. Emboldened by the example of Mexico, populations elsewhere began demanding major changes to the liberal capitalist economic order that had reigned since the late nineteenth century. In the decades that followed, revolutionary and resource nationalism became major currents in urban political cultures across the region, and were reflected to varying degrees in the economic policies of Argentina, Chile, Colombia, Mexico, and other countries.<sup>1</sup>

In Bolivia several factors gave these sentiments special intensity. Bolivia epitomized the archetypal enclave economy, dependent on mineral extraction for export and with little industrial development to show for four centuries of silver and tin mining.<sup>2</sup> Ownership of the mines was

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<sup>1</sup> Krenn, *U.S. Policy toward Economic Nationalism*; Philip, "The Expropriation in Comparative Perspective"; Solberg, *Oil and Nationalism in Argentina*; Green, *The Containment of Latin America*. On Mexico there is a large literature; see especially Katz, *The Life and Times of Pancho Villa* and *The Secret War in Mexico*; Knight, *The Mexican Revolution* and *U.S.-Mexican Relations, 1910-1940*; Meyer, *México y Estados Unidos en el conflicto petrolero*; Smith, *The United States and Revolutionary Nationalism in Mexico*.

<sup>2</sup> Manuel Contreras qualifies this picture somewhat, arguing that the government from the 1930s onward was capable of capturing a greater share of mineral income than a simple picture of enclaves and abject dependency

also highly concentrated, with three “tin barons”—Patiño, Aramayo, and Hochschild—dominating the industry in the first half of the twentieth century. The history of these mines was peppered with company and state massacres of mineworkers and their families—at Uncía in 1923, at Catavi in 1942, at Potosí in 1947, and a number of smaller examples. The biggest massacre of all, however, was the notorious Chaco War with Paraguay from 1932 to 1935, in which over 56,000 Bolivian soldiers died (along with around 36,000 Paraguayans).<sup>3</sup> By the war’s end, Bolivians of diverse social groups were already blaming its instigation on two factors: the meddling of Standard Oil and Royal Dutch Shell in Bolivia and Paraguay, respectively, and the moral and political bankruptcy of a Bolivian political elite beholden to economic oligarchs. The war galvanized Bolivian revolutionary nationalism more than any other factor.

The notion that Bolivia needed to reassert control over its natural resources in the interest of national development found wide resonance among urban workers, artisans, market women, students, middle-class professionals, and war veterans. Resource nationalism increasingly resembled a “structure of feeling” that pervaded popular political thought and discussion, particularly in the cities.<sup>4</sup> Whatever their other differences, the new anti-oligarchic political parties that emerged after the war were broadly united by this sentiment. Even internationalist groups like anarchists and Trotskyists, though officially hostile to nationalism, agreed on the desirability of national control over natural resources. “What benefit have Bolivia and Bolivians received from the enormous wealth extracted from this exuberant land?” asked a socialist

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implies. Bolivia thus had aspects of a *rentier* economy even in the 1930s. However, neither government taxes nor company reserves were productively reinvested for development or diversification (or for popular consumption). Contreras may exaggerate state power, though, and probably also overstates the mineowners’ interest in national economic development. See Contreras, “Bolivia, 1900-39,” esp. 199-202, and Contreras, “Debt, Taxes, and War.”

<sup>3</sup> Zook, *The Conduct of the Chaco War*, 240-41.

<sup>4</sup> On the “structure of feeling” concept—which, as I argue later, does not imply popular irrationality—see Williams, *Marxism and Literature*, esp. 128-35.

newspaper in 1927, answering that Bolivian resources had only gone toward “increasing the economic power of Wall Street and other financial institutions in Europe.”<sup>5</sup>

The coalescence of what René Zavaleta calls “national-popular” forces was especially apparent in the years 1936-1939, when two nationalist military rulers, David Toro and Germán Busch, took a series of actions to increase state control over the country’s resources.<sup>6</sup> Toro’s government (May 1936-July 1937) nationalized the holdings of Standard Oil—the first major nationalization in Latin American history—and created a state company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), to administer the country’s oil industry. In 1939, Busch (July 1937-August 1939) issued a decree requiring mining companies to turn over 100 percent of their foreign exchange earnings to the country’s Central Bank, thus limiting the companies’ ability to transfer profits abroad without reinvesting in the Bolivian economy. Each move was both a response to popular demands and a trigger for popular mobilization. The record of public debates, union resolutions, and party platforms during this period offers a look at the economic ideas and proposals circulating on the streets of La Paz. The multitudinous demonstrations of support for these government measures, meanwhile, highlight the importance of resource nationalism in uniting a wide range of popular and middle-class groups.

Resource nationalism was only one of the currents in La Paz’s pre-1952 popular political culture. In the quarter-century prior to the revolution leftist and nationalist forces confronted the macroeconomic problems of poverty, inequality, and underdevelopment, but many also

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<sup>5</sup> *Bandera Roja*, February 14, 1927. Discussing other Latin American countries in the 1920s, Krenn notes that while “the radical European ideologies were ostensibly antinationalistic, both they and the Latin American version of economic nationalism rejected the liberal capitalist model of development in favor of state ownership or control of at least some portion of both the primary and secondary sectors” (*U.S. Policy toward Economic Nationalism*, 27).

<sup>6</sup> See Introduction, note 18. There is reason to question whether diverse popular sectors with varying understandings of revolutionary nationalism ever constituted a coherent “bloc,” as some have implied. But, at least in the cities, there was substantial unity around basic demands—particularly, I argue, around resource nationalism and the progressive redistribution of wealth.

challenged authoritarianism and subordination in other spheres of life. Anarchists and Marxists demanded a fundamental reorientation of workplace and community relationships. Working-class women in La Paz formed their own anarchist labor federation, the Federación Obrera Femenina (FOF). Student activists envisioned an educational system free of government and church intervention that would serve the needs of the working and middle classes. Outside the cities, indigenous communities and *hacienda* workers formed cross-regional networks that fought for land, autonomy, labor rights, and an end to ethnic subordination. Most remarkable is the fact that these diverse groups sometimes worked together in alliances that were mutually beneficial and relatively non-hierarchical. The period featured surprising moments of collaboration between mestizo leftists and Indians, male and female workers, and urbanites and *campesinos*, who defied boundaries and prejudices that were common even on the left.

The rise of the MNR and its particular version of revolutionary nationalism entailed the suppression of these other alternatives. The MNR's paternalistic views of the Indian, for instance, contrasted with the more respectful approach of urban anarchists and some Marxist currents in the pre-1952 era. The party's nebulous populism was also much less coherent than the policy agendas of other left and nationalist groups. Rarely were these other visions entirely erased, however. The MNR gained popularity in part by selectively appropriating the platforms, rhetoric, and organizing practices of its competitors. There were significant changes in the MNR's platform between the time of its founding in 1941 and the mid-1950s, mainly in the direction of a more assertive economic nationalism and more progressive social policy. These changes occurred mainly because the party was forced to evolve in order to attract and maintain popular support. The end result was a contradictory set of recipes for economic and social policy, in some ways radical and in other ways highly conservative. Even after 1952 there was never a

single MNR vision, but rather an array of different interests and agendas that often entered into open conflict with one another.

This chapter has two objectives. First, it traces the emergence of resource nationalism and other economic ideas in Bolivia in the decades prior to 1952, focusing on *paceño* workers, students, intellectuals, war veterans, and other segments of the non-elite urban population. Second, it offers an explanation for the triumph of the MNR party over the diverse alternatives to liberal oligarchy then operating in urban Bolivia. The key historical question is not “why the revolution,” but *why the MNR*. My answer centers around the vague and capacious nature of MNR ideology and the party’s ability to absorb diverse ideas and interests while delivering real benefits to supporters. The MNR formula was remarkably successful in the 1940s and 1950s, even if its contradictions would eventually contribute to the party’s fall.

### **Alternatives to Liberal Capitalism**

Though the Chaco War helped accelerate the spread of labor militancy and revolutionary nationalism, urban workers and students had already been mobilizing around radical political and economic ideas in the 1920s.<sup>7</sup> This decade witnessed the growth of new political organizations, new union federations in La Paz and other cities, and the first serious attempts at national-level confederations of unions and student organizations. In addition to their local organizing, these groups held national conferences and published newspapers, manifestos, and pamphlets to disseminate their ideas. These sources suggest a deep engagement with economic and social policy questions on the part of worker activists and progressive intellectuals.

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<sup>7</sup> Several recent studies highlight the rise of labor militancy and revolutionary nationalism in the pre-Chaco era, stressing that those phenomena did not simply erupt suddenly as a result of the war. See Hylton, “Tierra común”; Smale, *I Sweat the Flavor of Tin*. Most studies have emphasized the Chaco War as turning point, though.



The more radical of these groups were typically led by anarchists and Marxists, who competed for influence among urban workers in the 1920s and 1930s. Both groups denounced not just poverty and inequality but also capitalism itself, and envisioned varying forms of worker and state ownership in its place. They went well beyond mere sloganeering, often demonstrating a coherent grasp of the political economy of capitalism. In arguing for the eight-hour day in 1926, the prominent socialist paper *Bandera Roja* pointed out that a shorter workday would reduce unemployment “and therefore the miseries and degeneration” of the working class. The same article challenged the mystique of technological efficiency under capitalism, arguing that technology “has been monopolized by capitalists in order to accumulate greater wealth at minimal expense, and not to facilitate the labor of the worker as its objective should be.”<sup>8</sup>

Though most of the writers and formal leaders of these groups were male, urban, and mestizo, some also concerned themselves with the exploitation of women, peasants, and Indians. One 1926 *Bandera Roja* article by anarchist Jacinto Centellas decried “the situation of subordination and slavery” of Bolivian women and, directing himself to women, proclaimed that “the hour of your emancipation has arrived” and “is in your hands.” The newspaper regularly exhorted working-class readers to defend the Indian “because he is your brother!”<sup>9</sup> Around the same time, various anarchist and Marxist voices were beginning to call for land redistribution, with the famous cry of “land to the Indian.” In contrast to most of their Leninist successors, some even declared that the “liberation of the Indian will be the work of the Indian himself,” thus adapting the familiar Marxist dictum about the agency of the working class.<sup>10</sup> Female workers

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<sup>8</sup> *Bandera Roja*, November 22, 1926. On the political economy of technology under capitalism see especially Noble, *Forces of Production*.

<sup>9</sup> Both in *Bandera Roja*, December 13, 1926.

<sup>10</sup> The second quote comes from the same congress, and is from Sucre delegate Víctor Vargas Vilaseca (quoted, and criticized, in Lora, *Historia del movimiento obrero, 1923-1933*, 25).

and indigenous Bolivians also had independent organizations of their own, including the anarchist FOF in La Paz and a parallel federation in Oruro, and a growing network of indigenous community leaders in the countryside. Some women in La Paz wrote for the anarchist newspaper *Humanidad* in the late 1920s.<sup>11</sup> Both through their participation in the larger organizations of the urban left and their work in autonomous organizations, women and Indians played an important role in expanding the meaning of revolution on the left.

Resource nationalism, however—not anticapitalism, and certainly not indigenous or women’s liberation—was the key thread that would come to unite the economic policy agendas of popular organizations in the city. The bulk of the poor and working-class population in La Paz was not necessarily anticapitalist, at least not in a formal or conscious sense. Yet anarchist and Marxist arguments did enjoy broad resonance, and popular conceptions of resource nationalism tended to have a strong egalitarian thrust. For most, the purpose of increasing national control over natural resources was specifically to increase the well-being of the popular sectors, not that of the domestic elite. Furthermore, by advancing the notion that the collective social good takes priority over the individual right to accrue wealth and profit, resource nationalism almost inherently challenged key tenets of liberal capitalism such as the sanctity of private property rights and free enterprise. Socialism and resource nationalism were thus overlapping currents in urban political culture.

The popular demand for the nationalization of the country’s mines first emerged in the 1920s and came to constitute the central plank in the resource nationalist agenda. Formal calls for mine nationalization began as early as 1920, from the La Paz-based Partido Obrero Socialista

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<sup>11</sup> On anarchist women in La Paz and Oruro see Lora, *Historia del movimiento obrero, 1923-1933*, 80, 88; Dibbits, et al., *Polleras libertarias*. Good general overviews of Bolivian anarchism are Lehm Ardaya and Rivera Cusicanqui, *Los artesanos libertarios*, and Rodríguez García, *La choledad antiestatal*. On indigenous networks outside the city see Gotkowitz, *A Revolution for Our Rights*, 43-100.

(POS).<sup>12</sup> In 1926 the socialist intellectual Tristán Marof (the pseudonym of Gustavo Navarro) published his classic book *La justicia del inca*, which advocated the formula of “land to the people, mines to the State” to help overcome the country’s historic underdevelopment. The national workers’ congress in Oruro the following year and the first national university students’ convention in 1928 echoed the nationalization demand and tacked on calls for the nationalization of oil as well. In its call for limiting the “monstrous personal and economic privileges established in favor of foreign capitalists,” the student convention evoked “the healthy values of nationalist defense practiced in Mexico since 1917.”<sup>13</sup>

The popular political effervescence of these years was temporarily stifled by the Chaco War. President Daniel Salamanca likely started the war with Paraguay partly for this very reason, and once it had begun he used it as a pretext to justify repression of labor, indigenous communities, and the left. Not only was a new “social defense” law imposed to prohibit leftist agitation, but most leftists themselves were either conscripted and sent to the front lines or forced to flee the country.<sup>14</sup> Equally important was the government’s ability to garner public support by promoting a chauvinistic nationalism among large portions of the population. The war was cast as a test of Bolivian masculinity, with the government appealing to “the legendary virility of our people” in its quest to “step firmly in the Chaco.”<sup>15</sup> Many popular organizations simply ceased to exist between 1932 and 1935.

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<sup>12</sup> Lora, *Historia del movimiento obrero, 1923-1933*, 158.

<sup>13</sup> Marof, *La justicia del inca*, 32; Lora, *Historia del movimiento obrero, 1923-1933*, 28, 31; CEUB, *Convenciones nacionales universitarias*, 48-49, 46 (quote). Marof’s phrase is often quoted as “Land to the *Indian*, mines to the state,” but here I quote the original version.

<sup>14</sup> Klein, *Orígenes de la revolución nacional*, 173-75, 202. For a similar interpretation of Salamanca’s motives see Malloy, *Bolivia*, 71-72.

<sup>15</sup> Estado Mayor General statement, January 1932, quoted in Klein, *Orígenes de la revolución nacional*, 167. On popular support for the war, even from much of the left, see *ibid.*, 174.

In the long term, however, the disastrous course of the war proved to be a powerful mobilizing force for groups opposed to the political, economic, and social order in Bolivia. It ended up strengthening the popular nationalist sentiment vis-à-vis natural resources that had been gaining steam in the 1920s, particularly with regard to oil. Many Bolivians soon came to believe that the war had been instigated by two competing foreign oil companies, Standard Oil on the Bolivian side and Royal Dutch Shell on the Paraguayan, making it a reminder of Bolivia's subordination to imperialist economic forces.<sup>16</sup> The war also came to symbolize the failure or even treason of Bolivian elites. The long duration of the war, the devastating human toll, and Bolivia's loss of territory to Paraguay were widely interpreted as signs that a cavalier and morally bankrupt oligarchy ruled the country.<sup>17</sup> Among its gravest sins, that oligarchy had failed to utilize the country's natural resource wealth—oil, but also minerals—in the interest of national development. In light of these popular interpretations of the war, a final aspect of the war's legacy was a bit paradoxical: it would simultaneously enter popular memory as in part a heroic campaign to defend the country's oil, given the location of oil-rich territories in the Southeast near where the fighting took place.<sup>18</sup> All of these perceptions led to the same conclusion, though, insofar as they all underscored the need to safeguard Bolivia's natural resources in the interest of national development.

The aftermath of the war witnessed the remobilization of many prewar organizations and the emergence of new ones. In La Paz the anarchist Federación Obrera Local (FOL), its women's

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<sup>16</sup> Another Tristán Marof book, the 1934 *La tragedia del altiplano* (see esp. 159-74), played an important role in popularizing this argument. See Klein, *Orígenes de la revolución nacional*, 216-19.

<sup>17</sup> This argument was a key theme in Carlos Montenegro's 1943 book *Nacionalismo y coloniaje*.

<sup>18</sup> Standard and Shell did not in fact incite the war, though the Bolivian government's own quest for oil may have played a role. Some studies conclude that oil was of little importance in motivating Bolivian government actions, at least until mid-1934 when Paraguayan forces moved into closer proximity to Bolivian oilfields (Klein, *Orígenes de la revolución nacional*, 207). A recent study, however, argues that the rising importance of oil in the Bolivian economy was a major factor in the government's initial instigation of the war as well as its wartime conduct (Cote, "The Nature of Oil in Bolivia," 147-88).

counterpart the FOF, and the Marxist Federación Obrera del Trabajo (FOT) all reemerged, as did many of the affiliated local unions that had been dormant during the war. Efforts at national-level sectoral coordination among print workers, railroad workers, teachers, and others followed within the next several years. The power of these groups was most evident in May 1936 when the La Paz print workers went out on strike and were followed a few days later by all three of the city's labor federations.<sup>19</sup> The general strike paralyzed the city and helped lead to the military's ouster of President José Luis Tejada Sórzano, who had succeeded Salamanca in late 1934.<sup>20</sup>

The war's end also marked the entry of a new organized political force onto the national scene: the war veterans grouped in the Legión de Ex-Combatientes (LEC). Although the LEC was formally "apolitical," its abstention from party alliances did not preclude political intervention in a broader sense. The organization would remain a significant political force throughout its existence, frequently intervening in policy debates and expressing solidarity with other popular struggles. Its early statements stressed that its "apolitical program" did not mean "avoiding national problems" but rather "evaluating them carefully" and acting. Abstention from politics only meant that the LEC refrained from party politics and "unconditional adherence to any current or future government."<sup>21</sup>

Its political inclinations would vary over time and by locale, but in the several years following the war many LEC branches had a decidedly leftist orientation. They issued a statement of sympathy for the May 1936 general strike, for example, and would enter into

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<sup>19</sup> Alvarez, *Los gráficos en Bolivia*, 94-100; Lora, *Historia del movimiento obrero, 1933-1952*, 49-54; Barcelli, *Medio siglo de luchas sindicales*, 138-41.

<sup>20</sup> There is some disagreement about whether the unions went on strike intending to overthrow the government (Lora, *Historia del movimiento obrero, 1933-1952*, 51) or unintentionally contributed to the government's fall through their purely "economic" demands (Alvarez, *Los gráficos en Bolivia*, 96-97).

<sup>21</sup> *El Diario*, June 23-24, 1936.

alliances with the FOT and other workers' groups around the country.<sup>22</sup> The LEC branches in La Paz and Sucre, and perhaps others, formally identified as socialist and leftist as of early 1936—significantly, before Toro and Busch rose to power and declared themselves “military socialists.” Their public statements often denounced “capitalist exploitation” and “the private appropriation of the richest sources of State wealth,” and seethed with class resentment against “the capitalist *rosca*” and “the comfortable ones” [*la gente acomodada*] who had not fought in the war. The war itself, argued the Sucre veterans, had been “started by foreign capitalists and sustained by national enterprises.”<sup>23</sup> Resource nationalism was a recurring element in LEC political statements. The national veterans' convention in Oruro in June 1936 called for “[n]ationalization of the country's major sources of wealth.”<sup>24</sup>

The veterans' experience in fighting a war widely associated with oil gave their political interventions particular symbolic weight. LEC statements often noted veterans' “maximum sacrifice in the Chaco war” to legitimize their demands.<sup>25</sup> With the possible exception of the mineworkers, no sector or organization could claim such a close association with the struggle for national control over Bolivia's natural resources.

### **Resource Nationalism and Urban Coalitions, 1936-1939**

In the postwar climate of urban Bolivia, the term *socialism* pervaded mainstream political debate to an extent unmatched before or since. A proliferation of political groups claimed the socialist label, from the mildly reformist Partido Republicano Socialista (PRS) and Partido Socialista (PS) to the more radical Marxist parties, the Trotskyist Partido Obrero Revolucionario

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<sup>22</sup> *El Diario*, June 2, 1936, and October 15, 1937; note 52 below.

<sup>23</sup> *El Ex-Combatiente*, February 13, March 5, September 13, and October 9, 1936.

<sup>24</sup> *El Ex-Combatiente*, September 13, 1936.

<sup>25</sup> *El Ex-Combatiente*, September 13, 1936. For a fascinating recent study of military service and veterans in the half-century before the revolution see Shesko, “Conscript Nation,” esp. 304-53 on postwar “claims-making.”

(POR) and the Stalinist Partido de la Izquierda Revolucionaria (PIR).<sup>26</sup> A host of unions and grassroots organizations like the LEC also identified with socialism, though with varying understandings of what the term meant in relation to capitalism and the state. For Marxists and anarchists, socialism meant the overthrow of capitalist ownership, while for reformers it implied only the mitigation of capitalism's worst excesses through social legislation, limited state intervention in the economy, and worker-management collaboration. In line with worldwide developments at the time, the quasi-fascist Falange Socialista Boliviana (FSB) established in 1937 also appropriated the term.<sup>27</sup> Despite the vastly diverging conceptions of socialism, the popularization of the term itself testifies to the widespread repudiation of liberal capitalism in 1930s Bolivia.

The self-labeled “military socialist” governments of David Toro and Germán Busch capitalized on this sentiment. Military socialism combined resource nationalism and mildly progressive labor policies with an authoritarian corporatist vision that sought to bring society's conflicting interest groups under state direction. As such it presented both opportunities and dangers for popular organizations and the left. On one hand the regimes made substantial changes in economic and labor policies that partially fulfilled key popular demands. On the other hand, they outlawed the radical left, sought to prohibit debate over economic policy, and, in the eyes of many leftists, coopted mass discontent in a way that forestalled further radicalization.<sup>28</sup> Ultimately the policies of the military socialists garnered them broad popular approval and

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<sup>26</sup> The PIR was not officially formed until 1940, but its major ideologues were active in the late 1930s.

<sup>27</sup> For a critique of disingenuous appropriations see Lora, *Historia del movimiento obrero, 1933-1952*, 17-39.

<sup>28</sup> *El Diario*, June 26 and 28, 1936. Dunkerley, for instance, argues that military socialism “sapped the force” of the left (*Rebellion in the Veins*, 28). For overviews of the period see Antezana, *Historia secreta del MNR*, 1: 45-217; Alvarez, *Memorias del primer ministro obrero*, 94-186.

deprived more radical groups of potential support—a pattern repeated several times in the decades that followed.

The two most significant economic policy measures of these regimes were Toro's March 1937 nationalization of Standard Oil's petroleum holdings and Busch's June 1939 decree requiring mining companies to sell their export earnings to the Central Bank.<sup>29</sup> Broad urban coalitions coalesced in support of both measures, with popular voices hailing government actions as bold assertions of national sovereignty and steps toward economic development.

The oil nationalization elicited popular demonstrations of support from workers, veterans, and others in La Paz and around the country, including in some provincial towns.<sup>30</sup> In the years that followed, the adjudication of the nationalization by presidential administrations, the Supreme Court, Standard Oil, and the United States government, and an eventual “compensation” agreement in 1942, continued to hold popular attention. The labor federation formed in late 1936, the Confederación Sindical de Trabajadores de Bolivia (CSTB), mobilized members in La Paz in March 1939 to oppose accommodation.<sup>31</sup> Following the mysterious 1939 death of Germán Busch, a Marxist newspaper warned that the “big oil companies are again scheming to take over our resources” with the collaboration of the government.<sup>32</sup>

Prominent writer Carlos Montenegro, who would later help found the MNR, published a 1938 pamphlet summarizing the charges against Standard Oil. Montenegro accused the company of violating its contract with the government by delaying production for several years and then

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<sup>29</sup> Of the two, only the oil nationalization would bring direct and lasting change to Bolivian economic policy. The state oil company created in December 1936, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), would be a central economic player for decades to come. The June 1939 mining revenue decree was rescinded by Busch's successor, General Carlos Quintanilla, in late 1939.

<sup>30</sup> *El País* (Cochabamba [C]), May 11-12, 1937; Cote, “The Nature of Oil in Bolivia,” 199.

<sup>31</sup> Lora, *Historia del movimiento obrero, 1933-1952*, 229.

<sup>32</sup> *Pueblo* (paper of the Partido Socialista Obrero de Bolivia), January 1, 1940.



evading taxes from 1924 to 1932 by secretly exporting oil. Whether or not Standard had directly instigated the war, he said, it had certainly sabotaged the Bolivian war effort by refusing to provide aviation fuel to the Bolivian military.<sup>33</sup> Montenegro lauded the Toro regime and its popular supporters for their “virile position in defense of the nation’s oil patrimony.” The nationalization of this “blood of the homeland” was no less than “the most important act ever in American history, except for the republican emancipation of the New World.” Rhetorical flourishes aside, much of the population undoubtedly shared Montenegro’s feeling that the struggle against Standard was indeed “a war for the second emancipation of Bolivia.”<sup>34</sup>

Although Germán Busch’s June 1939 decree on mining revenue left private ownership intact, it was no less monumental a political event. Its objective was to establish, in Busch’s words, state “control over exports, in order to prevent capital flight and the impoverishment of the country.”<sup>35</sup> He spoke of the measure as part of a grand plan for economic development. The state was to play a central role in directing capital investment, promoting national capital, and generally coordinating “the production, circulation, and consumption of wealth.” The goal was “the economic independence of the Republic,” with a particular focus on “reducing the cost of living and protecting the well-being of the dispossessed classes.” This rhetoric was a sharp repudiation of orthodox liberal capitalism. For one thing, it qualified the sanctity of private property by saying that it must serve a “social function.” Busch invoked Article 17 of Bolivia’s new 1938 Constitution, which had established this guideline (as had constitutions in Mexico and elsewhere). He also asserted the need for a strong developmentalist state given liberal

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<sup>33</sup> Montenegro, *Frente al derecho del Estado*, 24-28, 32, 55.

<sup>34</sup> Montenegro, *Frente al derecho del Estado*, 96, 137, 5, 82. Montenegro later became especially well-known for his 1943 *Nacionalismo y coloniaje*, which attacked the country’s traditional elite as anti-national. For a useful analysis of the latter book and its importance as a reflection of MNR ideology see Mayorga, *Discurso y política*, 93-105.

<sup>35</sup> Quoted in Lora, *Historia del movimiento obrero, 1933-1952*, 100. For the decree see *El Diario*, June 10, 1939.

capitalism's unjust world division of labor, in which countries like Bolivia "play the subaltern role of simple providers of raw materials, and of rural countries [*países-campo*] to the mechanized countries [*países-máquina*]."36

An even greater outpouring of popular support followed this decree than the oil nationalization two years before. Labor leaders in the CSTB and veterans in the LEC issued a joint manifesto celebrating "the start of liberation of this humiliated and suffering people" and the fact that mining revenue "from now on will stay in the country, fomenting agriculture, transportation, education, [and] the well-being of all Bolivians."<sup>37</sup> A week after the decree the two organizations co-sponsored a march in La Paz that reportedly drew 60,000.<sup>38</sup> Although the CSTB's formal allegiance to the government and the military socialists' obligatory unionization law make such figures suspect as indicators of mass support, there is no doubt that the Busch decree elicited genuine enthusiasm among the public. One Marxist critic of the Toro-Busch version of "socialism" even admits that "the mobilization in support of the June 7 Decree was essentially popular and had the contours of spontaneity, at least in its first moments."<sup>39</sup>

Newspaper reports on the CSTB-LEC march offer a snapshot of the forces that mobilized in support of the decree. Marchers' signs carried pointed messages. One veteran's sign read "For Bolivia's exploiters, lead and gunpowder," and another said "Veteran, your machine gun will defend the wealth of your homeland." One presented the country's redemption as a responsibility to the dead: "For those fallen in the Chaco, liberate Bolivia economically." For another marcher, protecting the vulnerable Bolivian nation was an explicitly masculine duty: "A traitor and bad

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<sup>36</sup> *La Calle*, June 15, 1939. On the 1938 Constitution and the unusually broad popular participation in the preceding convention, see Klein, "'Social Constitutionalism' in Latin America"; Barragán, *Asambleas constituyentes*, 89-101.

<sup>37</sup> Quoted in Lora, *Historia del movimiento obrero, 1933-1952*, 107. On the reaction from the La Paz LEC see also *La Calle*, June 11, 1939.

<sup>38</sup> Attendance figure from *El País* (C), June 16, 1939.

<sup>39</sup> Lora, *Historia del movimiento obrero, 1933-1952*, 106.

son is he who does not defend the wealth of the Mother Land.” One interesting aspect of the event, according to a La Paz reporter, was that many marchers saluted the president “in the communist way” with a closed fist in the air, while others used the fascist open-hand salute.<sup>40</sup>

With both the oil nationalization and the decree on mining revenue, the government was enacting policy changes that a range of labor and political groups had long been proposing. Standard Oil had been the subject of heated controversy virtually since its arrival in Bolivia in the early 1920s. Even at the very start of the Chaco War some were already demanding its expulsion.<sup>41</sup> The national labor congress in late 1936 had called for the “expropriation of the oil concessions illegally held by Standard Oil and their exploitation by the State.”<sup>42</sup> Similarly, urban sectors had long been urging greater state control over the mining industry. Delegates to the 1927 workers’ congress had adopted a proposal from the La Paz FOT for “compulsory state control” of tin revenue. The 1936 congress had called for state royalties of 40 percent on mineral exports as well as worker profit-sharing. The second CSTB congress in January 1939, six months before the decree, resolved in favor of a “state monopoly over foreign trade.”<sup>43</sup> Often these proposals were part of larger calls for industrialization. Increased state control over revenue was considered the key to creating “those large industries of which there is not even a trace in our homeland” and developing “agriculture, transportation, education,” and other sectors.<sup>44</sup>

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<sup>40</sup> *El Diario*, June 16, 1939.

<sup>41</sup> Klein, *Orígenes de la revolución nacional*, 89-90, 164.

<sup>42</sup> Delgado González, *100 años de lucha obrera*, 106. Some called for immediate nationalization while others, like the Confederación Socialista Boliviana and PRS in February 1936, called for “revision of the contract” and “resolution of the current legal proceedings with a tendency toward nationalization” (quoted in Lora, *Historia del movimiento obrero, 1933-1952*, 189, 43); the 1935 CSB program had also called for nationalization (Cote, “The Nature of Oil in Bolivia,” 196).

<sup>43</sup> Quoted in *El País* (C), April 21, 1937, and Lora, *Historia del movimiento obrero, 1933-1952*, 189-90, 222.

<sup>44</sup> *El Diario* editorial, May 23, 1936; June 1939 CSTB-LEC manifesto quoted above, note 37.

Government measures were often less radical than popular proposals. As noted above, demands for full nationalization of the mines went back to the 1920s, and they only accelerated as a result of the war. At the June 1939 march in La Paz many demonstrators supported the Busch decree but repeated the more far-reaching call for “mines to the State”; one sign read “We ask for and will support the nationalization of the mines.”<sup>45</sup> Many also called for the nationalization of additional sectors like agriculture and transportation and other bold actions like the dismissal of Bolivia’s foreign debts.<sup>46</sup> In contrast, Busch stressed that his government was not hostile to the presence of large private capital in general, noting that “the State leaves the exploitation of the mines to private companies and only intervenes in the control of exports.” He made a further distinction between “finance capital,” which he characterized as parasitic, and “industrial capital that allows [the country] to mobilize its natural wealth based on just compensation.”<sup>47</sup> This rhetorical distinction appealed to a current in popular economic thought that reserved particular scorn for finance capital.<sup>48</sup> Similar contrasts between industrial and finance capital, or between the “industrial” and purely “extractive,” would be common in the popular economic discourse of later decades.

As the proposals for nationalization suggest, debates over policy retained a degree of independence despite the military socialists’ efforts to subordinate mass organizations to corporatist control, and despite many of those organizations’ formal professions of support for

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<sup>45</sup> *El Diario*, June 16, 1939.

<sup>46</sup> See for instance “Programa de principios de la F.U.B.” (approved at Fourth National Student Convention, December 31, 1938), in *Programas políticos de Bolivia*, ed. Cornejo, 304.

<sup>47</sup> Quoted in Lora, *Historia del movimiento obrero, 1933-1952*, 100, 95. Busch reportedly hinted at full nationalization in private, and could conceivably have chosen to pursue that option when faced with industry intransigence, had he lived longer (*ibid.*, 241). Busch’s death was reported as a suicide, but widespread rumors suspected the tin oligarchy of murdering him in retaliation for the revenue decree; see Chapter 3, note 132.

<sup>48</sup> For instance, in 1939 the campus newspaper *Crisol* identified “two types of foreign capital: Industrial and financial. This latter, also known as pirate capital, is what comes to South America. It leaves the country in ruins and does not build a single railroad, road, [or] school.” Reprinted in *El País* (C), July 19, 1939.

the government. The force of popular pressure also contributed, if indirectly, to the economic nationalist and pro-labor policy changes enacted during these years. In addition to the oil nationalization and decree on mining revenue, a new set of labor laws instituted under Busch (the “Código Busch”) was in part a result of the increasing working-class mobilization that had made possible the May 1936 general strike.<sup>49</sup> All of these policies fell short of widespread popular demands, and in the case of the labor code included obligatory unionization and other corporatist aspects that sought to bring workers under state control. But they also show that the relationship between the urban masses and the military socialist regimes was somewhat more contentious, dialectical, and fluid than scholars have sometimes implied.<sup>50</sup>

One clue that popular politics did not always stay neatly within the corporatist parameters envisioned by Toro and Busch is the record of cross-sector urban coalitions. Formal pacts of solidarity among unions, federations, and other civil society groups became increasingly common in the late 1930s. Some, such as the late 1936 alliance between the La Paz FOL and FOT branches, were rather short-lived.<sup>51</sup> Others were more enduring. The CSTB and school teachers maintained a formal alliance with the university students of the FUB for several years. Veterans in the LEC signed pacts with the CSTB and other labor organizations at various points in the late 1930s.<sup>52</sup>

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<sup>49</sup> Lora, *Historia del movimiento obrero, 1933-1952*, 80-88.

<sup>50</sup> Lora, for instance, claims that the “support lent to Busch” by popular organizations and many leftists “was unconditional” (*Historia del movimiento obrero, 1933-1952*, 82). Yet Lora himself also cites some evidence to suggest that the relationship was more complicated, as prior citations attest.

<sup>51</sup> This pact was the basis of the Frente Único Sindical, not to be confused with the later Frente Único Socialista that involved the LEC, CSTB, and others (Lora, *Historia del movimiento obrero, 1933-1952*, 168-71; Delgado González, *100 años de lucha obrera*, 119-23).

<sup>52</sup> *El Diario*, October 15, 1937; *La Noche*, October 20, 1937; *El País* (C), February 3, 1939; Lora, *Historia del movimiento obrero, 1933-1952*, 193.

Urban organizations were generally much less focused on the situation outside the cities. Even the leftist parties often viewed the rural Indian with a mix of paternalism and suspicion.<sup>53</sup> Nevertheless, since the 1920s there had been some noteworthy instances of collaboration between urban leftists and rural indigenous networks.<sup>54</sup> These alliances were typically based not on resource nationalism but on rural struggles for land, education, and better labor conditions on the haciendas. Prior to the 1927 Chayanta indigenous revolt, indigenous *caciques* in the Bolivian South had been in close contact with urban socialists, with rural education a particular point of focus.<sup>55</sup> In the 1930s the indigenous school at Warisata in the department of La Paz likewise became a site of inter-ethnic collaboration between rural indigenous communities and urban radicals.<sup>56</sup> A number of urban labor organizations also supported rural struggles between the late 1930s and late 1940s, including unionization drives, sit-down strikes, and indigenous conferences.<sup>57</sup> Particularly impressive was the alliance in La Paz department between the urban anarchists of the FOL and the Federación Agraria Departamental (FAD) formed in 1946. By mid-1947 the FAD included around twenty rural unions, some of which participated in the wave of hacienda uprisings that swept across the Altiplano that year.<sup>58</sup> This alliance was especially

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<sup>53</sup> On left/nationalist visions of agrarian policy see Soliz, “La modernidad esquiva.” Of the 1938 constitutional convention, Barragán writes that “democracy” was defined by many delegates to prioritize “the economic rights of the worker and the Indian,” though “no doubt especially of the former” (*Asambleas constituyentes*, 100).

<sup>54</sup> Indigenous and peasant organizing was typically centered either in rural communities or on haciendas, though the two spheres were not entirely separate and impressive cross-regional networks developed in the early decades of the century. See Gotkowitz, *A Revolution for Our Rights*; Rivera Cusicanqui, *Oprimidos pero no vencidos*, 69-117; Antezana Ergueta and Romero, *Historia de los sindicatos campesinos*, 1-202; Dandler, *El sindicalismo campesino*; Ari, “Race and Subaltern Nationalism.”

<sup>55</sup> Hylton, “Tierra común,” 161, 163-87.

<sup>56</sup> Salazar Mostajo, “*¡Warisata mía!*”; Larson, “Warisata.”

<sup>57</sup> On labor support for peasant unionization in Cliza, Cochabamba, see *La Calle*, July 6, 1937; *El País* (C), September 20, 1939. On Sucre worker support for indigenous congresses see *La Calle*, August 13, 1942; *Los Tiempos*, April 5, 1945. Urban-rural collaboration is also highlighted in Gotkowitz, *A Revolution for Our Rights*, 159-62, 247-56, and throughout Antezana Ergueta and Romero, *Historia de los sindicatos campesinos*, 1-202.

<sup>58</sup> FOL leader José Mendoza Vera, interview by Robert J. Alexander, La Paz, May 30, 1947, summarized by Alexander in APLC, Carpeta “ENTREVISTAS GRINGO.”

notable for the relatively horizontal and democratic relationship between the urban left and indigenous activists outside the city.<sup>59</sup>

These budding coalitions produced great consternation among landlords, government officials, and the elite press. During the Chaco War Bolivian authorities had often accused urban leftists of spreading “revolutionary propaganda” in the countryside.<sup>60</sup> In the 1940s, and especially after the 1947 peasant upsurge, newspapers registered frequent accusations against urban organizers charged with “stirring up the indigenous peasants of the Altiplano” and other regions.<sup>61</sup> These claims were often exaggerated and obviously reflected a desire to discredit rural protest, but they also responded to real collaboration between city and *campo*. Various governments would attempt to outlaw urban-rural coalitions. Prior to the Chaco War the government had targeted the FOL for repression specifically because of its members’ outreach in the countryside.<sup>62</sup> In 1938, Busch’s decree outlawing communism, anarchism, and other “extremist social tendencies” had also prohibited preaching to “the indigenous class.” A 1943 Executive decree from Enrique Peñaranda declared that unions “must not address issues related

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<sup>59</sup> See for instance “La Federación Obrera Local y la Federación Agraria Departamental,” December 22, 1946, in FOL, *Libro de Actas*, located in APLC; FAD, “Manifiesto: La Federación Agraria Departamental de La Paz, adherida a la Federación Obrera Local, se dirige al campesinado y a los trabajadores en general,” February 4, 1947, in APLC, Carpeta “MANIFIESTOS F.A.D.”; Subprefect of Los Andes (Luis Lahore Monje) to Prefect of La Paz (M. E. Atristaín O.), May 26, 1947, in ALP/P-TD, Sub Fondo Administración (Prov. Los Andes), Subserie Telegramas (1933-1960), Caja 80, Legajo 1, Archivador Enero-diciembre 1947; Rodríguez García, *La choledad antiestatal*, 205-30. For an earlier FOL manifesto see Luis Cusicanqui D., “La voz del campesino: Nuestro reto a los grandes mistes del Estado,” undated (1929), in APLC, Carpeta “MANIFIESTOS FOL.”

<sup>60</sup> See for instance Prefect of La Paz to President of Tribunal Militar de Justicia (Tcnel. Antonio Suárez), May 3, 1933, in ALP/P-TD Sub Fondo Administración (Prov. Pacajes), Caja 149, Legajo 2.

<sup>61</sup> *La Razón*, March 31, 1948. For further examples see *La Razón*, May 24, 27, and 30, 1947; *El Diario*, June 26, 1947; *Los Tiempos*, February 14 and September 17, 1947.

<sup>62</sup> Lora, *Historia del movimiento obrero, 1923-1933*, 64-65.

to agrarian activities.”<sup>63</sup> Fears of united urban-rural mobilization, and government attempts to prevent such cooperation, would continue after 1952.

### **The MNR’s Revolutionary Nationalism**

The rise of the MNR in the 1940s paralleled the consolidation of revolutionary and resource nationalism as the most pervasive ideological forces in Bolivian politics. The party’s program was both more focused and more ambiguous than that of other opposition groups. On one hand, the need to reclaim Bolivia’s natural resources for Bolivians was the central theme in early party statements. Other issues and debates, such as indigenous rights or agrarian policy, received far less attention. On the other hand, party leaders typically kept their policy prescriptions vague and, instead of attacking the privileges of wealthy and middle-class Bolivians, implied that all classes would benefit from their program. This ideological mix—resource nationalism combined with populist vagueness—defined the MNR’s revolutionary nationalism. It attracted radically different groups and individuals, including Marxists and fascists alike. By the end of the decade the party had become the dominant voice channeling popular nationalism. At the same time, the expansion of the party’s base in the late 1940s would lead it to advocate policies that were both more concrete and more progressive, somewhat reducing the vagueness of earlier platforms and marginalizing the openly pro-fascist elements.

The twelve men who founded the MNR in 1941 were all under 40, white or mestizo, and members of the urban middle class. Eleven of the twelve were either lawyers or journalists. Most had served in the Chaco War in some capacity, usually as officers, and had graduated from the

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<sup>63</sup> Busch decree of March 27, 1938, in ALP/PE, Sub Fondo: Administración (Ministerio de la Presidencia); Serie: Correspondencia Recibida-Enviada; Subseries: Circulares, oficios, actas, leyes, decretos (1938-1977), Caja 198, Legajo 2; Peñaranda quoted in *La Calle*, February 3, 1943.



University of San Andrés in La Paz.<sup>64</sup> The group included some with overt fascist sympathies, some who were mildly sympathetic to Marxism, and a number with no coherent ideology whatsoever. They were united mainly by a shared sense of indignation at the country's economic and political order and, like many middle-class revolutionaries, their own exclusion from its benefits. Their early discourse appealed particularly to the "impoverished middle class" and conceived of revolution not as class warfare but as the struggle of the *nation* against the *anti-nation*.<sup>65</sup>

Though party leaders thought of the MNR as a vanguard force in society, its success derived from its ability to channel and co-opt popular grievances.<sup>66</sup> MNR leaders' skillful appeals to resource nationalism and anti-oligarchic sentiment were the major reason for the party's improving political fortunes in the early 1940s. In 1941 a group that included the party's founders and scores of others issued a fiery manifesto attacking Standard Oil. The authors blamed Standard for the Chaco War and accused the company of "systematic sabotage against YPF" to deny it resources. They also declared that the oil industry should be "under the complete control of the Bolivian State." In the gendered nationalist rhetoric increasingly common after the war, the pamphlet appealed to "all the real men of Bolivia" to honor "the soldiers of the Chaco" by defending the country's oil.<sup>67</sup>

Perhaps most important in the MNR's early rise was its forceful response to the December 1942 military massacre of tin miners at the Catavi mine owned by Simón Patiño.

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<sup>64</sup> Mitchell, *The Legacy of Populism*, 18; Weston, "An Ideology of Modernization," 89-90.

<sup>65</sup> MNR program quoted in Malloy, *Bolivia*, 115-16. On the MNR's discourse of nation/anti-nation see also Mayorga, *Discurso y política*, 73-117. Its ideology was definitely anti-*oligarchic*, but its precise class implications were deliberately vague.

<sup>66</sup> For one example of party leaders' vanguardist pretensions, see Víctor Paz Estenssoro, "Programa del Movimiento Nacionalista Revolucionario" (speech to Sixth Convention of the MNR, La Paz, February 13, 1953), reprinted in *Documentos políticos*, ed. Lora, 161.

<sup>67</sup> Unión Boliviana de Defensa del Petróleo, *¡Defendamos el petróleo!* 5-7, 9.

Víctor Paz Estenssoro of the MNR, then a congressional deputy, aggressively denounced the government and his critiques were widely publicized.<sup>68</sup> The massacre quickly became a symbol of the exploitation of Bolivia—its natural resources and workers alike—by foreign (or foreign-oriented) capitalists, and of the state’s subordination to powerful economic interests. Soon after the massacre the government felt compelled to invite an international team to investigate. The resulting 1943 study, commonly known as the Magruder Report, helped cast a spotlight on the atrocious working conditions in Bolivian mines, and became an outside source to which mineworkers themselves could appeal when demanding higher wages and improvements. The MNR’s public response helped identify the party with both the workers’ interests and the defense of Bolivian resources.<sup>69</sup>

Throughout the 1940s MNR statements and writings would continue to emphasize resource nationalism. The party’s program said that the state must act to secure for the nation “the wealth deriving from extractive industry.”<sup>70</sup> In 1946-47 Luis Peñaloza, an economist who would later serve in the MNR government, published one of the first detailed economic histories of the country. His account indicted “the Patiños, Aramayos, and other nationals and foreigners who enriched themselves off Bolivian minerals, and, paying truly starvation wages to the Bolivian mineworkers, transferred massive profits abroad.” Peñaloza charged the companies with opposing reinvestment and paying low taxes, abetted by negligent government

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<sup>68</sup> The MNR published a collection of his statements on the massacre in 1943: Paz Estenssoro, *Víctor Paz Estenssoro y la masacre de Catavi*. See also Klein, *Parties and Political Change*, 355-66.

<sup>69</sup> On the implications of Catavi for the MNR’s political rise see Alexander, *The Bolivian National Revolution*, 33-34; Zavaleta Mercado, *50 años de historia*, 45-47; Mayorga, *Discurso y política*, 84-85; Lora, *Historia del movimiento obrero, 1933-1952*, 336-39. For the Magruder report itself see Joint Bolivian-United States Labour Commission, *Labour Problems in Bolivia*.

<sup>70</sup> “Principios y acción del ‘Movimiento Nacionalista Revolucionario’” (April 1946), in *Programas políticos de Bolivia*, ed. Cornejo, 149.

administrations.<sup>71</sup> Implicit was the need for a stronger and more patriotic state that would enforce fair taxation and ensure that Bolivian resource wealth was channeled into diversification, industrialization, and economic development.

This militant language notwithstanding, the MNR was much less radical than many of the other anti-oligarchic voices in Bolivia, as revisionist scholars have noted.<sup>72</sup> For the most part, the MNR's central leaders and intellectuals emphasized the need for economic "modernization" rather than any dramatic overhaul of the existing order. They sought capitalist development and a state strong enough to help the process along. In this regard the party leaders favored an agenda only slightly more ambitious than other contemporary government administrations, which had already taken important modernizing steps in creating a central bank in 1928, a mining bank in 1936, an agricultural bank in 1942, and the Corporación Boliviana de Fomento (CBF) in 1942.<sup>73</sup> MNR leaders hoped that these institutions would form part of a "strengthened State" that could "diversify the national economy, overcoming the current stage of monoproduction."<sup>74</sup> They harangued against monopolies in industry and the system of "anachronistic feudalism" in the countryside, but in the 1940s did not endorse large-scale land redistribution or nationalization of the mines. They explicitly denounced calls for socialist revolution. After the mineworkers'

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<sup>71</sup> Peñaloza Cordero, *Historia económica de Bolivia*, 2: 173 (quote), 216, 222.

<sup>72</sup> Many revisionists have emphasized the relative conservatism of mainstream MNR leaders, with some describing the MNR as emblematic of a "bourgeois-reformist" opposition in contrast with the "revolutionary socialist" opposition. Malloy locates this divergence in the 1920s (*Bolivia*, 64). See also Volk, "Class, Union, Party," 180-98.

<sup>73</sup> Eder, *Inflation and Development*, 44-45, 351; Soliz, "La modernidad esquivada," 32. In 1943 the CBF, created at the recommendation of a U.S. Economic Mission, was already speaking of "the country's vital need to liberate itself from the outside through the diversification of its production and the development of its industries" (CBF, *La Corporación Boliviana de Fomento*, 7). On the creation of state development agencies elsewhere starting in the late 1930s see Bulmer-Thomas, *The Economic History of Latin America*, 222-23.

<sup>74</sup> "Principios y acción del 'MNR,'" 148-49; Víctor Paz Estenssoro, "El MNR, réplica de la historia," (October 1948), reprinted in *Documentos políticos*, ed. Lora, 172.

federation adopted the Trotskyist “Thesis of Pulacayo” in 1946, they published a counter-thesis rebuking it and advocating cross-class collaboration in the interest of capitalist development.<sup>75</sup>

In other ways, too, the MNR “vision”—to the extent that one existed—represented a rather traditional and conservative view of society. Compared to the Marxist parties and the urban anarchists, the MNR was much less focused on the countryside, and it was the most reticent about encouraging indigenous and peasant political mobilization. Not until the late 1940s did the MNR even try to mobilize political support in the countryside, and even there the extent of its connections to rural organizing is unclear.<sup>76</sup> Its view of Indians and indigenous political agency also lacked the humility and respect of the FOL or some of the earlier urban Marxists. Party leaders typically only discussed Bolivia’s indigenous cultures and identities in the interest of assimilation or “redemption,” or in order to assert their own rights as part of an “indigenous” nation vis-à-vis outside conquerors. For example, Carlos Montenegro in 1938 wrote that Bolivia’s “ownership right” over the country’s wealth derived from its history, because Bolivia “is the descendant of the children of the Sun and the Earth of America.”<sup>77</sup> While the party’s celebration of “the Indo-mestizo race” marked a departure from the overt white supremacy of the traditional oligarchy, it also re-inscribed a set of ethnic, cultural, and political hierarchies.<sup>78</sup>

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<sup>75</sup> “Principios y acción del ‘MNR,’” 148-49; Paz Estenssoro, “El MNR, réplica de la historia,” 171. The Thesis of Pulacayo argued that “Bolivia is a backward capitalist country,” not a feudal one, and forswore any compromise with the national bourgeoisie. The proletariat was charged with carrying out both the “bourgeois-democratic” revolution and, following it, the socialist one—a “permanent revolution” that “would involve “ever deeper cuts in the private property regime,” moving forward “each day to a greater extent” (“Tesis Central de la Federación Sindical de Trabajadores Mineros de Bolivia,” November 8, 1946, in *Programas políticos de Bolivia*, ed. Cornejo, 314, 319). The MNR counter-thesis, the Thesis of Ayopaya, was authored by Wálter Guevara Arze and is reprinted in *Programas políticos de Bolivia*, ed. Cornejo, 151-77 (for Guevara’s rebuke to the Pulacayo Thesis see p. 174).

<sup>76</sup> Gotkowitz, *A Revolution for Our Rights*, 195-96, 241.

<sup>77</sup> Montenegro, *Frente al derecho del Estado*, 12.

<sup>78</sup> “Principios y acción del ‘MNR,’” 148. See also Gotkowitz, *A Revolution for Our Rights*, 170-74; Salmón, *El espejo indígena*, 125-37; Rivera Cusicanqui, *Oprimidos pero no vencidos*, 119-41. The POR and PIR also reinforced these hierarchies in slightly different ways. By the late 1940s most of the opposition forces in urban Bolivia were disdainful of indigenous and peasant political agency. See Hylton and Thomson, *Revolutionary Horizons*, 78.

Many MNR leaders were also anti-Semitic, even if their Nazi sympathies were overstated at the time by the U.S. government and their political enemies. The party program denounced “the maneuvers of Judaism” and demanded “the complete prohibition of Jewish immigration.”<sup>79</sup> In the early 1940s MNR congressional deputies—including future president Hernán Siles Zuazo—and the MNR’s unofficial newspaper, *La Calle*, railed against “the Jewish invasion.” The party’s resource nationalism sometimes singled out one of the three tin barons, Mauricio Hochschild, for particular criticism because of his Jewish background. Meanwhile, Marxists and anarchists who denounced anti-Semitism in the 1940s were often tarnished as “Jews” and “traitor[s] to the workers’ cause.”<sup>80</sup>

The internal contradictions and ambiguities of MNR thought ultimately helped the party more than they hurt it, for they allowed diverse supporters to project their own goals onto the party. Beyond their emphatic statements of resource nationalism, MNR leaders kept their program vague and sought to accommodate a range of different (often competing) interests within the party. No other oppositional force in 1940s Bolivia was as flexible and capacious as the MNR.

The leadership’s promises to disparate groups were not *merely* demagogic opportunism. The party’s posture of revolutionary nationalism was matched by its deeds just enough to win it substantial credibility among the population in the decade prior to 1952. In particular, the party reaped long-term benefits from its participation in the coalition government of General Gualberto Villarroel (1943-1946). Praise for Villarroel after 1946 was especially common in the

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<sup>79</sup> “Principios y acción del ‘MNR,’” 147-48. Malloy argues that MNR anti-Semitism “was mainly tactical” (*Bolivia*, 361n8), but Gotkowitz suggests that anti-Semitism, and opposition to Jewish immigration in particular, were closely tied to the MNR’s nationalistic exaltation of *mestizo* identity (*A Revolution for Our Rights*, 173-74).

<sup>80</sup> These labels were applied to Tristán Marof in the Chamber of Deputies in 1942. Ricardo Anaya, then a PIR deputy, also reportedly “tried to challenge the overwhelming arguments” of Deputy Gustavo Chacón against “the Jewish invasion,” according to *La Calle* (October 2-3, 1942). Hochschild was briefly jailed during the Villarroel-MNR government (Klein, *Parties and Political Change*, 374).

countryside due to his government's decrees against forced servitude. Though in reality the government had been pushed into that action by grassroots indigenous pressure, Villarroel's name became identified with the cause of rural justice.<sup>81</sup> The government itself was toppled, but it lived on in popular memory as a progressive reformist regime tragically cut short by reactionary forces. Villarroel himself, who was hung from a lamppost in La Paz's Plaza Murillo, became a martyr for many future revolutionaries in a way similar to Busch before him. There is no doubt that the MNR later benefited politically among peasants from having participated in Villarroel's administration. The party's close association with Villarroel and other military officers (and the fact that many MNR leaders had themselves been officers in the Chaco War) also enhanced the MNR's credibility among veterans.<sup>82</sup>

Similarly, the regime had garnered substantial support in the labor movement. In 1944 the MNR supported the foundation of the Bolivian mineworkers' federation, the FSTMB, whose leader Juan Lechín had become a party member in 1943.<sup>83</sup> The MNR's turn to labor was more a reflection of political exigency than of ideology, however. Party founders had initially paid little attention to the working class (denunciations of the Catavi massacre notwithstanding), and at the start of the Villarroel regime were more closely aligned with corporatist and neo-fascist elements

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<sup>81</sup> Dandler and Torrico, "From the National Indigenous Congress to the Ayopaya Rebellion." On the role of rural activism before and after the famous 1945 Indigenous Congress, when Villarroel issued the decrees, see Gotkowitz, *A Revolution for Our Rights*, 192-232.

<sup>82</sup> Dunkerley notes that the MNR benefited from being "closely attached to the reforms of 1943-46" (*Rebellion in the Veins*, 37). Zavaleta argues that support from veterans was a major reason for the MNR's triumph over left parties in the post-Chaco era (*50 años de historia*, 45-47). For MNR-centric accounts of the Villarroel period see Antezana, *Historia secreta del MNR*, vol. 3; Peñaloza Cordero, *Historia del MNR*, 55-94.

<sup>83</sup> The FSTMB would remain a monumental political force for the next four decades, often representing the most militant sector of society and confounding MNR attempts to subordinate it to state control. On the MNR's role in its 1944 founding and the party's failure to control the federation see Barcelli, *Medio siglo de luchas sindicales*, 164-66; Dunkerley, *Rebellion in the Veins*, 13-18; Lora, *Historia del movimiento obrero, 1933-1952*, 425-28; Weston, "An Ideology of Modernization," 100; Volk, "Class, Union, Party," 192.

in the secretive military lodge Razón de Patria (RADEPA).<sup>84</sup> Only during the Villarroel period, and especially during the *sexenio* (1946-1952) that followed, did the party engage in sustained outreach to workers out of a need for broader mass support.<sup>85</sup>

In turn, new connections to organized labor helped transform the party. Herbert Klein observes that “the increasing importance of the worker base brought with it an increasing radicalism in the party ideology.” The presence of the mineworkers, in particular, “changed the ‘nationalism’ of the MNR into concrete and dynamic programmes.”<sup>86</sup> The MNR’s leftward shift involved the adoption of demands previously espoused only by the radical left, most notably in economic policy. In 1951 it finally endorsed calls for agrarian reform and mine nationalization with workers’ control.<sup>87</sup> Its first years in power after 1952 would also reveal a turn toward expansionary economic and social spending compared to the more conservative fiscal and monetary policy earlier favored by Víctor Paz Estenssoro in his capacity as architect of Villarroel’s economic policy.<sup>88</sup> Party discourse also shifted somewhat as the 1940s progressed. Speeches and manifestos of the late 1940s sometimes hinted at critiques of capitalism and capitalists. In 1948 Paz Estenssoro denounced the “super-capitalism” that “oppresses national life,” warning against “private companies that are only concerned with profit” and indicting

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<sup>84</sup> On the MNR-RADEPA relationship see Zavaleta Mercado, *50 años de historia*, 51-56; Antezana, *Historia secreta del MNR*, 1: 82-90; Céspedes, *El presidente colgado*, 110-14.

<sup>85</sup> Klein, *Parties and Political Change*, 338, 383; Weston, “An Ideology of Modernization,” 94-95. For an overview of labor in the *sexenio* see Barcelli, *Medio siglo de luchas sindicales*, 177-239.

<sup>86</sup> Klein, *Parties and Political Change*, 384, 376.

<sup>87</sup> Malloy, *Bolivia*, 149. Since the 1970s Malloy and other revisionists have emphasized the tenuousness of MNR control over labor during and after the *sexenio* (*ibid.*, 146, 364n22; Mitchell, *The Legacy of Populism*, 28-30). Weston ascribes more initiative to MNR leaders in the mine nationalization (“An Ideology of Modernization,” 97).

<sup>88</sup> Under Villarroel’s regime Paz Estenssoro did innovate by raising taxes on the mineowners and by increasing the proportion of government spending going to social expenditures. But at the same time he also reduced overall spending, particularly on programs devoted to economic development. See Wilkie, *The Bolivian Revolution and U.S. Aid*, 22, 24; Klein, *Parties and Political Change*, 377-78.

Bolivian parties that are “puppets of foreign companies.”<sup>89</sup> Anti-capitalism never became a consistent theme in MNR rhetoric, and especially after 1952 party leaders would emphasize their pro-capitalist orientation. But the subtle rhetorical shifts of the late 1940s and early 1950s reflected the expansion of the MNR base and an increased effort to appeal to workers.

Other opposition forces, meanwhile, made crucial errors in the mid-1940s. The Stalinist PIR, which initially enjoyed major support among urban labor, helped oust Villarroel and collaborated with the right-wing regimes that followed.<sup>90</sup> The PIR’s strongest base in the labor movement, the CSTB, boycotted the 1944 congress at which the FSTMB was founded. One historian writes that “in the battle to articulate general demands around a hegemonic principle, the Bolivian Marxist left defeated itself.”<sup>91</sup> The anarchist FOL’s firm abstention from all party politics probably had the inadvertent effect of increasing support for the Marxist and nationalist opposition parties.<sup>92</sup>

Its competitors’ mistakes were not the main reason for the MNR’s triumph, though. More important was the party’s broad populist vision and its capacity to absorb diverse ideas and interests within it, adapting itself to popular sentiment in the process. Some sociologists have theorized that reform-oriented nationalists who succeed in delivering real reforms will usually win out over radical challengers to their left, and this insight seems applicable to the Bolivian opposition of the 1930s and 1940s as well.<sup>93</sup> After 1952 liberals in the United States made a

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<sup>89</sup> Paz Estenssoro, “El MNR, réplica de la historia,” 171, 173. In the mid-to-late 1940s Paz occasionally evoked Marxism (e.g., *Discursos parlamentarios*, 220-21).

<sup>90</sup> The FOL also took part in the rebellion of July 21, 1946, though it quickly turned against the new regime.

<sup>91</sup> Mayorga, *Discurso y política*, 111 (quote); Lora, *Historia del movimiento obrero, 1933-1952*, 425-28.

<sup>92</sup> One old anarchist, José Clavijos, spoke in 1985 of how the MNR agrarian reform after 1952 had deprived the FOL of support in the countryside: “And so we lost. We’d have to have been political, no?” (interview by Silvia Rivera and Zulema Lehm, December 4, 1985, Cassette No. 2, transcribed in *Libro “Condor,”* in APLC).

<sup>93</sup> Jeff Goodwin (*No Other Way Out*, esp. 72-133) argues that non-Marxist, moderate nationalist forces, in those colonial situations where they have been allowed to operate, have usually been able to prevent Marxists from



similar argument when advocating U.S. support for the MNR.<sup>94</sup> At the same time, however, socialist organizing was by no means a lost cause; the MNR's competitors and the force of popular pressure helped change the party's trajectory, pushing it to the left in the years before 1952. This pattern of contention would continue after the MNR's rise to power, when the time came to define the precise content of revolutionary policy.

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achieving hegemony within nationalist resistance movements. He points to the particularly exclusionary nature of colonial rule in Vietnam (where even moderate Vietnamese were barred from administration) to explain the Communists' domination of the nationalist cause there, and conversely explains the absence of a significant Communist insurgency in Indonesia and the failure of Communist insurgencies in Malaya and the Philippines by citing the colonial states' relatively permissive stance toward non-Marxist nationalists in the latter three places. Goodwin's argument could be applied to mid-century Bolivia: as long as there existed a non-Marxist nationalist force that retained substantial legitimacy among Bolivians, the Marxist parties would have great difficulty convincing workers and peasants (especially the latter) to denounce that force and side with them. If true, this insight obviously has important implications for the left. I do not think it implies that leftists must renounce their radicalism to attract mass support or exert influence. But it does suggest that they should engage with dominant ideological currents in order to understand their appeal rather than dismissing adherents as victims of false consciousness.

<sup>94</sup> Alexander, *The Bolivian National Revolution*, 278-80; Eisenhower, *The Wine Is Bitter*.

## CHAPTER 2

### **A New Type of Bolivian Economy: Competing Visions, 1952-1956**

Among twentieth-century revolutions the 1952 Bolivian uprising is notable for its rapid triumph: in less than three days the revolutionary militias vanquished the regime's forces. The revolution was far from bloodless—about 600 people were killed—but it did not feature protracted warfare as in Mexico, Cuba, Nicaragua, and numerous other revolutionary and independence struggles.<sup>1</sup> By April 1952 the regime and the order it represented were so roundly discredited and lacking in both support and repressive capacity that one quick blow was enough to knock them out.

Yet as in other revolutions, the apparent unanimity of the initial “anti-movement” that overthrew the dictatorship was deceptive, for the constituent elements in that movement entertained very different visions of the future society they wished to build. The key conflict in the years that followed was between the “moderate” and “left” camps within the MNR. This tension was already subtly apparent in the three days of fighting in April: while popular forces led by La Paz factory workers and miners had done the fighting, it was the party's exiled middle-class leadership that returned to assume the reins of government on April 12.

Division was clearly evident in the economic policies advocated by the different camps after the revolution. Most agreed, at least nominally, on the need to transform the “structure of development”—to diversify the nation's exports and to promote reinvestment in the interest of more stable growth. They also talked of industrialization, which in this context usually encompassed two concrete goals: increasing the “value added” to raw materials prior to export

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<sup>1</sup> Figure from Klein, *Parties and Political Change*, 401.

(through mineral smelting, oil refining, and the more extensive processing involved in production of, say, petrochemicals or fertilizers) and fomenting light industries that would produce consumer goods to be sold in Bolivia, such as textiles and foodstuffs. But the left sought much more than just growth and diversification. It also advocated major changes in the “model” of development—meaning the mix of private and public ownership—and a social revolution that would bring equity and justice as well as growth.<sup>2</sup> Although the urban left was itself diverse and not entirely anti-capitalist, it was united around a set of basic demands that distinguished it from the “moderate” MNR leaders: public control over major natural resources, greater workplace democracy, and a progressive reorientation of fiscal and monetary policy to favor redistribution.

This conflict paralleled economic debates that would emerge all over Latin America in the 1950s and 1960s, when a range of new doctrines began to challenge economic liberalism and even capitalism itself. The two key doctrines were structuralism and dependency theory.<sup>3</sup> Both asserted the need for strong state action to transform underdeveloped economies but differed in their appraisals of private capital and their policy prescriptions. Most MNR leaders espoused a cautious version of structuralism, while more radical currents below and to the left advocated more aggressive policies reflecting a mix of structuralism, dependency theory, and socialism.

Popular economic thought in Bolivia derived far more from endogenous traditions than from academic doctrines, however. Antipathy toward foreign extractive enterprise and demands for popular control over natural resources reflected the accumulation of historic grievances in a

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<sup>2</sup> This notion of “structure” and “model” is borrowed from Gray Molina, “La economía boliviana” and Wanderley, “Beyond Gas.” I have followed Cunha Filho and Santaella Gonçalves (“The National Development Plan”) in translating Gray Molina’s *patrón de desarrollo* as “structure of development.” In his words, “the model is the form [of administering the economy], while the *patrón* is the content, the substance” (i.e., what is being administered) (p. 65). For a slightly different definition of “structure of production” see Demas, *The Economics of Development*, 8-20.

<sup>3</sup> These doctrines were not entirely new, but in fact expanded on longstanding intellectual currents in the Andes and elsewhere, as shown by the last chapter’s discussion of economic thought in the 1920s-40s. On nineteenth-century precedents, in Peru particularly, see Gootenberg, *Imagining Development*, and “Hijos of Dr. Gerschenkron.”

country that exemplified the ills that structuralism and dependency theory were meant to remedy. By the early 1950s these grievances and proposals for how to resolve them had already been gestating in La Paz and other cities for close to thirty years, nourished by the traditions of Marxism, anarchism, and resource nationalism.

Managing these popular demands proved enormously difficult for MNR leaders given their own aversion to “social revolution.” They developed a populist strategy in an effort to maintain their ideologically heterogeneous and multiclass coalition. The party’s leadership structure incorporated representatives of the left, right, and center, who would serve as liaisons with different groups in society. Rhetorically, MNR leaders specifically defined the *pueblo* to include the country’s bourgeoisie, which had been “blind” and “idiotic” but “opened its eyes” later, according to President Víctor Paz Estenssoro (1952-56). The only groups excluded from the new national community were “the servants of imperialism and feudalism” represented by the mining *rosca* and the landed aristocracy and, on the other side of the spectrum, the “communists” who slavishly followed foreign ideologies.<sup>4</sup> Otherwise, MNR leaders allowed the discourse of revolutionary nationalism to remain sufficiently vague so as to encourage different audiences to ascribe to it their own meanings.<sup>5</sup>

The MNR’s fiscal policy up to 1956 was also distinctly populist in that it aimed to placate the disparate elements in its multiclass coalition.<sup>6</sup> Wage increases, consumer subsidies, the expansion of the civil bureaucracy, and other forms of government spending were deemed necessary to satisfy popular demands. These measures were possible in the short term only

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<sup>4</sup> Paz Estenssoro, “Programa del Movimiento Nacionalista Revolucionario” (speech to Sixth Convention of the MNR, La Paz, February 13, 1953), in *Documentos políticos*, ed. Lora, 164, 157-58, 168.

<sup>5</sup> Revolutionary nationalism was an “empty signifier” in the sense of Laclau, *On Populist Reason*.

<sup>6</sup> Malloy argues that “material rewards” were particularly essential for the MNR because it was generally incapable of either offering “ideological” rewards to its supporters or repressing opponents through force (*Bolivia*, 6, 53).

because of the government's resort to high inflation and the delivery of U.S. aid starting in 1953. However, high spending was ultimately unsustainable given the country's weak economic base and the MNR's own commitment to appeasing wealthy stakeholders as well as the population at large. A sustainable development policy would have entailed profound transformations in the structure and model of the economy to foster balanced growth and reduce inequality, but MNR leaders were unwilling or unable to pursue those transformations given their commitments to respecting capitalist private property and retaining U.S. favor.

The United States government played an important role in the revolution's development. In opting to aid the MNR, it was in fact driven by the same motivations that led it to *attack* revolutionary experiments elsewhere. In the early Cold War era Latin America, and the Third World more generally, was quickly becoming a battleground—not between the forces of communist totalitarianism and capitalist democracy, as government rhetoric claimed, but between competing visions of economic and social development. In Bolivia the U.S. government perceived the key danger to be independent nationalism, which in the economic realm took the form of ideas like left-wing Keynesianism, structuralism, resource nationalism, and socialism. The major U.S. goal in Bolivia was to promote a return to liberal capitalism or at least limit state intervention in the economy to that which would assist private capital or guarantee the minimal social stability needed for capitalist prosperity. The goal, and effect, of U.S. intervention was to amplify the existing conservative tendency within the MNR government. In so doing, however, it further constrained the MNR's ability to appease the urban labor and left segments of its coalition, increasing the tensions that eventually led to the government's overthrow in 1964. Thus, even as U.S. aid temporarily propped up the MNR, the policies of the U.S.-MNR team

coupled with the revolutionary expectations of ordinary Bolivians and a severely underdeveloped economy contributed to the government's eventual downfall.

That outcome was not preordained, however. Looking backward from today, it is easy to forget the fluidity and contingency of the revolution's first four years. The MNR moderates dominated the new government but effectively shared power with popular sectors, both through a new structure of "co-government" and by the de facto veto power of the mobilized masses. Landmark policies like the nationalization of the mines in October 1952 and the August 1953 land reform decree were hybrid reflections of the MNR leaders' modernization objectives and the insurgent demands of forces to their left; the MNR's belated embrace of mine nationalization (in 1951) and land expropriations were directly traceable to the influence of labor, the left, and peasant agitation in the countryside.<sup>7</sup> The Central Obrera Boliviana (Bolivian Workers' Central, COB) established after the April revolution was a powerful voice for revolutionary demands, even after the MNR succeeded in purging Trotskyists from its leadership in late 1952.

Nor was the triumph of conservative forces complete or unambiguous. Even after 1956, as policy shifted rightward and leftists lost power within the government, the MNR moderates' hegemony remained more superficial than real. Revolutionary nationalism had become hegemonic, but the MNR mainstream's interpretation of it did not. In many ways both the discourse and policy of the government continued to reflect pressures emanating from below and from the left.<sup>8</sup> The left's defeat and the MNR's downfall should not obscure the important changes that occurred in the years after 1952.

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<sup>7</sup> Malloy, *Bolivia*, 149, 174; Klein, *Parties and Political Change*, 387; Kohl, "Peasant and Revolution." On the pre-1952 history of organizing in the countryside see Gotkowitz, *A Revolution for Our Rights*.

<sup>8</sup> For instance, not even MNR moderates dared to define foreign investment—at least in natural resource sectors—as inherently progressive, as liberal modernizers around Latin America often did. Foreign ownership, when it was advocated, was instead framed as a necessary concession to harsh economic realities. The classic discussion of

## Latin American Economic Thought in the 1950s

The economic policy debates of the early MNR period revolved around questions then being addressed all across Latin America: how to promote industrialization in historically raw-material-dependent economies, how to diversify economic production, and how to promote the equitable distribution of material resources. Despite Bolivia's shortage of formally-trained economists, the basic ideas circulating in workplaces, neighborhoods, universities, and the halls of Congress closely paralleled the arguments that structuralists and dependency theorists in other countries were starting to articulate more formally.

During the half century prior to the 1930s, the dominant economic doctrine in Latin America and elsewhere had been liberalism, which prescribed an international division of labor based on the concept of comparative advantage. David Ricardo and his disciples had argued that some countries would specialize in manufactured goods while others exported primary goods, but that the economic benefits of technological progress would naturally diffuse from the former to the latter in the form of ever-decreasing prices for industrial goods on the world market. In response to the world crisis of the 1930s, however, economists like the Argentina's Raúl Prebisch began to challenge this assumption.<sup>9</sup> Prebisch argued that technological innovations and increases in productivity in the "center" countries had not in fact diffused to the "periphery," but had simply translated into higher profits and wages in the center. By contrast, increased primary production in the periphery had led to reductions in world prices for primary goods rather than price and wage increases. According to Prebisch, the terms of trade for primary-exporting countries like those of Latin America—the world prices of primary goods relative to

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revolutionary nationalism as hegemonic framework is Antezana, "Sistemas y procesos ideológicos"; see also Mayorga, *Discurso y política*.

<sup>9</sup> Prebisch had been publishing since the 1930s, but his first major publication in English was the 1949 pamphlet authored by Prebisch and published by the newly-created UN Economic Commission for Latin America (hereafter CEPAL, for its Spanish abbreviation), *The Economic Development of Latin America*.

manufactured goods—had been steadily declining since the 1870s.<sup>10</sup> Furthermore, world demand for manufactured goods tended to increase over time as incomes increased, while demand for primary goods declined.<sup>11</sup> This pattern formed the basis for Prebisch’s concept of “unequal exchange” between central and peripheral countries.

Prebisch’s work served as the intellectual foundation for the UN Economic Commission on Latin America (ECLA, or CEPAL in Spanish) established in 1948. CEPAL quickly became associated with the “structuralist” school of economics, usually referred to in Spanish as *cepalismo* (or, more broadly, *desarrollismo*).<sup>12</sup> Structuralists argued that the economic development of peripheral countries required strong governmental action to eliminate domestic “structures” and international trade relationships that inhibited growth. Some of the key structures included the drastic inequality of land ownership, inefficient agricultural methods, the lack of infrastructure, the shortage of skilled labor and abundance of unskilled labor, the small size of domestic markets, and the separation of mono-export enclaves from the rest of the economy. Low production levels and structural bottlenecks were also blamed for inflation.<sup>13</sup> All

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<sup>10</sup> CEPAL, *The Economic Development of Latin America*, 8-12. Prebisch had originally made this observation as early as 1934, in “La inflación escolástica y la moneda argentina,” *Revista de Economía Argentina* 17, no. 193 (1934): 11-12, and no. 194 (1934): 60 (cited and discussed in Love, “Raúl Prebisch and the Origins of the Doctrine of Unequal Exchange,” 50). One explanation for this pattern was the presence of a large labor surplus in peripheral countries. Whereas low unemployment and relatively well-organized labor forces in the center helped maintain high wages and world prices for the center’s goods, vast pools of unused labor-power in the periphery kept wages and world prices for primary goods low. Migratory restrictions reinforced this disparity by keeping unemployed workers in the peripheral countries. See Lewis, “Economic Development with Unlimited Supplies of Labour”; Celso Furtado, “Características gerais da economia brasileira,” *Revista Brasileira de Economia* 4, no. 1 (1950): 11, discussed in Love, *Crafting the Third World*, 157; CEPAL, *The Economic Development of Latin America*, 13-16.

<sup>11</sup> The differential income elasticity of demand for manufactured versus primary goods received greater emphasis in subsequent CEPAL studies: see Hirschman, “Ideologies of Economic Development,” 15.

<sup>12</sup> Below I used CEPAL in place of ECLA, in hopes of avoiding confusion. The term structuralism was not widely used in Latin America until the 1980s (Love, “The Rise and Decline of Economic Structuralism,” 101).

<sup>13</sup> See Seers, “A Theory of Inflation and Growth”; Felix, “An Alternative View”; cf. Hirschman, “Inflation in Chile,” 212-17. CEPAL’s analysis of inflation drew from that of Polish economist Michal Kalecki (Love, “Economic Ideas and Ideologies,” 425-26).



these problems were present in acute form in Bolivia, as CEPAL reports noted in the mid-1950s.<sup>14</sup>

The structuralists' main solution was industrialization. Government protections in the form of tariffs on imports and subsidies to domestic industry would aid new industrial enterprises, which would in turn supply a growing domestic consumer market and simultaneously absorb much of the surplus labor power. The decline in unemployment would increase wages across all economic sectors, thereby also increasing the world prices for primary products and resulting in a net transfer of income back to the periphery. CEPAL's basic policy proposal of import-substitution industrialization (ISI) was widely implemented by regional governments in the 1950s and 1960s (though import substitution had actually begun in the 1930s in many countries, including to a limited extent in Bolivia).<sup>15</sup>

By the 1960s structuralism would be assailed from both the right and left. Although ISI was not the unmitigated or inevitable failure that many later critics would imply,<sup>16</sup> the model as implemented had clearly failed to resolve key imbalances in regional economies, and had also created new ones. Prioritizing domestic industry over exports had exacerbated balance-of-payments problems and had ironically led to a new dependence on capital imports. Small domestic markets were an insufficient outlet for the new industrial goods, while parallel ISI efforts in neighboring countries had created many redundancies. Moreover, ISI had not

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<sup>14</sup> CEPAL, *Economic Survey of Latin America: 1956* and "The Economic Development of Bolivia."

<sup>15</sup> According to Love, "Industrialization in Latin America was fact before it was policy, and policy before it was theory" ("Economic Ideas and Ideologies," 395). CEPAL's focus did evolve over time, however: for example, the organization put greater relative emphasis on Latin American economic integration by the late 1950s, and only made equity a major priority starting in the 1960s. See Love, "The Rise and Decline of Economic Structuralism," 124. For a general overview of ISI see Bulmer-Thomas, *The Economic History of Latin America*, 232-312.

<sup>16</sup> Hirschman, for one, challenges such views; see "The Political Economy of Import-Substituting Industrialization," 88, 114, 123; cf. Hirschman, "The Rise and Decline of Development Economics"; Love, "The Rise and Decline of Economic Structuralism," 107; Thorp, "A Reappraisal of the Origins of Import-Substituting Industrialization."

significantly reduced inequality, and may have actually increased it in many cases.<sup>17</sup> These problems led many *cepalistas* to place greater emphasis on maintaining primary-export production in order to finance ISI, promoting regional economic integration through common markets, and the need for progressive redistribution of wealth.<sup>18</sup>

Dependency theory's emergence in the late 1950s and 1960s reflected the perceived shortcomings of structuralism and ISI. While most of dependency theory's central tenets coincided with those of structuralism, the *dependentistas* took issue with what they considered the structuralists' naïve faith in both foreign capital and the national bourgeoisie in underdeveloped countries.<sup>19</sup> Most structuralists had cautiously accepted the "mutual-benefit" premise of global capitalism—the idea that rich and poor countries could derive simultaneous and roughly symmetrical benefit from economic interaction—and had therefore encouraged underdeveloped countries to seek the assistance of foreign capital in order to develop their economies. The *dependentistas*, by contrast, saw exploitation and imperialism at the heart of the core-periphery relationship. They located the sources of unequal exchange not only in unequal terms of trade but also in the direct extraction of Third World wealth by foreign capital and the domestic distortions created or exacerbated by foreign control.<sup>20</sup> Unlike the structuralists they explicitly and forcefully accused the core nations of profiting at the periphery's expense and limiting peripheral nations to, at best, a form of "dependent development." They also challenged

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<sup>17</sup> Roxborough, *Theories of Underdevelopment*, 32-35; Coatsworth, "Structures, Endowments, and Institutions," 131.

<sup>18</sup> For one *cepalista's* discussion of some of these problems see Furtado, *Economic Development of Latin America*, esp. 118-30, 156, 176-77, 220, 231, 242-43, 289. See also Love, "Economic Ideas and Ideologies," 429-32.

<sup>19</sup> Joseph Love stresses the links between structuralism and dependency theory, and notes how some *cepalistas* like Furtado moved toward dependency positions during the 1960s. See Love, *Crafting the Third World*, 182-86, 200-01, 288n70; "Raúl Prebisch and the Origins of the Doctrine of Unequal Exchange," 46; "Economic Ideas and Ideologies," 447; Furtado, *Desenvolvimento e subdesenvolvimento*.

<sup>20</sup> Baran, for instance, considered terms of trade relatively insignificant compared to the various mechanisms of direct surplus wealth extraction (*The Political Economy of Growth*, 231-34).

the assumption that the native bourgeoisie in peripheral countries could be a progressive force for national development.<sup>21</sup> Most dependency arguments were compatible with Marxism, even though they initially derived more from structuralism.<sup>22</sup>

Bolivian intellectuals and MNR policymakers followed these debates, and many local writers would draw upon CEPAL's studies during the 1950s and 1960s. There was also some direct communication between foreign *cepalistas* and Bolivians. In May 1957 CEPAL held its international conference in La Paz, where it was hosted by the government of Hernán Siles Zuazo (1956-60).<sup>23</sup>

Nevertheless, the commonalities between CEPAL's arguments and Bolivian economic thought in the 1950s derived much more from parallel evolution than from direct transmission. In Bolivia the urban popular sectors' embrace of resource nationalism and progressive fiscal policy predated the popularization of *cepalista* theories. In 1952 no one needed to convince most Bolivian miners, students, and urban workers that state intervention was necessary to promote economic diversification, growth, and equity. Historical events had already done so: the devastating Chaco War, the memory of the 1937 Standard Oil nationalization, the Busch regime's assertion of control over mining revenue, the massacres of mineworkers that peppered the country's historical timeline since the 1920s. The interpretations that Marxists, anarchists, and nationalists gave to these events had contributed to a nebulous but powerful culture of revolutionary nationalism that united urban popular sectors. Moreover, Bolivian debates in the

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<sup>21</sup> See especially Baran, *The Political Economy of Growth*; Cardoso and Faletto, *Dependencia y desarrollo*; Dos Santos, "The Structure of Dependence." On CEPAL's embrace of foreign investment see Love, "Economic Ideas and Ideologies," 429; Roxborough, *Theories of Underdevelopment*, 33-34.

<sup>22</sup> Some Marxists criticized dependency theory for focusing more on international trade relations than on production within countries (see Chilcote and Johnson, eds., *Theories of Development*). But these critiques usually reflected differing points of emphasis rather than fundamental disagreements. Many *dependentistas* in fact analyzed the core-periphery system alongside domestic class relationships (e.g., Cardoso and Faletto, *Dependencia y desarrollo*; Marini, *Dialéctica de la dependencia*).

<sup>23</sup> The proceedings of that meeting are summarized in various articles in *El Diario* throughout May 1957.

early 1950s were already going well beyond CEPAL's cautious prescriptions, prefiguring the dependency school. Local debates were shaped more by the particularities of Bolivian history and political culture in the decades prior to 1952 than by ideas filtering in from outside.

The limited influence of formal doctrines makes sense given the virtual non-existence in Bolivia of a technocratic class of professional economists. Whereas larger and more developed Latin American countries witnessed the growth of a substantial economics profession in the 1930s and 1940s, in Bolivia the discipline remained much smaller. Few of those who did have formal economics training had received it abroad, and those who had (e.g., Central Bank President Franklin Antezana Paz) tended to oppose structuralism, Marxism, and dependency thought.<sup>24</sup> Until the 1980s, in fact, the debate over economic policy would be shaped much more by non-economists than simultaneous debates in countries like Argentina or Chile. The urban and rural working classes, alongside middle-class professionals like lawyers, journalists, and engineers, would be far more significant in these debates than formally-trained economists.

CEPAL and the broader context of Latin American ISI did have an important indirect effect on Bolivia, though. Latin American industrialization efforts and calls for social reform helped give the MNR some limited breathing room vis-à-vis the United States and foreign capital. At a time when U.S. policymakers were growing increasingly concerned about the threat of social revolution in Latin America, CEPAL offered a more attractive moderate alternative that might help stave off revolution in the long run.<sup>25</sup> For this reason U.S. officials in the 1950s and 1960s did not always oppose structuralism altogether.<sup>26</sup>

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<sup>24</sup> For a partial list of key middle-class professionals and their educational backgrounds see the Appendix. On Antezana Paz's position on inflation see Eder, *Inflation and Development*, 100, 215n.

<sup>25</sup> Montecinos and Markoff, "From the Power of Economic Ideas," 109-10, 119.

<sup>26</sup> U.S. officials did, however, initially oppose CEPAL's formation (Green, *The Containment of Latin America*, 293). They also strenuously opposed many of the policies to which structuralist arguments might lead, such as

## A New Type of Bolivian Economy?

Bolivia in 1952 was in many ways distinct from the more developed economies of Latin America that received most of the *cepalistas*' (and subsequent scholars') attention.<sup>27</sup> Its population was much smaller, it was almost entirely dependent on a single mineral export (which was in decline), and the extent of prior industrialization was much lower. For all these reasons Bolivia lacked the development potential of larger economies. At least for the foreseeable future it was highly unlikely to develop, for example, an automobile manufacturing industry, as Brazil and Mexico did after World War II. Furthermore, the history of global capitalism shows that relatively few peripheral countries have successfully risen to the ranks of the core or even the "semi-periphery," and that doing so may be even more difficult in small economies dependent on natural resource extraction.<sup>28</sup> A 1955 MNR statement said simply that the underdeveloped state of national industry "is not going to change in the near future."<sup>29</sup>

One of the most obvious problems with the Bolivian economy was, of course, its almost total dependence on mining. Mineral exports had constituted about 95 percent of the total in the 1940s, with 70-80 percent of foreign exchange coming from tin exports alone. All of that tin went to two countries, the United States and Britain.<sup>30</sup> The mining industry also had an even

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nationalization. Many of them, but not all, remained opposed to all hints of progressive reform or state intervention that deviated from orthodox monetarism (see Chapter 3).

<sup>27</sup> See for instance Furtado, *Economic Development of Latin America*; Love, *Crafting the Third World*; Evans, *Dependent Development*; Haggard, *Pathways from the Periphery*. For some of the few economists at the time who did focus on smaller countries see Demas, *The Economics of Development*, and Kuznets, "Economic Growth of Small Nations."

<sup>28</sup> Thus the abundant academic literature on the so-called "resource curse" (e.g., Auty, *Sustaining Development in Mineral Economies*; Karl, *The Paradox of Plenty*; Ross, "The Natural Resource Curse"). See also the Introduction.

<sup>29</sup> Guevara Arze, *Plan inmediato*, 149.

<sup>30</sup> UNTAA, *Report*, 45; U.S. Embassy to Department of State (DoS), April 2, 1952, p. 18, in NA Record Group 59 (hereafter "NA 59"), Central Decimal File (CDF) 824.00/4-252; Guevara Arze, *Plan inmediato*, 49; Legg, *Bolivia*, 9. Subsequent citations from the U.S. National Archives follow one of three formats: for Central Decimal File documents (1950–1954), only the date and decimal number are given; Subject Numeric File documents (1964–

lower “multiplier effect” on the rest of the economy than other primary-commodity industries typical in Latin America, meaning that it generated relatively little in the way of secondary and tertiary industries.<sup>31</sup> ISI in Bolivia was very limited prior to 1952 and mostly confined to light industries like textiles, food, beer, and cement.<sup>32</sup> In 1952 the COB stated the obvious, saying that “we are a country exclusively dependent on minerals with grave effects on the rest of the economy.” Some commentators described a sort of *mining complex* akin to the “plantation complex” of tropical slave societies, arguing that “mining exerts a total and absorbing domination, not only over the economy but over every activity: political, cultural, and even psychological.”<sup>33</sup> The declining quality of Bolivian ores and falling world tin prices after 1952 only underscored the perils of dependence on mineral exports.

In the countryside, the extreme concentration of land ownership in the feudalistic *latifundia* system greatly limited food production. Less than one percent of landowners controlled nearly half the land, making land tenure among the most unequal in the entire world.<sup>34</sup> Most large landowners cultivated only a very small portion of their property, monopolizing the land in order to force peasants to work for them at little or no cost. They had little incentive to improve efficiency or invest in new technology.<sup>35</sup> The result was that agricultural goods

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1966) are cited as “SNF” and the box number; all other documents follow the format [Record Group]/[Entry Number]/[Box]. Page numbers for direct quotations are given only in the case of especially long documents.

<sup>31</sup> CEPAL, “The Economic Policy of Bolivia in 1952-64,” 63; cf. Furtado, *Economic Development of Latin America*, 100-02, 136. More recent economic studies have continued to underscore the disadvantages of mono-export economies and extractive industry in particular (e.g., Ross, *Extractive Sectors and the Poor*).

<sup>32</sup> CEPAL, *Economic Survey of Latin America: 1956*, 22; CEPAL, *Economic Survey of Latin America: 1954*, 125.

<sup>33</sup> COB, “Pronunciamiento de la COB sobre la nacionalización de las minas,” quoted in Lora, *Movimiento obrero contemporáneo*, 343; Deputy Barbero speaking October 11, 1956, in República de Bolivia, *Redactor del H. Cámara de Diputados, octubre de 1956*, 151.

<sup>34</sup> Klein, *Parties and Political Change*, 394; Malloy, *Bolivia*, 12.

<sup>35</sup> According to the 1951 report of a UN technical team, “Less than two per cent of Bolivia’s total land is in cultivation” (UNTAA, *Report*, 53). See also Klein, *Parties and Political Change*, 395-96.

comprised 45 percent of Bolivian imports in the early 1950s. As of 1950 Bolivia was importing 90 percent of its sugar, 76 percent of its wheat, 75 percent of its meat, and all of its cotton.<sup>36</sup>

A range of other problems, partly resulting from the “mining complex” and feudalistic agricultural relations, posed further obstacles to development. As a CEPAL report later noted, “the extreme concentration in income distribution and the virtual exclusion of a large part of the population from economic life,” in addition to the country’s small population overall, impeded the growth of the national consumer market.<sup>37</sup> The lack of infrastructure for transporting goods and for providing electricity, and the shortage of skilled labor, also hampered new investment.<sup>38</sup> Foreign indebtedness limited the Bolivian state’s potential capacity to overcome these problems. Debt service payments consumed about half of annual government revenue in the years just before the revolution, with owed interest constituting 58 percent of all debt in 1949.<sup>39</sup> The pre-1952 regimes’ own spending policies also made clear that they were unwilling to use what fiscal freedom they did have to spur development: debt service was the biggest expenditure in the 1950 budget, but the military came in second place.<sup>40</sup>

Notwithstanding these formidable obstacles, however, foreign assessments of the early and mid-1950s often stressed the country’s economic potential. Agriculture and oil were often singled out. CEPAL noted that “Bolivian agriculture is capable of supplying nearly all the items required by the domestic market.” According to a U.S. Embassy report issued one week prior to the revolution, “On its land resources alone Bolivia could establish a stable and viable

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<sup>36</sup> CEPAL, *Economic Survey of Latin America: 1956*, 28; U.S. Embassy to DoS, April 2, 1952, p. 24. See also CEPAL, *Economic Survey of Latin America: 1954*, 125.

<sup>37</sup> “The Economic Policy of Bolivia in 1952-64,” 64.

<sup>38</sup> Guevara Arze, *Plan inmediato*, 76-85; CEPAL, *Economic Survey of Latin America: 1956*, 63; U.S. Embassy to DoS, April 2, 1952, p. 21.

<sup>39</sup> CEPAL, *Economic Survey of Latin America: 1956*, 22; Legg, *Bolivia*, 4.

<sup>40</sup> Malloy, *Bolivia*, 155. On the growth of military spending in the 1920s and 1930s see Contreras, “Debt, Taxes, and War,” 279-81.

economy.” The same report argued that “[p]otentialities for [the] development of substantial petroleum production are excellent,” thus echoing the conclusions of the 1942 Bohan mission. “Few countries in the world have been endowed by nature with a greater diversity of raw materials,” argued the 1951 report of a UN technical team, adding that “there would seem to be no material reasons to prevent the people of Bolivia from living a life of reasonable comfort and contentment for many generations to come.”<sup>41</sup> Given its small size and extreme underdevelopment Bolivia was not going to become the next Brazil or Mexico in the near term. But with the right policies it might at least achieve a diversification of its primary exports, national food sovereignty, and consumer and intermediate industries to service domestic needs.

Almost all Bolivians agreed, at least superficially, on one thing: the desirability and potential for economic diversification and the state’s basic responsibility for helping to promote it. Diversification was a key popular demand and a central promise of the MNR leadership, though one that has been neglected in most accounts of the revolution.<sup>42</sup> As Senator Ciro Humboldt would argue in 1958, “the April Revolution was not made with the goal of simply altering the export commodity,” but rather “to build a new type of national economy for the benefit of Bolivians.”<sup>43</sup> In 1953 President Paz Estenssoro promised “the end of mono-production” and pledged increased state investment in agriculture, ranching, and manufacturing. Alongside oil, which assumed a more and more central place in economic debates in the years thereafter, these sectors were soon considered the most important in the diversification effort.<sup>44</sup>

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<sup>41</sup> CEPAL, *Economic Survey of Latin America: 1956*, 54; U.S. Embassy to DoS, April 2, 1952, p. 3; UNTAA, *Report*, 1.

<sup>42</sup> Most accounts focus on mine nationalization, agrarian reform, and universal suffrage as both the main promises and main achievements of the revolution.

<sup>43</sup> Humboldt, September 19, 1958, in República de Bolivia, Legislatura Ordinaria de 1958, *Redactor*, 1: 188.

<sup>44</sup> Paz Estenssoro, “Programa del Movimiento Nacionalista Revolucionario,” 162; see also Paz’s statements in *El Diario*, January 9, 1953, August 6, 1954, and October 12, 1955, and earlier in Paz Estenssoro, “El MNR, réplica de la historia” (October 1948), reprinted in *Documentos políticos*, ed. Lora, 172-73. Cf. Guevara Arze, *Plan inmediato*,



The most detailed early outlines of MNR's economic objectives appeared in the 1953 *Plan de diversificación de la producción* and the 1955 *Plan inmediato de política económica del gobierno de la revolución nacional*. The latter document, authored by then-Foreign Minister Wálter Guevara Arze, promoted the idea of new factories that would make glass, tires, cement, and chemicals.<sup>45</sup> Agriculture received particular emphasis. Guevara noted that the agricultural goods that comprised nearly half of import expenditures all “can be produced in the country under favorable economic conditions.” To complement the agrarian reform then underway, the plan called for new investments in sugar mills and in storage and processing facilities for rice, corn, and meat. State credits to industry were to “give priority to industries that use national raw materials,” thus linking agricultural production with urban industry. The 1955 document touted \$15 million in Central Bank loans to industry the previous year and noted specific projects like a \$3.6 million sugar mill to be constructed under the auspices of the Bolivian Development Corporation (CBF).<sup>46</sup>

Few Bolivians disagreed with these objectives, or with the need to nationalize the country's mines and launch a land redistribution program, as the government did in 1952-53. Yet within this broad developmentalist agenda, the content of proposals for building “a new type of national economy” varied greatly. Some later critics have accused the revolutionary nationalists of the 1950s of viewing nationalization and agrarian redistribution as panaceas, arguing that they neglected to pursue long-term solutions to economic underdevelopment. While this characterization does describe the thinking and policies of some top MNR officials, it ignores the

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63-178; 182-84. The Bohan Plan was a key basis for the MNR's post-1952 development strategy (see Pruden, “Cruceños into Cambas”; Thorn, “The Economic Transformation”).

<sup>45</sup> Guevara Arze, *Plan inmediato*, 158-62.

<sup>46</sup> Guevara Arze, *Plan inmediato*, 12, 154-58, 153, 167. On “import-substitution agriculture,” which was more viable than ISI for small countries, see Bulmer-Thomas, *The Economic History of Latin America*, 205, 223.

complexity and thoughtfulness of other grassroots and intellectual proposals at the time.<sup>47</sup> Revolutionaries outside the government often took a more sophisticated and comprehensive approach to changing both the “structure” and “model” of the economy.

Many union statements advocated using mining exports not merely as a source of rent-based income but as a lever for both diversifying and industrializing the economy. In place of the “brutal and systematic theft of our raw materials” by foreign interests, the Cochabamba branch of the COB envisioned a reorientation of production and spending to prioritize human needs:

We could create new manufacturing industries, exploit our [own] natural resources, promote agriculture through state aid, build roads and railroads, create thousands of schools and teaching institutes, establish hospitals, [and] provide sanitary housing for the population. We Bolivians have fought for the nationalization of the mines with this goal in mind. We want the mines to serve the interest of Bolivians and not that of foreign monopolists.<sup>48</sup>

This theme of mining as a lever for development was also apparent in the statement of the construction workers’ national congress in April 1953. The statement demanded “the free sale of tin” on the world market at “appropriate prices”—a condemnation of the U.S.-British monopoly on Bolivian tin exports and perhaps also the below-market prices that Bolivia had accepted during World War II, which had not ceased to be a source of popular anguish. Fairer prices for the country’s tin would “make way for the country’s industrialization, breaking in that way the

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<sup>47</sup> Francovich, *Mitos profundos*, 117-19; Molina, *El pensamiento boliviano*, 77, 117. CEPAL made a similar argument in the 1960s (“The Economic Policy of Bolivia in 1952-64,” 65-66). These accusations were not even totally fair for the case of MNR leaders, since some did call for the construction of smelters to process tin and other minerals (e.g., Paz Estenssoro, “Programa del Movimiento Nacionalista Revolucionario,” 162). It is certainly true that government *policy* neglected the goals of industrialization and diversification, however.

<sup>48</sup> Central Obrera Departamental, “Documento de crítica y autocrítica,” February 19, 1954, excerpted in Crespo and Soto, *Historia y memoria colectiva*, 153-54. A number of studies have examined attempts at “resource-based industrialization” in Latin American countries and elsewhere; see especially Auty, *Resource-Based Industrialization*; Coronil, *The Magical State*, 237-363.

siege of Yankee imperialism.”<sup>49</sup> With the same intent, the COB advocated formal cooperation among primary-commodity economies in the interest of price stabilization.<sup>50</sup>

As part of its economic development vision the COB also advocated nationalization in additional sectors, including “basic industry,” transportation, and public services. Its 1954 Program called for state intervention in industry “to create, parallel to private industry, [a] cooperative industry in the hands of the unions.” Complete state control over railroads and other transport was particularly important for achieving “economic Independence [sic], the planning of industrial development, and economic diversification.”<sup>51</sup> When the COB issued these proposals in 1954 its most radical leaders had already been purged via MNR intervention, and it now explicitly avoided calls for “proletarian revolution.”<sup>52</sup> Nonetheless, its demands continued to go beyond those of the MNR officialdom.

University students were also major participants in these early debates. By 1952 most major cities had a Federación Universitaria Local (FUL), which formed part of the national-level organization known in the post-1952 era as the Confederación Universitaria Boliviana (CUB).<sup>53</sup> The FULs, and universities more generally, had been key sites of leftist influence prior to 1952 and would be vocal proponents of radical change throughout the MNR period. The La Paz branch’s 1952 Program asserted the place of students alongside the “working classes of the country” in the struggle for “liberation from the capitalist yoke.”<sup>54</sup> The 1952 Program of the La Paz FUL prefigured later *dependentista* characterizations of the core-periphery relationship:

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<sup>49</sup> Quoted in Barcelli, *Medio siglo de luchas sindicales*, 316-17. See also *Rebelión*, May 1, 1952.

<sup>50</sup> COB, *Programa ideológico*, 31. See also *El Diario*, November 12, 1954.

<sup>51</sup> COB, *Programa ideológico*, 32-33.

<sup>52</sup> COB, *Programa ideológico*, 22-23. I discuss government attempts to tame the COB below.

<sup>53</sup> The CUB originated as the Federación Universitaria Bolivia (FUB).

<sup>54</sup> FUL-La Paz, “Programa de principios” (August 20, 1952), in *Reforma: Órgano de la Federación Universitaria Local* 1, no. 1 (1953): 74-75.

Bolivia is a semi-colonial country with a backward economy due to the actions of Yankee imperialism, [and has] therefore been converted into a simple source of raw and strategic materials for the benefit of the militarist ends of finance capital and into a secure market for its products.<sup>55</sup>

In addition to mobilizing in support of workers many times during the 1950s and 1960s, students also organized public conferences on economic issues that sometimes had an important influence on policy debates.<sup>56</sup>

The La Paz FUL explicitly rejected the notion that nationalization was sufficient in itself. Its June 1952 resolution supporting the nationalization warned that “we do not think this to be the definitive step.” Its Program two months later advocated the construction of mineral smelters.<sup>57</sup> Additional proposals included the nationalization of the banks and railroads with workers’ control, state control over exports, and—in a rebuke to U.S. pressures and MNR anti-Communism—“commercial relations with all countries of the world that respect our sovereignty.”<sup>58</sup>

Even in the area of agrarian policy, which urban labor and the left in the 1950s tended to underemphasize, FUL-La Paz and CUB proposals did not view land redistribution as a panacea. In 1952 these organizations were already calling for technical assistance, training, and state investment in the mechanization of agriculture as well as redistribution. They also displayed somewhat more sensitivity toward peasant wishes than most government officials and urban

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<sup>55</sup> FUL-La Paz, “Programa de principios,” 75.

<sup>56</sup> On one such conference in Potosí, on the mines and agrarian reform, see *El Pueblo* (La Paz), June 14, 1952, and *Los Tiempos*, July 17, 1952. See also Chapter 6.

<sup>57</sup> FUL-La Paz, “La nacionalización de las minas: Declaración resolutive universitaria,” June 19, 1952, p. 3, in ALP/SISH, Caja 1, Carpeta 5; FUL-La Paz, “Programa de principios,” 78. Such statements echoed socialist student leader Ramón Chumacero Vargas’s 1934 warning that “in present conditions, the formula...‘lands to the people, mines to the State’ would solve almost nothing...Any socialized wealth, in the current stage, would only be useful” if accompanied by “higher production” (“Nacionalismo: Cuestión social boliviana,” in *Acción universitaria*, 148).

<sup>58</sup> “Los estudiantes y la nacionalización de las minas de Bolivia” and “Por la nacionalización de los ferrocarriles” (statements of the CUB Tenth Congress), in *Reforma* 1, no. 1 (1953): 92-95; FUL-La Paz, “Programa de principios,” 78-79 (p. 79 quote).

leftists did. While their goal was “agrarian revolution,” they called for the transfer of the old estates “to communities for their collective exploitation or under other forms, taking into account the labor customs and social life of the peasantry.”<sup>59</sup>

In many ways the economic development proposals of urban workers and university students were thus more thoughtful, far-sighted, and comprehensive than those of MNR leaders.<sup>60</sup> The gulf between these sectors and the MNR core leadership was even more pronounced on the question of social redistribution.

### **Economic Revolution and Social Revolution**

MNR officials repeatedly emphasized that their goal was an “economic revolution, not social revolution.”<sup>61</sup> Economic revolution meant state intervention to promote capital accumulation, reinvestment, and diversification—basically, a moderate version of structuralism. MNR leaders counterposed these goals to the “social” objectives of redistributing wealth and attacking capitalist private property. Their explicit model was the postrevolutionary Mexican state, which had taken a sharp turn away from social redistribution starting in the late 1930s.<sup>62</sup> The left, meanwhile, agreed that economic revolution was necessary but insisted that it could not be separated from social revolution—both for the sake of justice and because each was doomed to fail without the other. The unfolding dialectic between these two visions is central to understanding the MNR period.

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<sup>59</sup> FUL-La Paz, “Programa de principios,” 75, 78 (first quote); “Los estudiantes y la reforma agraria” (statement of the CUB Tenth Congress), in *Reforma* 1, no. 1 (1953): 94 (second quote). The COB’s 1954 *Programa ideológico* called for reform “tending fundamentally toward the formation of peasant cooperatives and peasant communities” (p. 33); the 1952 draft proposed “a collective system” (quoted in Lora, *Movimiento obrero contemporáneo*, 314).

<sup>60</sup> I discuss these proposals and visions in more depth in Chapters 5-6.

<sup>61</sup> Minister of Public Works Adrián Barrenechea interviewed in *El Diario*, January 11, 1953; see also Víctor Paz Estenssoro’s speech in *El Diario*, January 9, 1953.

<sup>62</sup> Malloy, *Bolivia*, 235, 283. On the shift toward “economic revolution” in Mexico see Wilkie, *The Mexican Revolution*.

Starting with their earliest statements in the 1940s, MNR leaders had always envisioned the capitalist class continuing to play a central role in Bolivian economic development. Their enemy was not capitalism itself, they emphasized, but that small group of monopolists, imperialists, and feudal lords who circumvented the free market (often associated with “the maneuvers of Judaism” in party documents of the 1940s).<sup>63</sup> Much of Guevara’s 1946 Thesis of Ayopaya had been an explicit rebuke to the miners’ radical Thesis of Pulacayo, which had attacked capitalism and called for socialist revolution. Once they took power in 1952, party leaders like Guevara emphasized their openness to private investment in oil, mining, agriculture, and other industries.<sup>64</sup>

They meanwhile strove to limit reform to that which would not involve redistributing existing wealth or infringing on private property rights. Prior to 1953 MNR leaders had been reticent to endorse any program of far-reaching land expropriations, instead promoting labor reforms or sharecropping arrangements and stressing plans for “colonization” of unoccupied territory in the eastern lowlands (the same was true of much of the urban left, especially the Stalinist PIR).<sup>65</sup> Even after peasant land occupations in the countryside compelled the government to embrace a policy of expropriations in August 1953, the MNR conceived and framed the expropriations as an attack on feudal lords who were impeding modernization and an imperative of nation-building that would bring indigenous peasants into the national community and economic market. Víctor Paz Estenssoro claimed that “agrarian reform will benefit the

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<sup>63</sup> MNR, “Principios y acción del ‘Movimiento Nacionalista Revolucionario’” (April 1946), in *Programas políticos de Bolivia*, ed. Cornejo, 147.

<sup>64</sup> Guevara Arze, *Plan inmediato*, 57-59, 112. See also Chapter 1, note 75.

<sup>65</sup> Soliz, “La modernidad esquivada.” After 1953 colonization remained high on the MNR’s agenda (e.g., Guevara Arze, *Plan inmediato*, 100).

bourgeoisie as much as the peasants.”<sup>66</sup> The agrarian policies pioneered by the MNR promoted private landownership over the communal (particularly in the early years), thus creating a new class of small landowners and, in the eastern lowlands, consolidating the power of large landowners and a commercial elite that would come to play a highly conservative political role in the country.<sup>67</sup>

The nationalization of the country’s large mines and the establishment of the state-run Corporación Minera de Bolivia (COMIBOL) resulted from a similar dynamic. While the demands of labor and the left compelled the MNR to embrace the cause of nationalization, the shape of the October 1952 nationalization decree and ensuing policies also reflected MNR leaders’ preference for a developmentalist path rather than a socialist one. The Paz government established a watered-down and bureaucratized form of workers’ control in which individual workers were tasked with monitoring conditions and the workforce as a whole was largely excluded from the process.<sup>68</sup> It also dutifully promised “compensation” to the deposed Patiño, Aramayo, and Hochschild mining companies, partly in order to retain the good will of the U.S. government. And as with the agrarian reform, MNR leaders emphasized that the nationalization was an exceptional measure against parasitic monopolists rather than a reflection of generalized

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<sup>66</sup> Paz Estenssoro, “Programa del Movimiento Nacionalista Revolucionario,” 166.

<sup>67</sup> Among many left and indigenist critiques of the MNR land reform, see Rivera, *Oprimidos pero no vencidos*, 118-41; Platt, *Estado boliviano y ayllu andino*, 148ff.; Malloy, *Bolivia*, 205, 282. On the MNR’s agrarian policy in the east and the consolidation of the *cruceño* landholding elite see Soruco, “De la goma a la soya,” 57-74; Pruden, “Cruceños into Cambas.” For the breakdown over time between individual and collective land titling see Wilkie, *Measuring Land Reform*, 31, 34.

<sup>68</sup> Under the new system two of the seven COMIBOL directors were chosen by the FSTMB, with one “worker controller” at the national level and one in each mine (Alexander with Parker, *A History of Organized Labor in Bolivia*, 91). For some critiques by workers and leftists see Crespo and Soto, *Historia y memoria colectiva*, 54; Lora, “La clase obrera después de 1952,” 198-204.

hostility toward private property. “Nationalization of private property is not the policy of Bolivia,” Ambassador to the United States Víctor Andrade reassured his audience.<sup>69</sup>

The bourgeoisie was explicitly included within the official MNR vision of the national community, with even the official leader of the MNR left, Juan Lechín, emphasizing the “neither bourgeois nor proletarian” nature of the revolution.<sup>70</sup> Such statements implied that all classes would benefit from the MNR’s economic policy, and that the solution to underdevelopment lay in economic growth rather than redistribution of property, wealth, and power. Capitalist modernization under the guidance of a wise and pragmatic elite would uplift all Bolivians.<sup>71</sup> The only losers would be a handful of monopolists and imperialists—labels not applied to foreign capital, Western governments, and most of the Bolivian bourgeoisie. The MNR’s mutual-benefit discourse thus concealed the economy’s continued privileging of capitalist and middle-class sectors at the expense of the majority.

This populist economic rhetoric went hand-in-hand with the MNR’s vision of racial and cultural mestizaje, which similarly obscured persistent hierarchies. To a far greater extent than oligarchic regimes of the past, the MNR embraced Bolivia’s non-white, non-European identity. An early party Program of 1946 had proclaimed “our faith in the power of the Indo-mestizo race.”<sup>72</sup> But as many historians have noted, official visions of mestizaje in Bolivia and most other twentieth-century Latin American states in the mid-twentieth century continued to denigrate indigenous peoples and cultures even as they rejected the unabashed Eurocentrism of the past. State visions of mestizaje valued the *mestizo* over the Indian, and the “white” and

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<sup>69</sup> Quoted in Alexander, *The Bolivian National Revolution*, 103, and Malloy, *Bolivia*, 176.

<sup>70</sup> *El Diario*, November 3, 1954.

<sup>71</sup> Malloy writes “that the MNR core saw itself as an elite destined to lead a backward people to modernity” (*Bolivia*, 374n6).

<sup>72</sup> MNR, “Principios y acción,” 148.



European aspects of the mestizo over the “indigenous” aspects.<sup>73</sup> A 1954 editorial in the MNR’s official newspaper argued that “the Indian is still like a child.” Minister of Peasant Affairs Ñuflo Chávez Ortiz agreed, stating simply in early 1953 that the Indian “is ignorant, [and] does not yet have a revolutionary consciousness.” As in most of Latin America, *indio* remained a derogatory term and was replaced by *campesino* whenever MNR leaders sought to speak positively about rural residents.<sup>74</sup> The MNR’s cult of mestizaje was intimately tied to its vision for agrarian development: party leaders viewed indigenous communal landholdings, culture, and subsistence agriculture as impediments to modernization and the unification of the Bolivian nation. These views—a capitalist bias mixed with racism—were used to justify first the MNR’s hesitancy about land expropriations and later the individualist thrust of the government’s land reform policy.<sup>75</sup>

At no point did MNR leaders enjoy unilateral policymaking power, however. Their economic vision clashed constantly with more radical visions at the grassroots level. Although most workers, peasants, and students formally supported the government during this period, their rhetoric rejected the government’s vague populism and their policy proposals went well beyond those of MNR leaders. In the countryside, peasant and indigenous visions of justice often conflicted with MNR leaders’ conservatism and distrust of backward *indios*. In the cities and mines, the most well-known early difference between the Paz administration and popular sectors concerned the specifics of the mine nationalization. While government officials emphatically

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<sup>73</sup> On the MNR period see Chapter 1, note 78; Hylton and Thomson, *Revolutionary Horizons*, 80.

<sup>74</sup> Quotes from *La Nación*, October 23, 1954; *Los Tiempos*, February 10, 1953. In one revealing 1955 statement, Wálter Guevara sought to refute the widespread “prejudice” about rural residents, “who are considered, wrongly, nothing but Indians [*indios en su totalidad*], stuck for centuries in a subsistence economy without ambitions of prospering economically” (*Plan inmediato*, 104).

<sup>75</sup> In a discussion of pre-1952 debates on agrarian policy, Soliz notes that MNR leaders and even many leftists saw a tension between redistributing land and increasing production (“La modernidad esquivada,” 43-44).

promised to compensate the tin oligarchs, the COB demanded “nationalization of the mines without compensation.”<sup>76</sup> The COB, and the miners specifically, also demanded meaningful workers’ participation in the management of the mines. The national university student organization echoed the demand for nationalization without compensation and under the “control and administration” of workers.<sup>77</sup> Many of the revolution’s supporters in the cities and mines support base also demanded the nationalization of transportation, public services, and sometimes even urban factories. The COB’s 1952 draft Program, denounced as “contrary to all nationalist sentiment” by leaders of the MNR right, included such demands and called for genuine workers’ control in the nationalized industries.<sup>78</sup>

Popular pressures had a crucial impact on agrarian and mining policy. The peasant land occupations of 1952-53—preceded by many decades of rural activism—helped to radicalize the MNR leadership’s decidedly modest plans for reform. The August 1953 land reform decree and ensuing expropriations were a major concession to a militant peasantry that pushed MNR leaders much farther than most of them had wished to go.<sup>79</sup> The mines nationalization policy announced in October 1952 was a compromise between the MNR and COB positions that incorporated a limited form of workers’ control but also maintained the promise of compensation. Nationalization, however limited and flawed from the perspective of the left, might never have happened had it not been for the mobilization of workers and leftists in the mines and cities. The MNR, after all, had only publicly advocated nationalization in 1951, and many MNR core

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<sup>76</sup> COB, “Pronunciamiento de la COB sobre la nacionalización de las minas,” quoted in Lora, *Movimiento obrero contemporáneo*, 345.

<sup>77</sup> “Los estudiantes y la nacionalización de las minas de Bolivia” (statement of the CUB Tenth Congress), in *Reforma* 1, no. 1 (1953): 93.

<sup>78</sup> Quoted in Malloy, *Bolivia*, 226.

<sup>79</sup> Kohl, “Peasant and Revolution.” On the prerevolutionary period see Gotkowitz, *A Revolution for Our Rights*.

leaders remained ambivalent or even opposed to it after taking power.<sup>80</sup> The nationalization decree was a compromise, but compromises by definition reflect power on both sides.

In this same way, even the MNR's cooptation of more radical forces to its left reflects the weight of popular power. By October 1952 the party leadership had wrested control of the COB from the Trotskyists, and subsequently used the COB and the semblance of *cogobierno* to restrain radical energies at its base.<sup>81</sup> Through ideological appeals, material rewards, and repression of the Marxist left, the MNR succeeded in maintaining the allegiance of the vast majority of rank-and-file urban workers. Even in the years after 1956, when monetary stabilization marked the MNR's decisive turn to the right, most workers would remain electorally loyal to the MNR despite their growing disenchantment with government policies. Yet critical observers, if understandably indignant about this course of events, have often exaggerated the MNR's power. Guillermo Lora, for one, accuses the regime of coopting the POR's political program.<sup>82</sup> But the cooptation process itself is a dialectical one, and the need for cooptation reveals the strength of the left as well as the government.

Moreover, even after the MNR's expulsion of Trotskyists from the COB, the COB retained more independence than Lora argues. Its 1954 Program advanced a series of demands for nationalization and redistribution that went beyond government policy and rhetoric. It criticized the positions of both Stalinists and Trotskyists, but also reaffirmed "the traditional strategic line of revolutionary Marxism." The document pledged to defend the MNR government but also declared the COB "the motor force behind the National Revolution" which would "keep

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<sup>80</sup> Malloy, *Bolivia*, 149, 174.

<sup>81</sup> Alexander with Parker, *A History of Organized Labor in Bolivia*, 88. For a Trotskyist critique see Lora, "La clase obrera después de 1952." On repression of the POR see Lora, *Movimiento obrero contemporáneo*, 378-79; John, *Bolivia's Radical Tradition*, 124-25. For a summary of the *cogobierno* experiment see Lazarte, *Movimiento obrero y procesos políticos*, 121-31.

<sup>82</sup> Lora, "La clase obrera después de 1952," 172-73, 190.

it from becoming corrupted, spoiled, or stopped; therefore, its support is critical or conditional.”<sup>83</sup> Lora goes a bit too far when he asserts that the COB was “transformed into a docile instrument” and a mere “appendage of the petty-bourgeois government.”<sup>84</sup>

The lasting impact of popular pressures on fiscal policy is also often overlooked. Urban labor and the left advocated increased social spending in the form of consumer subsidies, social security, and higher expenditures on education and health care. Popular demands forced the MNR to maintain a relatively high level of social spending until 1956. Even after that momentous year, and even under the military dictatorships of the 1960s and 1970s, social spending levels would remain well above the level of the early 1940s.<sup>85</sup>

There is usually assumed to be a trade-off between immediate consumption and reinvestment, since surplus wealth that is consumed cannot be plowed back into production.<sup>86</sup> But implicit in many worker statements was the argument that the two need not *always* be at odds, that redistribution could not only enhance growth but was essential to building a more stable economy. For one thing, consumption was not the main factor depriving Bolivia of funds for reinvestment: much of the country’s potential surplus was being sent abroad through the compensation agreement and debt service, and large amounts of land and other resources were

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<sup>83</sup> COB, *Programa ideológico*, 4-5, 31. Likewise, in the 1952 debate over the political program of the university students’ confederation, the minority Trotskyist faction was defeated but not condemned, and the content of the final document was decidedly anti-capitalist. The introduction to the Program, likely written by Mario Guzmán Galarza of the Universidad de La Paz, emphasized not ideological differences with the Trotskyists but rather the need to craft a document with broad appeal that would not come off as too ideologically dogmatic or sectarian. See *Reforma* 1, no. 1 (1952): 73.

<sup>84</sup> Lora, *Movimiento obrero contemporáneo*, 357, 329. Elsewhere Lora seems to contradict this claim when he notes that the COB continued to place radical demands on the government even after its 1954 First Congress (“La clase obrera después de 1952,” 181; *Movimiento obrero contemporáneo*, 403).

<sup>85</sup> See Epilogue. This pattern was especially notable in education. Even in the 1970s and early 1980s the central government spent around *one-quarter* of its annual budget on education, consistently outranking almost all other Latin American countries in this regard. See Wilkie, *The Bolivian Revolution and U.S. Aid*, 21, 55; Wilkie and Perkal, eds., *Statistical Abstract*, 160, 701-02; Wilkie and Reich, eds., *Statistical Abstract*, 131.

<sup>86</sup> On this tension in the MNR period see Malloy, *Bolivia*, 243-79; Mitchell, *The Legacy of Populism*, 38-63.

being employed inefficiently or not at all. Secondly, the country's fledgling industries needed a consumer market. In the words of a factory workers' statement in 1963, only when workers are well-paid "can they become the main consumers of the country's industrial production."<sup>87</sup> Consumption (i.e., one part of "social revolution") was not inherently incompatible with reinvestment (economic revolution), and in fact the two processes could be mutually reinforcing if pursued in the right way.<sup>88</sup>

Throughout the MNR period the party leadership's agenda would continue to clash with the more comprehensive visions of Bolivian workers and the left, who articulated more far-reaching proposals for both "economic" and "social" revolution. In part this difference reflected the former groups' greater freedom: while the regime carefully calibrated its public statements to avoid antagonizing foreign powers and the domestic middle class, workers and students faced no such constraints. But the differences also reflected fundamentally different visions of what the new Bolivian economy and society should look like.

In this emerging contest of ideas and forces, the MNR moderates soon obtained the support of a powerful outside ally. Although their vision did not coincide precisely with that of United States officials, U.S. intervention starting in 1953 would serve to bolster the moderates in their struggle to limit the scope of revolutionary change.

### **The Specter of Independent Nationalism and the U.S.-MNR Pact**

Prior to 1952 U.S. leaders were concerned with two primary objectives in Bolivia: promoting private economic investment (preferably from U.S. companies) and maintaining the

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<sup>87</sup> *El Diario*, July 12, 1963.

<sup>88</sup> Writing in 1957, U.S. economist Paul Baran noted that "while it might be thought at first that maximization of the rates of growth calls for plowing back into the economy all increments in output resulting from current investment, in actual fact some splitting of these increments so as to increase *both* investment and consumption may be a more effective, or even the only possible, method of attaining the largest possible increase in production" (*The Political Economy of Growth*, 270).

flow of Bolivian resources—especially minerals, but also oil—to the United States. Even before the revolution U.S. officials and private business representatives were worried about the possibility that Bolivia might nationalize its tin industry or erect other barriers to preferential U.S. access.<sup>89</sup> Such actions would not only endanger their access to Bolivian tin, but could also provide a dangerous example for other countries. In 1951 one State Department official wrote that the U.S. government “is engaged in trying to protect the interests of American investors in underdeveloped countries against the strong desire of those countries to expropriate and nationalize.” Allowing nationalization in Bolivia, he said, would make it “very difficult for us to protect the American owners of low cost mining properties in other countries.”<sup>90</sup> With regard to Bolivia’s already-nationalized oil industry, the goal was denationalization. In 1950 U.S. Ambassador Irving Florman wrote that “[s]ince my arrival here, I have worked diligently on the project of throwing Bolivia’s petroleum industry wide open to American private enterprise.”<sup>91</sup>

U.S. officials in Bolivia also kept a close eye on opposition political movements in the 1940s. The initial presence of MNR figures in the Villarroel government (1943-1946) triggered fierce protests from the State Department, which demanded their removal.<sup>92</sup> The increasing militancy of the mineworkers also worried them, especially after 1946—the year of the Pulacayo Thesis, and also the last year of relative U.S. tolerance for reformist democratic regimes across

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<sup>89</sup> See, for example, “Memorandum of Conversation [hereafter MemoConv],” August 24, 1950, in NA 59/1130/2 (see also the unsigned memo from March 21, 1951, in the same location).

<sup>90</sup> “Position Paper Prepared by the Acting Deputy Director of the Office of International Materials Policy (Evans),” November 2, 1951, in U.S. Department of State, *Foreign Relations of the United States [hereafter FRUS], 1951, 2: 1162* (also quoted in Dunkerley, “The Origins of the Bolivian Revolution,” 156).

<sup>91</sup> Florman to Miller, December 27, 1950, in NA 59/1130/2. On the interest of private U.S. oil companies in Bolivia see also Miller to DoS, June 27, 1951, in same location; Maleady to DoS, January 4 and 18, 1952, in NA 59, CDF 724.00(W)/1-452 and 724.00(W)/1-1852.

<sup>92</sup> Green, *The Containment of Latin America*, 142-52.

Latin America.<sup>93</sup> Postwar U.S. officials were much less concerned with the threat of Soviet-style Communism coming to Bolivia than with the resource nationalism and demands for redistribution that were gaining popularity among vast numbers of Bolivians. In this respect Bolivia reflected a continent-wide trend. “Economic nationalism,” and the demands for greater equality that often accompanied it, were “the common denominator” all across Latin America, wrote State Department adviser Laurence Duggan in 1949. “Latin Americans are convinced that the first beneficiaries of the development of a country’s resources should be the people of that country.”<sup>94</sup> The rise of revolutionary nationalism in its economic, political, and social manifestations posed a profound threat to U.S. objectives in the region.<sup>95</sup>

Given these concerns, the U.S. response to the April 1952 revolution may seem paradoxical. Rather than seeking to undermine the MNR, the U.S. government recognized it in June 1952 and the following year launched a large economic aid package for Bolivia. By June 1956 the United States had given the MNR roughly \$60 million in economic aid, and total U.S. aid to Bolivia would total \$300 million by 1964—the highest per capita average in the entire

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<sup>93</sup> de Lima to DoS, December 8, 1950, in NA 59, CDF 724.00(W)/12-850. On the continent-wide, U.S.-promoted assault on social democracy and the left after 1946, see Bethell and Roxborough, eds., *Latin America*, esp. the essays by Bethell and Roxborough, “Introduction,” and Whitehead, “Bolivia.” On U.S.-Bolivian relations in 1946-52 see Dorn, *The Truman Administration and Bolivia*.

<sup>94</sup> Duggan, *The Americas*, 147, quoted in Green, *The Containment of Latin America*, 188. A decade later, after the Cuban Revolution, CIA director Allen Dulles privately spoke of “a revolt of the have-nots, particularly in Latin America, Asia, and in Africa,” where ordinary people had been captured by “the spirit of revolution” (quoted in Rabe, *Eisenhower and Latin America*, 139).

<sup>95</sup> In contrast, most studies of the Cold War-era U.S. policy toward Latin America focus on anti-Communism as the driving motivation. See for instance Rabe, *Eisenhower and Latin America and The Most Dangerous Area*; Wood, *The Dismantling of the Good Neighbor Policy*, 145-209; Park, *Latin American Underdevelopment*, 167-229; Alexander, *The Bolivian National Revolution*, 255-70. My argument roughly coincides with that of several studies on U.S.-Bolivia relations, esp. Siekmeier, “Fighting Economic Nationalism” and Dorn, *The Truman Administration and Bolivia*. On the anti-nationalist and anti-labor thrust of U.S. policy in the broader hemispheric context, see Young, “Restoring Discipline in the Ranks,” 18-21. Historical studies that draw related conclusions about U.S. policy for the Cold War and earlier eras include Green, *The Containment of Latin America*; Grandin, *The Last Colonial Massacre*; Barnett, *Intervention and Revolution*; Grow, *The Good Neighbor Policy*; Krenn, *U.S. Policy toward Economic Nationalism*; Kolko, *Confronting the Third World*; Yaqub, *Containing Arab Nationalism*. In my view these studies complement the earlier arguments of Williams (*The Tragedy of American Diplomacy*) and LaFeber (*The New Empire*) on the “Open Door” objectives of U.S. policy, as well as the Marxist argument of Baran, *The Political Economy of Growth*.

world.<sup>96</sup> Whereas the United States led or supported military intervention to overthrow left-leaning nationalist regimes in Guatemala, Cuba, Chile, Nicaragua, and elsewhere, the U.S. response to Bolivia at first glance seems to have been remarkably tolerant.<sup>97</sup> Why did the Truman administration and its successors respond to the Bolivian Revolution with aid rather than military force?

One reason was that U.S. officials correctly perceived the internal conflict within the MNR. They recognized that Paz, Siles, Guevara, and the party's other core leaders shared their interest in limiting the revolution to economic modernization and suppressing demands for social revolution.<sup>98</sup> The moderates in the MNR were acutely aware of U.S. perceptions and skillfully presented themselves as bulwarks against radicalism, denouncing and even jailing leftists.<sup>99</sup> The MNR's language and posture stand in marked contrast to revolutions in Guatemala and Cuba, where the regimes took fewer pains to distance themselves from radicals and were more openly defiant of U.S. domination.<sup>100</sup>

On the economic policy front, MNR leaders appealed to elements in U.S. government circles who recognized the need for limited reforms along the lines of CEPAL recommendations. By promoting economic development, they argued, the MNR state would silence radical

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<sup>96</sup> Eder, *Inflation and Development*, 79, 122; figures for 1952-64 come from U.S. government sources quoted in Whitehead, *The United States and Bolivia*, 22, and Blasier, *The Hovering Giant*, 144. See also Wilkie, "U.S. Foreign Policy and Economic Assistance in Bolivia," and Wilkie, *The Bolivian Revolution and U.S. Aid*.

<sup>97</sup> Many scholars have applauded U.S. efforts at "reconciliation" with the MNR (Blasier, *The Hovering Giant*, 146, 150; Lehman, *Bolivia and the United States*, 106-07, 126; Alexander, *The Bolivian National Revolution*, xvii-xviii).

<sup>98</sup> On the "radical-moderate feud" within the MNR see Rowell to DoS, September 26, 1952 (CDF 724.00[W]/9-2652) (quote), and Maleady to DoS, May 2, 1952 (CDF 724.00[W]/5-252), in NA 59. See also National Intelligence Estimate 92-54, March 19, 1954, in *FRUS, 1952-1954*, 4: 547-57.

<sup>99</sup> For example, see Rowell to DoS, December 19, 1952 (CDF 724.00[W]/12-1952) and February 20, 1953 (724.00[W]/2-2053), in NA 59. Bolivia's Foreign Relations archive (RREE) is filled with correspondence from the Bolivian Embassy in Washington, which closely monitored U.S. officials' words and U.S. press coverage. For example, see Kempff Mercado to Guevara Arze, April 22, 1952, Tomo 113 (March-July 1952).

<sup>100</sup> As Kenneth Lehman has argued, Bolivia's nationalism was less threatening than Guatemala's given that Bolivia "accepted its place in the hemispheric system dominated by the United States" (*Bolivia and the United States*, 110).



demands and bring political stability to Bolivia.<sup>101</sup> They made clear that their interpretation of developmentalism maintained a central place for U.S. capital, issuing repeated promises “that the Bolivian government will welcome foreign capital to exploit its natural resources” and that it would give foreign companies “full guarantees against expropriation and discriminatory taxes.” Bolivian Ambassador Víctor Andrade promised in August 1952 that Bolivia’s strategic mineral resources “will always be available for continental defense and for U.S. industry and civilization.”<sup>102</sup> President Eisenhower’s brother Milton traveled to Bolivia in 1953 and confirmed the picture offered by MNR officials, arguing that the United States should try to channel popular energies toward what he called a “peaceful revolution.”<sup>103</sup> By early 1953 most State Department officials were convinced. One recommended aid in part “to keep this tinder box, which might set off a chain reaction in Latin America, from striking fire.”<sup>104</sup> U.S. aid began a few months later.

A second reason for the U.S. decision was the lack of any alternative political force that Washington would have preferred over the MNR. Once in power the MNR had greatly reduced the size of the Army and tacitly permitted the growth of popular militias, eliminating one potential option that was available to the United States in Guatemala in 1954 when it overthrew

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<sup>101</sup> Economic collapse was a real possibility in the aftermath of April 1952. On U.S. fears that “economic collapse would lead to the disappearance of the government as then constituted, and the probable emergence of a regime hostile to the United States, possibly communistic in orientation,” see the unsigned document included with Holland to Dulles, November 18, 1954, in NA 59/1132/1.

<sup>102</sup> Rowell to DoS, February 20, 1953 and May 22, 1953 (CDF 724.00[W]/5-2253), in NA 59; Andrade quoted in *En Marcha*, August 12, 1952. See also the Bolivian Ministry of Foreign Relations’ explanation of “The Revolution’s Foreign Policy” in *La Nación*, August 6, 1954. Siekmeier emphasizes the agency of Andrade in his diplomatic role, but also writes that “Andrade succeeded in acquiring U.S. aid for Bolivia in large part because of his understanding of U.S. motives for giving assistance” (*The Bolivian Revolution*, 55-72 [quote p. 69]).

<sup>103</sup> Eisenhower, *The Wine is Bitter*, xi. Kennedy assistant Arthur Schlesinger, Jr., would later clarify the meaning of *peaceful*, writing in 1961 that “if the possessing classes of Latin America make the *middle-class revolution* impossible, they will make a ‘workers-and-peasants’ revolution inevitable” (Schlesinger, “Report to the President on Latin American Mission, February 12-March 3, 1961,” in *FRUS, 1961-1963*, 12: 12 [emphasis added]).

<sup>104</sup> U.S. Embassy to DoS, April 30, 1953, in NA 59, CDF 611.24/4-3053; Lehman, *Bolivia and the United States*, 108.

the Arbenz government. There is no evidence that U.S. diplomats ever seriously considered toppling the MNR. President Paz, in fact, openly emphasized the lack of alternatives to the MNR in conversations with U.S. diplomats in late 1953, contrasting Bolivia with Iran, where the United States had just helped to overthrow the Mossadegh government.<sup>105</sup>

The U.S. government thus decided that it could use economic aid to exert leverage on the MNR, strengthening the moderate elements within it. A series of explicit conditions accompanied U.S. aid from the very beginning. The written terms of the aid agreement stipulated that aid “may be terminated” at any time “if it is determined that because of changed conditions the continuation of the assistance is unnecessary or undesirable.”<sup>106</sup> The first condition was that the MNR compensate the Patiño, Aramayo, and Hochschild mining companies and their investors. In 1953 U.S. officials publicly stated that a preliminary compensation agreement with Patiño would help “set the stage for U.S. action” in the form of a long-term tin purchasing contract and potentially direct U.S. aid. MNR leaders followed suit with an agreement giving Patiño the rights to process a certain share of Bolivian tin exports at his refining plant in Europe, and the tin contract and aid followed a few months later.<sup>107</sup> For the next five years U.S. officials continuously insisted that the MNR take further steps toward compensating the former mine owners.<sup>108</sup> They were willing to countenance the nationalization itself, but only if the mine oligarchs received compensation.

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<sup>105</sup> Sparks to DoS, October 6, 1953, in NA 59, CDF 724.5-MSP/10-653. See also Alexander, *The Bolivian National Revolution*, 260; Whitehead, *The United States and Bolivia*, 9; Lehman, *Bolivia and the United States*, 107-08; Wood, *The Dismantling of the Good Neighbor Policy*, 147, 150.

<sup>106</sup> Quotes from Bennett to DoS, September 2, 1953 (CDF 724.5-MSP/9-253), and U.S. Embassy to DoS, October 15, 1953 (CDF 724.5-MSP/10-1553), in NA 59.

<sup>107</sup> Blasier, *The Hovering Giant*, 134. This conditionality was made public in early 1953 (*El Diario*, March 9, 1953). See also Zunes, “The United States and Bolivia,” 37-38.

<sup>108</sup> See, e.g., Rowell to DoS, November 7, 1952 (CDF 724.00[W]/11-752), and Cabot to Dulles, November 19, 1953 (CDF 724.5-MSP/11-1953), in NA 59; Acheson to U.S. Embassy, January 9, 1953, in *FRUS, 1952-1954*, 4: 520;

More generally, the United States demanded that this nationalization not lead to more attacks on private property. The prevention of further nationalizations and the promotion of foreign private investment remained central goals of U.S. policy, as they had been before 1952. Assistant Secretary of State Henry Holland wrote in 1955 that the United States should push the MNR “to take actions and follow policies which we consider desirable,” including most importantly measures to develop an “economy based on private enterprise and improve the atmosphere for private foreign capital.” Among the steps he recommended the MNR take to attract foreign investors was a new “Investment Guaranty Agreement” to protect future investors against nationalization. He also noted that Bolivia’s oil industry offered promising “prospects” for investors. The MNR’s “obligations,” according to Holland, included “an oil law which will afford [a] sound and attractive basis for the U.S. companies to come into the country.”<sup>109</sup> Holland and colleagues did more than just encourage: they forbade the use of aid to assist nationalized industries (namely, tin and oil) until the late 1950s, and in 1955 worked alongside allies in the MNR government to impose new legislation that effectively initiated the re-privatization of the oil industry.<sup>110</sup>

U.S. policies do not seem to have derived from a commitment to particular corporations. North American investments in Bolivia as of 1950 were miniscule compared to other Latin American countries. U.S. stockholders did hold substantial shares in Patiño, but their economic

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MemoConv, September 15, 1955, in NA 59/1132/1; Rubottom to Bonsal, June 6, 1957 in NA 59/1170/13; Bonsal to Rubottom, June 29, 1957, in NA 59/1135/1.

<sup>109</sup> Holland to Hoover, June 1, 1955; MemoConv, September 15, 1955; and Holland to Sparks, et al., April 4, 1955, all in NA 59/1132/1. See also “Agreement for a Joint United States-Bolivian Program,” June 22, 1955, in *FRUS, 1955-1957*, 7: 514-15.

<sup>110</sup> Wilkie, “U.S. Foreign Policy and Economic Assistance,” 92 (quote); Blasier, *The Hovering Giant*, 141; Zunes, “The United States and Bolivia,” 39-40. On the oil code see the next chapter.

interests were not the main determinant of policy.<sup>111</sup> Officials were more concerned with preventing the rise of successful state enterprises and preventing the example of Bolivian nationalization from inspiring similar actions in other countries. One 1953 memo warned that a successful nationalized tin industry might “tempt other countries to follow their example.”<sup>112</sup> According to the U.S. ambassador, his government had initially been hesitant to aid the MNR in part because “we did not wish to make funds available which might encourage further expropriation abroad.”<sup>113</sup> In relation to the oil industry, State Department correspondence of the 1950s expressed fear of “government oil companies in direct competition with private American oil companies.” Again, officials were deeply concerned about precedent: “If the U.S. Government should show a willingness to support such government operations on a large scale, there would be greater danger of nationalization of the oil industry in various countries of the world.”<sup>114</sup> The U.S. officials who crafted policy toward Latin America certainly acted on behalf of U.S. corporate interests, but only rarely did particular corporations directly steer policy.<sup>115</sup>

U.S. officials understood that neither Moscow nor the MNR leadership was responsible for these trends. Popular nationalism and demands for socioeconomic change, products of Bolivian social conditions and political culture, were the key threats. Left nationalists, not

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<sup>111</sup> On U.S. stock in Patiño see Maleady to DoS, June 13, 1952 (CDF 724.00[W]/6-1352), and Rowell to DoS, March 27, 1953 (CDF 724.00[W]/3-2753), in NA 59. Overall U.S. direct investments in Bolivia in 1950 totaled only \$11 million, compared to hundreds of millions each in Argentina, Brazil, Chile, Cuba, Venezuela, and other places (Wilkie and Reich, eds., *Statistical Abstract*, 367).

<sup>112</sup> Hudson to Atwood, April 30, 1953, in NA 59, CDF 824.00/4-3053.

<sup>113</sup> Testimony of Edward Sparks, included in Bolivian Embassy to Guevara Arze, June 10, 1955, in *Embajada de Bolivia—Washington a Ministerio de Relaciones Exteriores, enero a junio de 1955*, p. 121, in RREE.

<sup>114</sup> Prochnow to Hoover, November 19, 1955, in NA 59, CDF 824.2553/11-1755.

<sup>115</sup> This argument holds even for the oft-cited case of United Fruit in Guatemala, where a veritable revolving door existed between the executive branch and the company affected by nationalization (Coatsworth, *Central America and the United States*, 87). Gleijeses argues convincingly that United Fruit’s influence in Washington was *not* the key determinant of U.S. policy toward Arbenz, and that U.S. hostility derived more from the political, symbolic, and regional implications of unchecked popular nationalism, left-wing influence, and defiant anti-imperialism in Guatemala (*Shattered Hope*, 4, 7, 361-66). General studies stressing the ideological (i.e., non-strictly-economic) nature of U.S. motives include Barnett, *Intervention and Revolution*, and Hunt, *Ideology and U.S. Foreign Policy*.

Marxists, were the dominant force within the revolution's urban support base. Marxists were a significant minority within that base, but the most visible ones by 1952 were Trotskyists who certainly did not take any orders from Stalin's Soviet Union. In the countryside, too, the threat was not foreign subversion but rather "campesinos' present expectations and power."<sup>116</sup> To the extent that MNR leaders promoted any revolutionary change at all, it was largely in reaction to these pressures emanating from the grassroots.

Both U.S. and Bolivian officials understood that U.S. aid was intended in part to help the MNR moderates bring these popular forces under control. The conditions attached to U.S. aid were thus more than just an imperialist imposition. The asymmetry of power was obvious, for the MNR government and the country's economy were dependent on U.S. interests to an extent rarely seen in the modern history of underdeveloped nations.<sup>117</sup> But the agenda of the U.S. government roughly coincided with the pre-existing agenda of MNR core leaders, at least insofar as both sought to contain the radical impulses of the revolution's base.

After 1955 the balance of power would shift in the moderates' favor. Yet their victory would prove illusory, in two ways. First, the moderates' hostility to "social revolution" and their commitment to retaining U.S. favor would end up compromising even their own more limited goal of "economic revolution," as the next chapter will show. Second, despite the rightward lurch in economic and social policies after 1955, the radical forces would not be entirely suppressed. Their displeasure with the government would reach a fever pitch by the early 1960s, spelling doom for the MNR.

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<sup>116</sup> Maleady toDoS, May 9, 1952 (CDF 724.00[W]/5-952), and Rowell to DoS, July 17, 1953 (CDF 724.00[W]/7-1753), in NA 59.

<sup>117</sup> In the years just before 1952, the United States and Britain received over 95 percent of total exports. In 1952 about half of Bolivian tin went to the United States, and half to Britain. See Guevara Arze, *Plan inmediato*, 10; Legg, *Bolivia*, 8-9; *En Marcha*, August 12, 1952; Lehman, *Bolivia and the United States*, 75-80, 84-86; Whitehead, "Bolivia," 132; Rabe, *Eisenhower and Latin America*, 79.

The ultimate frustration of both the economic and social revolutions should not obscure the very real changes in Bolivia in the early years of the revolution. The constraints on U.S. officials were reflected in the decision to aid, rather than attack, the MNR, and to accept the mine nationalizations, which they reluctantly admitted were almost universally supported within Bolivia.<sup>118</sup> Land expropriations likewise proceeded despite U.S. reticence. These measures alongside MNR social spending produced a marked reduction in income inequality by 1956.<sup>119</sup> Such policy changes also reflect the extent to which MNR officials were subject to popular pressures. Many party moderates had envisioned a more tempered set of reforms, but in crafting the final policies they were repeatedly forced to compromise with radical elements on the ground. Those radicals left a lasting imprint on the country's policy and political culture.

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<sup>118</sup> Rowell to DoS, November 14, 1952, in NA 59, CDF 724.00(W)/11-1452.

<sup>119</sup> Kelley and Klein, *Revolution and the Rebirth of Inequality*, 138-41, 230-31. Kelley and Klein estimate that income inequality by the late 1950s had declined to roughly 70 percent of its levels in 1950-52. There was "a clear reversal" in this trend in the 1960s.

### **CHAPTER 3**

#### **The Political Economy of Containment: Privatization, Monetarism, and the MNR's Shift to the Right, 1955-1964**

After 1956 the simmering tensions within the MNR erupted into a boil, as the policy of social spending that had contained those tensions came up against the problems of hyperinflation, economic underdevelopment, and U.S. pressure. The mid-1950s marked the start of a clear rightward shift in the MNR's economic policy. The conservative tendencies within the party leadership gained strength, bolstered by U.S. intervention and MNR leaders' own success in pitting the urban middle class, peasantry, and certain working-class sectors against the mineworkers and the left. By the time of the November 1964 military coup that overthrew President Paz the government's economic policy had already shifted decisively to the right.

Three economic restructuring plans were especially important in this process: the oil privatization decree of 1955, the 1956 monetary stabilization plan, and the "Triangular Plan" to overhaul the mining industry in the 1960s. All three plans were designed to initiate decisive shifts in the Bolivian government's economic policy; the latter two also aimed to reduce the political power of the Bolivian labor force, particularly the miners' unions. First, the 1955 oil code reform re-opened most of Bolivia's territory to private oil companies, to whom it offered generous enticements. This reform plus the stabilization plan that followed further weakened the Bolivian state oil enterprise, YPFB, which from 1952 to 1955 had performed remarkably well.

The stabilization plan, crafted by U.S. banker and corporate lawyer George Jackson Eder, was a monetarist solution to the country's hyperinflation. True to monetarist philosophy, the "Eder Plan" slashed government spending and established a single exchange rate for the Bolivian currency. But like First-World money doctors before and after him, Eder had other objectives as

well. He sought to reduce the power of the “privileged” mineworkers, to restore “free rein to private enterprise,” and to “purge” the government of all elements sympathetic to socialism, structuralism, and Keynesianism—what he called the “forces of darkness.”<sup>1</sup> The plan highlights the U.S. role in the battle of economic ideas that engulfed Bolivia in the 1950s.

The Triangular Plan of the 1960s was a third key episode in this battle. Billed by the United States, West Germany, and the Inter-American Development Bank as a generous loan program to “rehabilitate” Bolivian tin mines, the plan gave its architects a chance to discipline Bolivian workers, further privatize the Bolivian economy, and test the usefulness of conditional economic aid in containing revolutionary nationalism. Like the stabilization plan before it, the Triangular Plan also accelerated the estrangement of the MNR from the miners.

These three plans had profound significance, both for Bolivia and for the broader hemisphere. Economic restructuring arrested Bolivia’s revolutionary momentum in two ways, by overhauling policy itself and accelerating political cleavages at the popular level. The conflict also had crucial hemispheric implications from the viewpoint of U.S. officials, who considered the battle of economic ideas just as important as the specific policy changes that the three plans sought. As the previous chapter argued, looking beyond the facile U.S. rhetoric of anticommunism to the conflicting economic ideas circulating in the country can provide a deeper understanding of the Bolivian Revolution, postwar Latin American nationalism, and U.S. policy in the region.

The implementation of the plans also highlights the role of power relations in the shaping of economic, fiscal, and monetary policy. Economic ideas, at least in practice, are inseparable from ideology and material interests, which tend to shape both the diagnosis of problems and the

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<sup>1</sup> Eder, *Inflation and Development*, 133, 601, 135, 302. On the tradition of foreign economic experts of which Eder was a part see Drake, *The Money Doctor*, esp. 175-211, and Drake, ed., *Money Doctors*. On “expertise” and technocracy more generally see Centeno and Silva, eds., *The Politics of Expertise*.



solutions offered. Which ideas are adopted depends on the balance of power in a society. As argued in Chapter 2, the ideology driving postwar U.S. policy is best described as anti-nationalist, anti-statist, and anti-labor. The 1955 oil code promoted privatization despite U.S. and Bolivian officials' own admissions that YPFB was a remarkably efficient state enterprise. The stabilization plan of the following year singled out social spending as the primary cause of inflation, and, by reorienting fiscal policy to prioritize payment on Bolivia's foreign debt and compensation to the deposed tin oligarchy, also imposed "solutions" that further damaged the country's fiscal health. Similarly, the effort to "rehabilitate the mines" targeted the mineworkers themselves as the main source of COMIBOL's problems. The designers of the stabilization and Triangular plans also sought to promote the re-privatization of the country's nationalized mines, arguing that private enterprise was inherently more efficient than state enterprise. In both cases the architects ignored a plethora of additional factors underlying Bolivia's fiscal and economic despair: its extreme dependency on mineral exports, the long-term decapitalization of the mines, declining ore grades and world tin prices, burdensome foreign debt and indemnification payments, the MNR's siphoning of funds from COMIBOL, Bolivia's lack of food sovereignty, and the increase in consumption as a result of the 1953 agrarian reform. For ideological and political reasons, these factors received little attention. Power, far more so than technical concerns about fiscal balance or economic efficiency, shaped the oil code and the stabilization and Triangular plans.

This story supports the arguments of political economists and the "new economic sociology" school about the importance of power relations in the development of economic institutions, policies, and laws. Since the 1970s many social scientists have challenged the conventional assumption that economic forms arise and survive because of their superior

efficiency. Focusing particularly on the rise of large corporations in the United States, these scholars have argued that power is at least as important as technological change or the quest for technical efficiency for understanding economic history. Differential political power, the construction and interpretation of laws, and state intervention on behalf of certain economic actors over others have all played crucial roles in shaping the structure of modern economies.<sup>2</sup> Although most of these scholars have focused on the United States, an examination of Bolivian economic changes in the 1950s and 1960s reveals similar patterns.

### **A Most Liberally Contrived Invitation to the Foreign Oil Industry**

From the 1920s onward, no Latin American commodity was more important to U.S. policymakers than oil, and none was more central in their fight against economic nationalism.<sup>3</sup> The Mexican Revolution, and particularly Article 27 of its 1917 Constitution, was the first major challenge to U.S. and European control over the region's resources. Article 27 established the state's rights to the subsoil and thus posed a serious potential threat to foreign oil companies operating in Mexico. In the 1920s the U.S. government was able to obtain assurances from the Mexican government that protected U.S. oil companies, but only temporarily: in 1938 the Cárdenas administration expropriated foreign oil holdings and established a state oil enterprise.<sup>4</sup> In the 1920s and 1930s Argentina, Bolivia, Brazil, Chile, Colombia, and Uruguay also began

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<sup>2</sup> Examples include Granovetter, "Economic Action and Social Structure"; Noble, *Forces of Production*; Clawson, *Bureaucracy and the Labor Process*; Sabel and Zeitlin, "Historical Alternatives to Mass Production"; Roy, *Socializing Capital*; Perrow, *Organizing America*; Schiller, *Communication and Cultural Domination*, esp. 46-67. For similar approaches to the neoliberal turn in Latin American economic policy in the 1980s and 1990s, see the essays in FitzGerald and Thorp, eds., *Economic Doctrines in Latin America*, esp. Gourevitch, "Economic Ideas, International Influences and Domestic Politics."

<sup>3</sup> As one indication of U.S. interest, U.S. investment in Peruvian, Colombian, and Venezuelan oil grew twenty-fold from 1914 to 1929 (Krenn, *U.S. Policy toward Economic Nationalism*, 9).

<sup>4</sup> Meyer, *México y Estados Unidos*; Smith, *The United States and Revolutionary Nationalism*; Krenn, *U.S. Policy toward Economic Nationalism*, 37-48; Knight, "The Politics of the Expropriation," 90-91; "The Bucareli Accords," reprinted in *Latin America and the United States*, ed. Holden and Zolov, 125-27.

experimenting with economic nationalist policies that, to varying degrees, challenged foreign control over oil resources.<sup>5</sup>

While not as earth-shattering as the 1938 Mexican nationalization, the Bolivian government's nationalization of Standard Oil a year before was deeply vexing for U.S. officials. The nationalization and establishment of a state oil company, YPFB, had crucial implications for Bolivia's incipient oil industry as well as U.S. corporations' access to Bolivian oil. The Roosevelt administration conditioned all economic aid to Bolivia on "compensation" to Standard Oil and Bolivian encouragement of private investment in oil exploitation.<sup>6</sup> This goal continued to figure centrally in the U.S. diplomatic mission in Bolivia in the years prior to 1952, as evidenced by Ambassador Florman's 1950 report that he had "worked diligently on the project of throwing Bolivia's petroleum industry wide open to American private enterprise."<sup>7</sup> In early 1951 the Bolivian government began negotiations with U.S. oil companies eager to access Bolivian oil, and officials like Florman proudly considered themselves partners in the companies' effort.<sup>8</sup>

Nevertheless, U.S. officials' fear of nationalization usually did not derive from a strong commitment to particular corporations. Even in cases where a veritable revolving door existed between the executive branch and the company affected (e.g., United Fruit in Guatemala), the interests of specific companies were secondary.<sup>9</sup> Two concerns were more important: preventing the rise of state enterprises that would compete with private U.S. industry and—perhaps most

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<sup>5</sup> Krenn, *U.S. Policy toward Economic Nationalism*, 21-33, 71-98; Philip, "The Expropriation in Comparative Perspective," 173-77; Haines, *The Americanization of Brazil*, 91; Solberg, *Oil and Nationalism in Argentina*.

<sup>6</sup> Green, *The Containment of Latin America*, 51-52, 194; Siekmeier, *The Bolivian Revolution*, 17-21, 24.

<sup>7</sup> Florman to Miller, December 27, 1950, in NA 59/1130/2 (see Chapter 2, note 91).

<sup>8</sup> Legg, *Bolivia*, 22. On oil companies' interest see Miller to DoS, June 27, 1951, in NA 59/1130/2; Maleady to DoS, January 4, 1952, in NA 59, CDF 724.00(W)/1-452; Maleady to DoS, January 18, 1952, in NA 59, CDF 724.00(W)/1-1852.

<sup>9</sup> On the many direct links between the Eisenhower administration and United Fruit see Coatsworth, *Central America and the United States*, 87. Yet Guatemalan Communist leader José Manuel Fortuny was probably right that "[t]hey would have overthrown us even if we had grown no bananas" (quoted in Gleijeses, *Shattered Hope*, 4).

important of all—preventing the example of nationalization from inspiring similar actions in other countries. In a memo written just after the 1955 oil code decree, State Department official Herbert Prochnow justified his opposition to any U.S. loans to YPFB on these two grounds: he feared the prospect of “government oil companies in direct competition with private American oil companies” and warned that “[i]f the U.S. Government should show a willingness to support such government operations on a large scale, there would be greater danger of nationalization of the oil industry in various countries of the world.”<sup>10</sup> Similar fears had shaped the U.S. response to the Bolivian and Mexican oil nationalizations of 1937-38 and also influenced its position toward the Bolivian mining industry in the 1950s and 1960s.<sup>11</sup> Protecting individual corporations was less important than preserving the *system* of global domination, though the two goals usually went together.

The goal of “throwing Bolivia’s petroleum industry wide open to American private enterprise” suffered a setback with the 1952 revolution. Although in September 1952 the new MNR government signed a contract with the McCarthy oil company—the first private contract since the 1937 nationalization—it signed no further contracts for four more years. The MNR increasingly looked to oil as a central pillar in the quest for economic diversification and many Bolivians insisted that YPFB was the key to developing the country’s reserves. In its first decade in office the MNR more than tripled annual investment in YPFB compared to the previous five years, notably expanding exploration, well-drilling, and the size of the workforce.<sup>12</sup>

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<sup>10</sup> Prochnow to Hoover, November 19, 1955, in NA 59, CDF 824.2553/11-1755.

<sup>11</sup> In response to Bolivia’s 1937 nationalization a General Motors representative had warned the State Department that “indignities perpetrated by one nation, if left unchallenged, too often serve as a precept and precedent for other nations to seize upon” (quoted in Green, *The Containment of Latin America*, 24). On concern over the precedent set by the Mexican nationalization see Krenn, *U.S. Policy toward Economic Nationalism*, 47; Brown, “The Structure of the Foreign-Owned Petroleum Industry,” 25; Philip, “The Expropriation in Comparative Perspective,” 176.

<sup>12</sup> Calvo Mirabal, *Transnacionales petroleras*, 86-95 (McCarthy contract); CEPAL, “The Economic Policy of Bolivia in 1952-64,” 80; YPFB, *Política petrolera*, 11-19, 81.

The investment paid off. After just two years the enterprise was supplying virtually the entire domestic market and exporting a modest surplus. By 1955 production of crude oil had increased five-fold over the 1952 level, due largely to rising production at the Camiri oilfield in southern Santa Cruz. Worker productivity had increased by 162 percent. Most of the crude was being refined at one of five Bolivian refineries into gasoline, kerosene, diesel, or fuel oil.<sup>13</sup> Although total production levels remained small compared to larger oil-producing nations, the industry's quick growth was impressive and boded well for Bolivia's diversification drive. CEPAL praised YPF's increase in production and also noted improvements in "refining and transport within the country" and in "its organization and its technical personnel."<sup>14</sup> Even State Department officials privately acknowledged YPF's "remarkable growth" since the revolution, conceding that the state enterprise had "a reputation for efficiency." YPF's progress was particularly impressive given the amortization and interest obligations with which it had been saddled after the Standard nationalization, which limited the amount of money that it could reinvest in production.<sup>15</sup>

Yet these positive assessments never made U.S. officials reconsider their goal of promoting private oil companies' entry into Bolivia. Soon after the revolution U.S. and Bolivian officials began talking of a new law that would pave the way for more private oil contracts in the country. The Petroleum Code decreed by President Paz in October 1955 provided highly attractive opportunities for foreign oil companies. It divided the country into four major zones,

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<sup>13</sup> YPF, *Política petrolera*, 22, 32, 34-37, 81.

<sup>14</sup> CEPAL, "The Economic Development of Bolivia," 50. In 1955 total production was 2.7 million barrels, or about 7,400 barrels a day (YPF, *Política petrolera*, 22).

<sup>15</sup> Bonsal to Rubottom, August 21, 1958, in NA 50/1170/13; Eaton, "Conclusions and Recommendations," (n.d.), p. 9, in NA 59/1170/13. See also Embassy to DoS, November 17, 1955, in NA 59, CDF 824.2553/11-1755. In 1960 a U.S. government-funded study of YPF also gave a generally positive assessment of the enterprise's functioning (DeGolyer and MacNaughton, Inc., *Informe*). For a U.S. assessment of the negative impact of "heavy amortization and interest payments" on YPF see U.S. Embassy to DoS, April 2, 1952, p. 20 (cited in Chapter 2, note 30).

reserving three for private concessions and one for YPFB (see Figure 3.1). Private companies were offered low taxation rates (an 11-percent royalty and 30-percent profits tax) and concession rights for 40 years.<sup>16</sup> Although YPFB's designated zone included key known oil reserves, it represented only eleven percent of the national territory. One provision also allowed the Bolivian president to rent out territory in YPFB's own zone to private concessionaires. As James Siekmeier observes, "the new Code was one of the most generous in all of Latin America" for private oil companies.<sup>17</sup> Not surprisingly, U.S. oil companies eagerly anticipated the decree and met frequently with State Department officials to discuss it.<sup>18</sup> Reflecting the high priority placed on passage of the new law, U.S. officials hinted that the MNR's failure to implement the code might jeopardize future U.S. aid.<sup>19</sup>

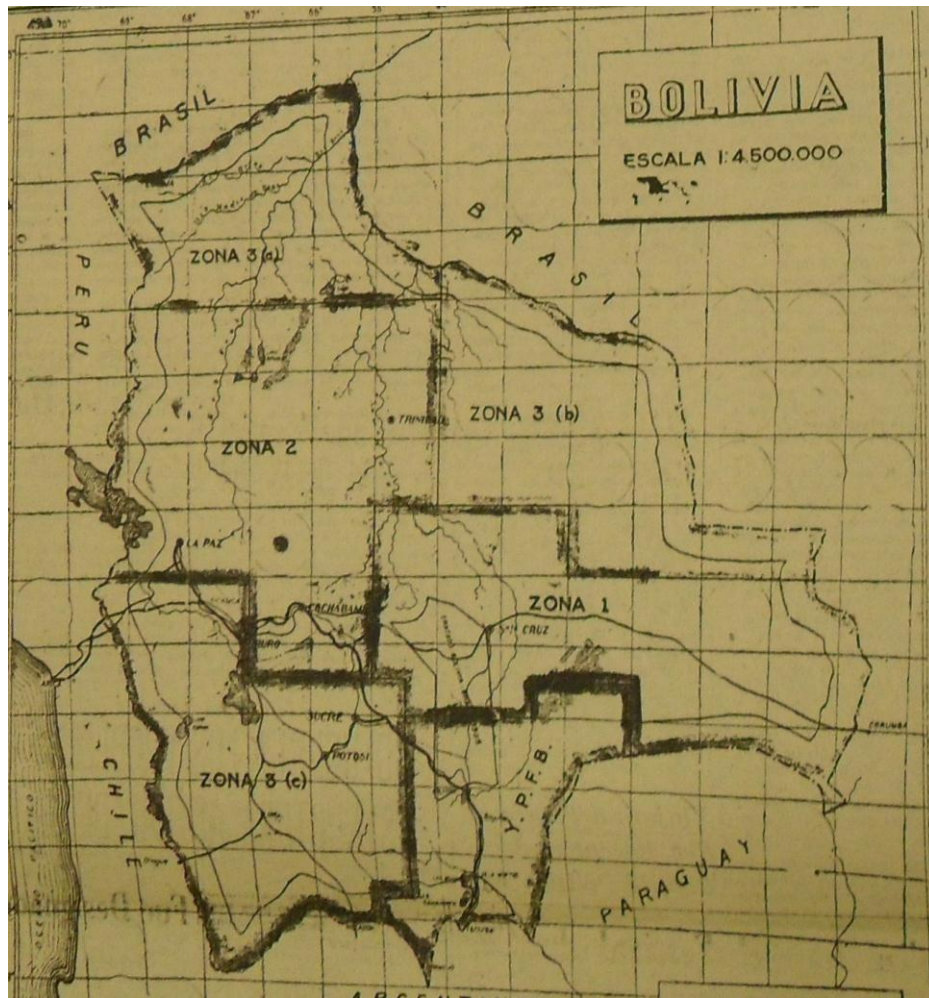
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<sup>16</sup> YPFB, *Código de petróleo*, 41-42, 27 (Articles 104, 106, and 67). Critics later argued that the effective tax rate was in fact much lower, amounting to less than 20 percent total (*Ultima Hora*, October 29, 1957, quoted in Almaraz Paz, *Petróleo en Bolivia*, 188). For more details on Bolivian critiques see Chapter 6.

<sup>17</sup> YPFB, *Código de petróleo*, 62 (Article 161); Siekmeier, *The Bolivian Revolution*, 51.

<sup>18</sup> For a partial sample of meetings in 1955-56 see Atwood to Holland, May 19, 1955, in NA 59, CDF 824.2553/5-1955; MemoConv, September 7, 1955, in NA 59, CDF 824.2553/9-755; MemoConv, August 8, 1956, in NA 59, CDF 824.2553/8-856. Close consultation with U.S. oil representatives continued thereafter. For instance, when the U.S. government was debating whether or not to provide loans to YPFB in the late 1950s the State Department sought oil companies' prior approval: see Unsigned, "Proposed Loan to YPFB..." June 23, 1959, in NA 59/1170/13. Henry Holland, the Assistant Secretary of State for Latin American Affairs in 1955, would travel to La Paz as an oil company lawyer in 1957 (Alexander, *The Bolivian National Revolution*, 168-69).

<sup>19</sup> Siekmeier, *The Bolivian Revolution*, 51.



**Figure 3.1: Zones created by the 1955 oil code decree.** The 1955 law established five zones reserved for exploitation by private companies (three major zones, with Zone #3 sub-divided into three), plus a zone in the southeastern part of the country for YPFB. Figure taken from *La Nación*, October 27, 1955, in Archivo Hemerográfico, Biblioteca y Archivo Histórico de la Asamblea Legislativa Plurinacional, Bolivia (BAH-ALP). This and subsequent BAH-ALP photos are reprinted with permission.

Yet MNR officials played a more important part in shaping the new oil code than most historians have realized. Declassified documents have revealed the key role of President Paz and YPFB personnel in conceptualizing, drafting, implementing, and justifying the code.<sup>20</sup> The Paz government hired U.S. lawyer Wortham Davenport, a man with “very high prestige in the oil industry” according to Ambassador Edward Sparks, to help design the new code. But despite

<sup>20</sup> Writing in 1969 and without access to most of the diplomatic record, Laurence Whitehead characterized the code as “written by Americans and enacted without public debate or modification by the Bolivian authorities” (Whitehead, *The United States and Bolivia*, 11); cf. Almaraz Paz, *Petróleo en Bolivia*, 206-07; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 170; Lehman, *Bolivia and the United States*, 122.

common reference to the law as the “Davenport Code,” a State Department memo from late 1955 indicates that an YPFB attorney named Raoul Fernández “did the greater part of the drafting of the new law.”<sup>21</sup> In private discussion with U.S. officials, President Paz approvingly characterized the code as “a most liberally contrived invitation to the foreign oil industry” and insisted “that whatever might stand in the way of such an accomplishment, provided it could be done rationally, should be swept aside.”<sup>22</sup> The Bolivian ambassador to Washington, Víctor Andrade, courted U.S. oil executives over lunch in New York. Before domestic audiences Paz and other MNR leaders used the advice of foreign experts to bolster their own arguments for a partial privatization of the oil industry—a recurring strategy of government leaders in twentieth-century Bolivia.<sup>23</sup> Although the U.S. government put heavy pressure on the Paz administration to pass the oil code, its efforts encountered little resistance from Bolivian leaders.

Bolivian officials also handled the task of selling the new legislation to the public. The hegemony of revolutionary nationalist discourse forced them to portray the oil code as both necessary and beneficial to YPFB itself. A statement from the Presidential Palace claimed the law would “facilitate [YPFB’s] operations, permitting it to extend its range of action.” The official MNR paper, *La Nación*, called it a “legislative masterpiece” that “will safeguard Bolivian sovereignty and interests.” Mario Torres, the left-leaning Minister of Mines and Petroleum, claimed that the law “both contains the necessary guarantees for the investor and ensures the defense of national interests.” President Paz’s introduction to the official text of the

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<sup>21</sup> Testimony included in Bolivian Embassy to Guevara Arze, June 10, 1955, in *Embajada de Bolivia—Washington a Ministerio de Relaciones Exteriores, enero a junio de 1955*, p. 132, located in RREE; Leggett to DoS, November 7, 1955, in NA 59, CDF 824.2553/11-755.

<sup>22</sup> Merritt to DoS, May 10, 1955, in NA 59, CDF 824.2553/5-1055. Apparently Paz had voiced the same sentiment multiple times in the past: see Unsigned, “Notes: Conversation with President Paz Estenssoro...” April 6, 1955, in NA 59, CDF 824.2553A/4-655.

<sup>23</sup> MemoConv, July 8, 1955, in NA 59, CDF 824.2553/7-855; Calvo Mirabal, *Transnacionales petroleras*, 93. See also Philip, *Oil and Politics in Latin America*, 258-59.



code evoked the revolutionary nationalist narrative of history, saying “that Bolivia lacks capital as a result of its long semicolonial exploitation”; the code was needed because of “the state’s inability to provide [YPFB] with the necessary capital.”<sup>24</sup>

As it turned out, the MNR faced little immediate opposition to the code. Prior to 1958 the law did not elicit much popular uproar, perhaps due to the opaque nature of the design process and the still relatively minor role of oil in the economy. The new code came in the form of a presidential decree which was later approved in rubber-stamp fashion without debate by the legislature. Nationalist politician Amado Canelas later wrote “that many [cabinet] Ministers signed the Decree without really knowing if it was good or bad, nationalist or ‘*entreguista*.’” Only several years later would the code become a deeply contentious and divisive issue.<sup>25</sup>

Oil companies rushed to Bolivia after 1955. Within two years nineteen foreign companies—eighteen U.S. companies plus the British giant Shell—had obtained concessions in the country.<sup>26</sup> The Bolivian Gulf Oil Company, of which Gulf owned 80 percent, received a contract for two million hectares in Zones 1 and 2 plus another 1.5 million hectares in YPFB’s designated zone. Shell got nearly two million hectares. Even some U.S. officials quietly acknowledged the lopsided nature of the concessions. For example, a no-bid contract went to Tennessee Gas in 1957 for an “area [that] should have been worth much more than the Bolivian Government obtained for it, i.e., merely an advance on royalties.”<sup>27</sup> Yet despite the generous concessions many companies invested little money in exploration and drilling, and only a

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<sup>24</sup> *El Diario*, October 12, 1955; *La Nación*, October 30 and 27, 1955; Torres quoted in Despatch No. 760, June 6, 1957, in NA 59, CDF 824.2553/6-657; YPFB, *Código de petróleo*, 4.

<sup>25</sup> Canelas, *Mito y realidad de la COMIBOL*, 222; cf. Almaraz Paz, *Petróleo en Bolivia*, 205. See Chapter 6.

<sup>26</sup> Despatch 285, October 8, 1958, in NA 59, CDF 824.2553/10-858. By early 1959 the number was up to twenty-one (MemoConv, February 11, 1959, in NA 59, CDF 824.2553/2-1159). For U.S. oil companies’ praise for the new law see *El Diario*, January 25 and October 11, 1956, quoted in Almaraz Paz, *Petróleo en Bolivia*, 205.

<sup>27</sup> Despatch 528, December 13, 1957, in NA 59, CDF 824.2553/12-1357; Embassy to DoS, May 17, 1957, in NA 59, CDF 824.2553/5-2157; MemoConv, August 15, 1957, in NA 59, CDF 824.2553/8-1557.

handful were producing oil or gas a decade later—a fact that would inspire much protest starting in the late 1950s.<sup>28</sup>

The code also had many negative effects on YPFB itself. After another impressive year in 1957, the enterprise's production levels steadily declined. By 1962 YPFB was no longer able to meet domestic consumption needs.<sup>29</sup> The exhaustion of existing oil wells played some role in this decline, but the code also constrained YPFB's ability to develop new reserves. CEPAL argued that “under the 1955 Petroleum Code the areas with the highest production potential were thrown open to foreign companies, whereas YPFB was in effect restricted to working its traditional oilfields,” some of which were nearing exhaustion. YPFB's designated zone was rapidly becoming “a virtually unproductive area.” And productive spots within the YPFB zone like the Madrejonas oilfield were often leased to U.S. companies, which would become another source of protest by 1958.<sup>30</sup> The monetary stabilization plan of 1956 further hurt YPFB by reducing its budget and cutting in half its foreign exchange receipts. Average annual investment in YPFB was 50 percent less in 1962-65 compared to the previous decade.<sup>31</sup> While the oil code and stabilization plan were not wholly responsible for YPFB's post-1957 struggles, they were probably the most important factors.

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<sup>28</sup> CEPAL, *Economic Survey of Latin America: 1966*, 99.

<sup>29</sup> YPFB, *Memoria annual 1957*, 3, 9, 26; Despach 528, December 13, 1957, in NA 59, CDF 824.2553/12-1357; Despach 696, February 19, 1959, in NA 59, CDF 824.2553/2-1859; CEPAL, “The Economic Policy of Bolivia in 1952-64,” 81; DeGolyer and MacNaughton, Inc., *Informe*, 67-74; Fernández Soliz, *Tema: El petróleo*, 120.

<sup>30</sup> CEPAL, “The Economic Policy of Bolivia in 1952-64,” 80-81. By mid-1958 there were three private contracts within YPFB's zone, all with U.S. companies: see Despach 612, January 7, 1958, in NA 59, CDF 824.2553/1-758; Bonsal to Rubottom, August 21, 1958, in NA 59, CDF 824.2553/8-2158. In contrast to CEPAL, a 1960 study gave a much more optimistic appraisal of the prospects for finding new oil in YPFB's zone (DeGolyer and MacNaughton, Inc., *Informe*, 29).

<sup>31</sup> CEPAL, “The Economic Policy of Bolivia in 1952-64,” 80; CEPAL, *Economic Survey of Latin America: 1966*, 99; Fernández Soliz, *Tema: El petróleo*, 105. See also CEPAL, “The Economic Development of Bolivia,” 51-52; Siekmeier, “Fighting Economic Nationalism,” 190-91.

The 1955 oil code was the first major legislative attempt after 1952 to roll back economic nationalism and promote privatization in a key sector of the economy. The code also highlights the importance of power dynamics in the making of economic policy. YPFB may have been remarkably efficient from a technical perspective, but this fact did not matter to the U.S. and Bolivian officials who promoted it. For U.S. officials, it was not the desire for growth and efficiency that underlay their promotion of the oil code but the threat of a successful state enterprise and the desire to advance U.S. corporate interests. On the Bolivian side, most high-level MNR officials lacked a principled commitment to YPFB and were perfectly happy with the oil code. The lack of immediate popular protest eased its implementation, though demands for revision or abrogation of the code would flare up within just a few years.

### **Purging the Forces of Darkness: The 1956 Monetary Stabilization Plan**

As the ink on the oil code decree was drying, Bolivian inflation was spinning out of control. Food prices in La Paz had skyrocketed and the overall cost of living index was twenty-two times higher in 1956 than it had been four years earlier. Since 1952 the cost of living in urban La Paz had risen by almost 150 percent a year.<sup>32</sup> By the middle of the decade even most on the Bolivian left agreed on the need for some program of “stabilization.”

The precise content and direction of that program were far more controversial, however. The controversy sprang from three conflicts: the differing priority that various actors placed on the problem—that is, whether to eliminate inflation or merely bring it under control; disagreements over the causes of the inflation; and the related struggle over who would bear the costs of stabilization. On the first question, left intellectuals like Guillermo Lora argued in favor of a controlled inflation, writing that “in all revolutionary periods inflation has become a

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<sup>32</sup> Dunkerley, *Rebellion in the Veins*, 86; United Nations Economic Commission for Latin America (hereafter CEPAL), “The Economic Development of Bolivia,” 29.

necessity” in order to achieve economic growth and redistribution.<sup>33</sup> This position was, and remains, popular among a broad range of Keynesian, structuralist, and socialist economists around the world.

Regarding the causes of the inflation, many Bolivian observers and CEPAL economists argued that it derived not only from MNR government spending but also from prerevolutionary government policies and long-term structural characteristics of the Bolivian economy. The inflationary trend dated back to the high deficits following the Chaco War. Heavy external debt obligations—largely composed of interest—amounted to over half of total government revenue in the years prior to 1952.<sup>34</sup> In a 1955 letter to the U.S. State Department the Bolivian Foreign Ministry cited declining ore grades, lack of capital, and old equipment in the mines among its list of “internal and external” causes of inflation. In a more detailed analysis, CEPAL argued that inflation “was attributable in no small measure to Bolivia’s economic and institutional backwardness,” emphasizing the long-term decline of tin yields and world prices dating back to the 1920s, the failure of the tin barons to invest in exploration and technology, and the “underdeveloped state of its economy” more generally. CEPAL noted that the dismal state of Bolivian agriculture, owing primarily to the lingering legacy of the feudalistic system of the pre-1953 era, was also to blame. In 1957 Bolivia remained reliant on agricultural imports (which comprised around 45 percent of the country’s total in the mid-1950s), despite the fact that Bolivian land was

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<sup>33</sup> Lora, *La estabilización, una impostura*, 5.

<sup>34</sup> Total external debt in 1949 was \$142 million, 58 percent of which (\$83 million) was interest. See Legg, *Bolivia*, 4; UN Technical Assistance Administration (hereafter UNTAA), *Report*, 22. For inflation rates from 1937-1950 see UNTAA, *Report*, 11; this 1951 report had emphasized the need for a monetary stabilization program *then*, and in fact some of its recommendations foreshadowed George Eder’s (see note 45).

capable of producing most of the imported products. These factors exacerbated inflation by limiting production and the availability of foreign exchange.<sup>35</sup>

CEPAL and others also pointed to the more proximate causes of inflation. Some of the inflation had derived from the nationalization of the mines in 1952 and the MNR's accommodationist stance toward foreign interests. The nationalization itself had led to a substantial brain drain of skilled labor and posed the daunting administrative challenge of creating a unified state mining entity out of many disparate mines. Less inevitable, perhaps, was the loss of millions of dollars in "indemnification" payments to the tin barons, which would cost the country \$22 million by 1961. The Bolivian government also noted that the increase in consumer demand resulting from the agrarian reform had contributed to inflation. The MNR itself bore some of the responsibility, CEPAL pointed out. Its inflationary monetary policies and dramatic increase of social spending, fueled by popular demands for employment and better wages and benefits, had contributed to the problem, and the system of multiple exchange rates had encouraged speculation that helped fuel inflation. The large expansion of the mining workforce, the decline in mining productivity since 1952, and what CEPAL deemed the often-unreasonable demands of labor were also significant.<sup>36</sup>

While CEPAL and many Bolivian observers focused on the structural features of the economy and enumerated a multiplicity of causes for the inflation, the U.S. government and MNR moderates and rightists focused almost exclusively on social spending and the wages and benefits of the mineworkers. Many observers in Bolivia opposed a direct U.S. role in shaping the

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<sup>35</sup> Cancillería to Holland, November 26, 1955, in ANB, Colección Wálter Guevara Arze, Caja 17; CEPAL, "The Economic Development of Bolivia," 28, 22, 21 (quotes), 54-59. Cf. CEPAL, "The Economic Policy of Bolivia in 1952-64," 66-73; CEPAL, *Economic Survey of Latin America: 1956*, 11-12. Most of these factors reflect what economists call "demand-pull" inflation, meaning that aggregate demand outstrips supply. See also Kofas, "The Politics of Austerity," 217-18.

<sup>36</sup> CEPAL, "The Economic Development of Bolivia," 28-36, 72; CEPAL, "The Economic Policy of Bolivia in 1952-64," 66-73, 85; Cancillería to Holland, November 26, 1955 (agrarian reform).

stabilization plan, but the United States had extraordinary bargaining power given the MNR's reliance on U.S. aid: U.S. funds constituted around one-third of Bolivia's total budget by 1957.<sup>37</sup> Not surprisingly, the design of the anti-inflationary program reflected the U.S. and moderate-MNR analysis of Bolivian inflation.

In mid-1956 President Paz asked George Jackson Eder to serve as Executive Director of the National Monetary Stabilization Council, "an invitation" that Eder later admitted was "extended virtually under duress and with repeated hints of the curtailment of U.S. aid."<sup>38</sup> These hints did not stop until after the stabilization plan had been enacted: throughout 1956 and early 1957 Eder, Assistant Secretary of State Henry Holland, and others repeatedly told MNR officials that U.S. aid might cease if Bolivia did not carry out the program in full. For example, at one point during the plan's implementation when Juan Lechín questioned the haste with which Eder and the Council were making decisions, Eder warned him that if Bolivia "wanted to count on the continuation of U.S. aid, it would have to take another path."<sup>39</sup> The \$25 million stabilization fund provided by the International Monetary Fund (IMF) and the International Cooperation Administration (ICA, the predecessor of the U.S. Agency for International Development) provided an added incentive for MNR leaders to comply. In Eder's words the fund was "the sugarplum for which they were willing to swallow the disagreeable purge prescribed as a cure."<sup>40</sup>

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<sup>37</sup> "Program [Eder Plan] in the Second Year and the Present Position" (n.d.), in NA 59/3172/1; Blasier, *The Hovering Giant*, 143; Dunkerley, *Rebellion in the Veins*, 85.

<sup>38</sup> Eder, *Inflation and Development*, 479.

<sup>39</sup> *Ibid.*, 159, 221 (quote), 676, 678, 697. Lechín strongly criticized Eder but nonetheless supported most of the basic elements of the plan; see his speech printed in *El Diario*, January 12, 1957, included in Drew to Briggs, January 15, 1957, in NA 59/1170/13; Lora, *A History of the Bolivian Labour Movement*, 305-06.

<sup>40</sup> Eder, *Inflation and Development*, 135. According to Eder the stabilization fund itself had been conditional on compensation: "the U.S. government had made a negotiated settlement [with the Big Three] a *sine qua non* for stabilization aid" (465). On the IMF role see Kofas, "The Politics of Austerity."

That cure involved a “Fifty-Step Plan” drafted by Eder and based loosely on U.S. Treasury and State Department guidelines.<sup>41</sup> The previous month Treasury officials had conveyed their desire to see four major changes in particular: 1) a single exchange rate for the *boliviano* that would fluctuate based on the market, 2) a balanced federal budget, 3) compensation to the former mine owners, and 4) resumption of payment on Bolivia’s foreign debt.<sup>42</sup> The first two actions—stabilizing exchange rates and reducing borrowing and spending—were standard monetarist tools for cutting inflation. Monetarist doctrine emphasized a fixed rate of increase in the money supply and low government spending. It often went hand-in-hand with the promotion of private investment; the proper engine of economic growth was private capitalists, not the state. Eder’s plan closely followed these prescriptions, seeking to ensure that “the government refrains from borrowing and spending more than its income,” and trying “to establish a favorable climate for investment” (especially *U.S.* investment).<sup>43</sup> The Fifty-Step Plan mandated the privatization of all industries and utilities “that can be filled by private initiative,” though it would not succeed in achieving that goal. In a rebuke to structuralist economists and others who asserted the need for state policies to stimulate development and redistribute wealth, Eder insisted that “poverty can only be alleviated by hard work, thrift, and investment, by greater productivity and increased abundance for all to share.” Bolivia could only be saved by “a return to a free market economy.”<sup>44</sup> While these objectives reflected the larger U.S. agenda in Latin

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<sup>41</sup> Eder had in fact written the “Forty Points” on which the Fifty-Step Plan was based, but the two documents were “substantially identical” in Eder’s words (*ibid.*, 626). Thus, Eder and like-minded U.S. officials can safely be said to have unilaterally designed the stabilization plan, even if most Bolivian officials agreed with them. For the full text of the Fifty-Step Plan see *ibid.*, 626-47.

<sup>42</sup> Burgess to Holland, August 1956 (exact date not given), in NA 59/1132/1.

<sup>43</sup> Eder, *Inflation and Development*, 526, 454. Though Eder did not state a desire to promote specifically *U.S.* business interests, a pamphlet he wrote in 1931 accusing the British of scheming to “attack American mercantile supremacy” suggests that he had something of a national bias (quoted in Hansell, “George Jackson Eder”). He also had close relationships with many U.S.-based multinationals and banks: see *Inflation and Development*, xv-xvi.

<sup>44</sup> Eder, *Inflation and Development*, 634, 636, 638-39, 510, 220.

America, the third and fourth goals—compensation and debt repayment—were somewhat more specific to Bolivia’s situation. The Fifty-Step Plan explicitly required the MNR to reach “satisfactory” agreements with the previous owners of nationalized properties and foreign creditors.<sup>45</sup>

Central to Eder’s cure was its rapid implementation. He insisted from the start that “[w]hatever had to be done must be done instantly.” Given the previous four years of fiscal “profligacy” and the current inflationary crisis, “there had to be a complete and instantaneous break with the past.”<sup>46</sup> The first stabilization measures, which included the elimination of price controls, a freeze on wages after a one-time compensatory raise, and the establishment of a single exchange rate, went into effect on December 16, 1956, after little publicity or open debate. Haste was an asset: “a gradual approach...simply would not have worked”; in fact, the rapid deflationary and liberalizing measures would have “an almost anaesthetic effect” on the population.<sup>47</sup>

One reason for Eder’s insistence on rapid implementation was that he correctly anticipated resistance to the plan. Workers’ criticisms usually agreed on the need for monetary stabilization but took issue with the plan’s content, pointing out that the stabilization measures consciously shouldered workers with the majority of the burden and unfairly singled out social spending as the main cause of inflation. At COB meetings in late December 1956, delegates complained that the compensatory wage increases included in the plan “did not equal the rise in prices of [previously] subsidized goods.” The factory worker delegate said that “the remedy has

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<sup>45</sup> Ibid., 636-37, 639. For more reiterations of the need for compensation and debt service see pp. 148, 187, 204, 408-09, 442 (and 408-45 more generally), 465. Bolivia resumed debt service payments in mid-1957: see *El Pueblo* (Cochabamba), June 13, 1957. Foreign advisers in Bolivia both before and after Eder pushed for prioritization of debt service: see for instance Drake, *The Money Doctor*, 198; UNTAA, *Report*, 14, 18.

<sup>46</sup> Eder, *Inflation and Development*, 341, 92n, x.

<sup>47</sup> Ibid., 277n (quotes), 268-74, 629, 632-33, 635.



turned out to be worse than the sickness.”<sup>48</sup> The plan hit the miners especially hard since it targeted the state subsidies to the *pulperías*, or company stores, where miners and their families obtained most of their basic goods.<sup>49</sup> Popular resistance to the stabilization plan would ebb and flow throughout 1957 and intensify significantly thereafter.

Eder himself acknowledged this resistance among the general population. As a public relations man he proposed a public comment period to allow feedback on the stabilization program, but he noted that “it proved an advantage that the majority of the population in Bolivia were illiterates.” Eder counseled future stabilizers to avoid paying much attention to public opinion. Instead, they must remember that “stabilization is not a popularity contest” but a prescription designed by money doctors who know what is best. The profligate must have the “moral revolution” forced upon them, since they were not going to convert on their own. He lamented that “it would be unrealistic” to expect total “immunity from public opinion,” but hoped that tight control over the restructuring process coupled with skillful PR work could all but marginalize any resistance.<sup>50</sup>

Such advice reflected Eder’s more general disdain for popular opinion. Since “the passions of the mob” tended to be “swayed from day to day in one direction or the other,” any reliance on popular input would be unwise. Underlying such language was a characterization of the money doctor as an apolitical, technocratic expert whose actions should remain insulated from popular pressures.<sup>51</sup> Eder’s rhetoric of “moral revolution” also suggests that he viewed his

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<sup>48</sup> *El Diario*, December 22 and 28, 1956.

<sup>49</sup> On miner resistance to the Eder Plan and U.S. officials’ awareness of it, see John, *Bolivia’s Radical Tradition*, 169-72; Lora, *A History of the Bolivian Labour Movement*, 305-20; *El Pueblo* (La Paz), February 15, 1958, included in Coerr to Briggs, February 15, 1958, in NA 59/1162/27.

<sup>50</sup> Eder, *Inflation and Development*, 285n, 267, 332n.

<sup>51</sup> The pretension of apolitical expertise is a key theme in Drake, “Introduction,” esp. xxi-xxii. Valpy FitzGerald and Rosemary Thorp comment that “the use of the technical ‘objectivity’ of economists to legitimate particular political positions on the social order dates back at least to the Enlightenment” (“Introduction,” 4).

mission in quasi-religious terms. He equated inflation-driven growth and redistribution with sin and depravity, and embraced the role of the stern Inquisitor who would flush out wicked impulses and prevent any relapse among the sinners.

Racism infused Eder's elitism and moral self-righteousness. What he described as the "Latin American psychology" was an even greater problem in Bolivia given the country's majority indigenous population. Bolivia's Indians were "inclined to loaf" and would "work only under the stress of hunger." When they did make some money they tended to squander it on "fiestas, alcohol, and coca," or alternatively, "to hoard" it and thus hurt the economy. Eder was optimistic that these traits were not "ineradicable characteristics," but he cautioned against endowing Indians or the popular sectors in general with any real power given their present state.<sup>52</sup> This contempt for common Bolivians was echoed in State Department correspondence, which blamed Bolivian poverty partly on race and culture. One 1959 memo commented that underdevelopment was "understandable when it is remembered that about 70% of the Bolivian population is Indian, about 25% half-breed, and only 5% white."<sup>53</sup> This discourse also labeled protest irrational. U.S. officials blamed peasant demands for change on "government-paid propagandists" and "leftist agitators" who riled up the peasantry with "demagogic rantings" about land reform. At least one official even scoffed at the idea that there was any "austerity" or "real sacrifice" in Bolivia.<sup>54</sup>

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<sup>52</sup> Ibid., 511, 160, 15, 16, 100, 17. Prior foreign advisers had condemned the money spent on fiestas, alcohol, and coca and the inherent "evils" of these forms of consumption (UNTAA, *Report*, 91-93, 95). This language echoed an Orientalist tradition that considered non-white (particularly indigenous) peoples uniquely susceptible to socialism. See Pike, *The United States and Latin America*, 226-28; Krenn, *U.S. Policy toward Economic Nationalism*, 58-65; Becker, *Indians and Leftists*, 47; Kelley, *Hammer and Hoe*, 79-80.

<sup>53</sup> Samuel D. Eaton, "Major Factors Inhibiting Economic Growth in Bolivia and Implications for U.S. Action" (draft), May 14, 1959, pp. 1-2, in NA 59/1170/13. Eaton did say, though, "that the Indians and the half-breeds have had little opportunity for the education or the training which would make them effective economic units."

<sup>54</sup> Rowell to DoS, July 17, 1953, and April 2, 1953, both in NA 59, CDF 724.00(W)/4-253. The latter comments are handwritten in the margins of an undated (ca. September 11, 1958) memo from Rubottom to Dillon in NA 59/1170/13.

Eder took charge within the Stabilization Council itself, and with the backing of the U.S. Embassy and the new Bolivian President, Hernán Siles Zuazo (1956-60), exercised almost complete control over most aspects of the stabilization process. When the Council's members were being chosen in summer 1956 Eder helped prevent Communists, Trotskyists, and leaders of the COB other than Juan Lechín from being selected, deriding labor as a "factional interest." Eder and the U.S. Embassy also specifically rejected at least two candidates with unsuitable "ideological backgrounds," one of whom had "an intemperate anti-American bias" according to Eder. He even sought to marginalize the United Nations mission that was present in Bolivia at the time. UN advisers, he claimed, were "to a large extent socialistically inclined" and were "engaged in socialist or Marxist indoctrination throughout the world."<sup>55</sup> He maintained control over all specific policy steps, writing the Fifty-Step Plan himself and overseeing its implementation. He refused all calls for amendments to the program that would reduce the burden on workers, publicly insisting that "any modification to the plan would eliminate the possibility of monetary stabilization."<sup>56</sup>

The Eder Plan did stop inflation, but it had other goals as well. The discursive veneer of medical terminology and theological metaphors masked a set of less-advertised objectives.<sup>57</sup> Foremost was the restoration of labor discipline, especially in the tin mines where "anarchy" had erupted after their 1952 nationalization. Eder deeply resented the "privileged position" of the tin miners and blamed them for holding back the Bolivian economy, suggesting that their wages be

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<sup>55</sup> Eder, *Inflation and Development*, 96, 164-65, 477, 482n.

<sup>56</sup> *El Pueblo* (Cochabamba), May 30, 1957.

<sup>57</sup> Monetarists and their neoliberal successors have frequently used medical terminology to describe economic restructuring. In 1966 former U.S. economic adviser Cornelius Zondag wrote that "Bolivia's situation during the last days of the MNR regime could well be compared to the case of a person who has cancer. He dreads facing a drastic and painful operation, yet he has no alternative" (*The Bolivian Economy*, 249). See also Conaghan, "Reconsidering Jeffrey Sachs," 238, 261n14; Leiva, *Latin American Neostructuralism*, 45.

limited to \$1 per day. He insisted on the need to eliminate “the current burdensome labor legislation” that the MNR and prior governments had implemented to protect workers. Wage freezes were a central condition—a “solemn moral obligation”—that was required of the MNR for continued U.S. funding.<sup>58</sup> More broadly the plan took aim at Bolivia’s “exaggerated social security structure.” Reducing employer and government contributions to the National Social Security Administration (CNSS) was a top priority.<sup>59</sup>

The stabilization plan was thus much more than a series of technical measures meant to restore monetary stability—it was an effort to restructure the country’s entire social and economic agenda. And as Eder conveyed in his memoir, his one-year stint in Bolivia had broader implications as an economic and ideological battle over the proper route that Third-World countries should follow to develop their economies. Eder understood his work as an effort to refute Keynesian and structuralist economists who argued the need for strong state policy to combat inequality and other structural obstacles to development.<sup>60</sup> Just prior to CEPAL’s May 1957 conference in Bolivia, Eder privately denounced the “totalitarian views” of CEPAL head economist Raúl Prebisch and feared that Prebisch would “bring about a consensus that Bolivia’s economic improvement can only be achieved by further intervention and expansion of Government activities in business, industry and every field of the economy.”<sup>61</sup> Purging such attitudes, Eder emphasized, was just as important as changing policy. He rebuked even the mild

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<sup>58</sup> Eder, *Inflation and Development*, 53, 132-33, 56, 508n; on wage freezes see pp. 178, 394 (quote). On Eder’s daily salary of \$75 see p. 703n3 and Whitehead, *The United States and Bolivia*, 19. On the plan’s successful reduction in inflation see Wilkie, *The Bolivian Revolution and U.S. Aid*, 6.

<sup>59</sup> Eder, *Inflation and Development*, 71, 378, 402-06, 635.

<sup>60</sup> Eder and State Department officials intended the program as a blueprint to be applied around the continent: see *ibid.*, viii, 281; Rubottom featured in Bolivian Newsreel #21 (n.d.), in NA 306/1098/51. For some of Eder’s many attacks on Keynesian, structuralist, and “socialist” tendencies see *Inflation and Development*, 19, 87-88, 98-99, 102, 160, 469-82. The claim of universal applicability is common to most money doctors: see Drake, “Introduction,” xxi.

<sup>61</sup> Memo from Eder to Hollister, included in Williams to Delaney, April 30, 1957, in NA 59/1170/13.

redistributive inclinations evident among MNR moderates like Víctor Paz. He fiercely criticized the “social reform” and “soak-the-rich” impulses of some MNR leaders, as well as the notion that Bolivia’s poverty and underdevelopment resulted in any way from structural obstacles. During his time working with MNR officials, Eder saw his major psychological task as being to “convince them that they alone were to blame for Bolivia’s present troubles.”<sup>62</sup> Eder’s critiques of the MNR leadership were overly harsh: Presidents Paz and Siles were sympathetic to Eder’s basic objectives, and it was mutually understood that foreign advisers like Eder and the IMF would serve as domestic scapegoats in order for MNR leaders to impose unpopular policies.<sup>63</sup> Yet Eder demanded a *full* renunciation of anything resembling structuralist or Keynesian economics, and so criticized even the MNR moderates.

The attitudes of the general population were even more worrisome. The famous 1946 Thesis of Pulacayo approved by the miners’ union was a major target of Eder’s ire for its Trotskyist platform, especially its promotion of “the revolution of the workers” and its attacks on “the system of private property” and “Yankee imperialism.”<sup>64</sup> Since then, workers and peasants had become increasingly radicalized by the promises of the revolution and had come to expect a genuine redistribution of wealth, land, and political power.<sup>65</sup> Organized labor had obtained a formal, if limited, “co-government” arrangement at the national level and veto power over

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<sup>62</sup> Eder, *Inflation and Development*, 311, 102; on the “Keynesian bias” of Paz see p. 737n106. Most modernization theorists had a similar understanding of development; see Gilman, *Mandarins of the Future*; Latham, *Modernization as Ideology*; Valenzuela and Valenzuela, “Modernization and Dependency,” 537-43.

<sup>63</sup> Briggs to Coerr, February 20, 1958, and Rose to Atwood, March 1958 (exact date not given), both in NA 59/1162/27. See also *El Diario*, December 2, 1956; Mitchell, *The Legacy of Populism*, 58. In fact, most monetarist stabilization plans in Latin America were not simply imposed by external institutions—domestic elites often welcomed foreign advisers, and in some cases (e.g., Chile in 1955-56, Bolivia in 1985) government elites had crafted virtually the entire stabilization plan independently of those foreign advisers (Hirschman, “Inflation in Chile,” 141-42; Conaghan, “Reconsidering Jeffrey Sachs,” 250). See Drake, *The Money Doctor*, for a similar argument about the Kemmerer missions in the Andes in the 1920s-30s.

<sup>64</sup> Quoted in Eder, *Inflation and Development*, 24. On the Thesis itself see Chapter 1, note 75.

<sup>65</sup> Eder acknowledged the level of popular expectations when he accused MNR leaders of taking “a posture which would deceive the masses into believing that their leaders were soaking the rich” (*Inflation and Development*, 311).

certain management decisions in the mines. When the MNR had initially stalled on agrarian reform, peasants had launched a wave of extralegal land seizures. Eder, like State Department officials, was alarmed at the “expectations and power” of the peasantry and other popular sectors and realized that something needed to be done (one of Eder’s additional contributions in this regard was helping to persuade President Siles to curtail the MNR’s land reform program in 1957).<sup>66</sup> Within the MNR but also among the population itself, the “break with the past” that Eder envisioned included not just policy but also morals, attitudes, and expectations.

An extensive “informational” campaign sought to accomplish this goal. Eder personally drafted a number of public statements for President Siles to help justify the economic “cure” to the Bolivian public.<sup>67</sup> In this effort Eder also enjoyed the full-time support of the U.S. Information Service (USIS), an agency charged with “promoting popular acceptance of private capital investment” in Bolivia through wide-ranging cultural and educational campaigns. For a time the agency devoted itself entirely to “popularizing stabilization” through leafleting, planting stories in Bolivian news media, and other propaganda tactics.<sup>68</sup> Bolivian leaders and journalists also played a key role in the propaganda effort: Siles waged a vigorous campaign of his own, even resorting to a hunger strike at one point to counter worker resistance; meanwhile, the pro-government press constantly implied that the stabilization plan enjoyed near-unanimous backing among the population, save for a few “extremists.” Upon leaving Bolivia Eder saw fit to publicly “thank the national press for its effective informational efforts.”<sup>69</sup>

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<sup>66</sup> Or so he bragged (*ibid.*, 78, 493-94). For the State Department quote see Rowell to DoS, July 17, 1953.

<sup>67</sup> For several examples see Eder, *Inflation and Development*, 460, 465-66, 468; *El Diario*, May 26-30, 1957. Cf. Briggs to Coerr, February 20, 1958.

<sup>68</sup> ICA-La Paz (to DoS?), June 15, 1957; USIS-La Paz to USIA, May 27, 1958; Unsigned, “Notes on Bolivia (For IRI/R and IAL),” September 22, 1958 (all in NA 306/1021/2).

<sup>69</sup> *El Diario*, June 16-29, 1957; *El Pueblo* (Cochabamba), June 26, 1957. See the following chapter for more detail on USIS campaigns.

Changing Bolivians' minds was a difficult task, though, and the success of the propaganda effort was decidedly limited. The private observations of State Department officials, USIS poll results, and Eder's own insistence on the continuing need to insulate government policy from public pressures all attest to Bolivians' disdain for austerity and the persistence of economic nationalist sentiments.<sup>70</sup> Many of the labor unions initially persuaded to support the stabilization plan had reconsidered and withdrawn their support by 1959 as the cost of living continued to increase.<sup>71</sup> The post-1956 trend toward re-militarization of the country—an effort in which the Siles administration and U.S. government cooperated—also suggests that the Eder Plan was not nearly as popular as U.S. and MNR officials publicly claimed. The U.S. “public safety” program of military and police aid in the late 1950s was largely intended “to ensure success to the economic stabilization plan.” The 800-percent rise in U.S. military aid to Bolivia from 1961 to 1964 is a further indication that the ambitious campaign to win Bolivians' hearts and minds was unsuccessful.<sup>72</sup>

If the Eder Plan failed to change Bolivians' fundamental attitudes and values, it did have a substantial impact on policy. By targeting the “privileges” of workers as the primary problem and prioritizing debt service and compensation to the tin barons, the plan was a key factor in the regressive redistribution of income after 1956. Not coincidentally, income inequality in Bolivia began to rise again in the late 1950s and early 1960s.<sup>73</sup> While the plan did not produce a full-

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<sup>70</sup> Rubottom noted in mid-1958 that “it is not surprising that resistance is growing to unpopular measures which the Government has no real alternative but to impose” (undated memo cited above, note 54). A USIS poll in late 1957 found that about half of La Paz workers felt that they had been personally hurt by the Eder Plan: Unsigned to Haddow and Parry, March 10, 1959, in NA 306/1021/2.

<sup>71</sup> Mitchell, *The Legacy of Populism*, 73-74. On the cost of living see Zondag, *The Bolivian Economy*, 56.

<sup>72</sup> Hardin to Hoyt, May 29, 1958, in NA 59/1137/13; Wilkie, *The Bolivian Revolution and U.S. Aid*, 48. See also Chapters 4-5.

<sup>73</sup> By 1966-67 inequality had again reached its pre-revolution levels: see Kelley and Klein, *Revolution and the Rebirth of Inequality*, 140, 230-31. Eder left Bolivia in summer 1957, though the stabilization plan continued under the supervision of the U.S. Embassy and the IMF.

scale shift to free-market fundamentalism, it clearly helped avert a more radical economic policy. The political realignments that the Eder Plan helped set in motion—the estrangement of the miners from the MNR and from other popular sectors—were just as important, and will be taken up in more detail in Chapters 4 and 5.

The consequences for economic growth and diversification were devastating. Fiscal austerity and the end to subsidized exchange rates constrained economic growth by further limiting the MNR's ability to finance economic development projects, while the rise in interest rates deterred domestic private investment. Production in manufacturing dropped 30 percent during the first year. In 1961 Bolivian labor minister Alfredo Franco Guachalla charged that “the stabilization plan has put Bolivian industry at serious risk of disappearing.” Two years later the labor ministry reported that over half of all industrial operations had gone under since the enactment of the stabilization plan. A 1967 CEPAL report noted that industrial production had grown little in the previous decade, having “suffered a severe setback” as a result of the stabilization plan (though manufacturing picked up somewhat in the early 1960s). CEPAL also pointed out that the plan had reduced the budget for the state oil company at a crucial moment in its development, contributing to a marked decline in state oil production after 1956. After a few years even State Department sources were privately noting that the stabilization program had meant “the deferment of many development projects.”<sup>74</sup>

Nevertheless, by the late 1950s U.S. officials in Bolivia were congratulating themselves on the apparent success of their efforts. Following the Eder Plan's implementation they noted

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<sup>74</sup> Nash, *We Eat the Mines*, 247; Dunkerley, *Rebellion in the Veins*, 88; *El Diario*, May 8, 1961 and June 10, 1963; CEPAL, “The Economic Policy of Bolivia in 1952-64,” 89, 65 (quote), 80; CEPAL, “The Economic Development of Bolivia,” 51; CEPAL, *Economic Survey of Latin America: 1969*, 117-18 (early 1960s); Rubottom to Dillon, undated (ca. September 11, 1958), in NA 59/1170/13. Eder even admitted that the stabilization plan had this effect, though he placed most of the blame for industrial stagnation on workers (*Inflation and Development*, 506, 508n). The impact on industry was a frequent theme in the left's criticism of the plan: see *El Pueblo* (La Paz), July 2, 1960.



with satisfaction that “Bolivian Government expenditures have been cut back sharply” and inflation halted. Just as important, “the power and influence of left wing extremists has been weakened, and a program has been embarked upon, slowly and to a large extent secretly, to redress the balance of physical force in the country in favor of the moderate elements.”<sup>75</sup>

### **Restoring Discipline: The Triangular Plan in the Mines, 1960-1970**

Events soon rendered these appraisals overly optimistic, however. By 1960 the state mining corporation, COMIBOL, faced a crisis. After turning modest profits in the middle years of the decade, it had lost over \$29 million in 1958-60, making for a net loss of \$16 million since its 1952 creation.<sup>76</sup> The corporation’s bleak outlook in turn threatened the entire economy, which still relied on minerals for virtually all its export earnings. Moreover, the Eder Plan had reduced spending for economic development and disproportionately hurt the mineworkers, further jeopardizing the government’s legitimacy among key sectors and producing a serious political crisis in addition to the economic one. The collapse of the government of Víctor Paz (now in his second term, lasting from 1960 to 1964) once again became a real possibility. U.S. officials knew that COMIBOL’s survival was crucial for Paz’s political survival and feared “that a successor government would most probably be of the extreme left.” Preventing Paz’s overthrow therefore acquired the same urgency as in 1952-53, even if doing so would require “extraordinary financial assistance” from the United States.<sup>77</sup>

Two geopolitical developments around this time heightened U.S. officials’ sense of emergency. First, the Cuban Revolution of January 1959, and especially the radicalization of the

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<sup>75</sup> “Summary of and Comments on USOM Bolivia’s Criticism of Aid Policy in Bolivia” (n.d.) and “United States Policy toward Bolivia” (n.d.), both in NA 59/3172/1; Zunes, “The United States and Bolivia,” 40-47.

<sup>76</sup> Statistics cited in Burke, *The Corporación Minera de Bolivia*, 7, 13, 15.

<sup>77</sup> “Action to Meet Soviet Economic Pressures on Bolivia,” November 4, 1960; and Lane to Woodward, July 13, 1961, both in NA 59/3172/1.

Castro government by late 1960, underscored the danger of independent revolutionary nationalism. What one Kennedy official called “the spread of the Castro idea of taking matters into one’s own hand[s]” deeply worried U.S. officials who feared the loss of control over countries they considered to be in the United States’ backyard.<sup>78</sup> U.S. officials in Bolivia, as elsewhere, noted with alarm the “widespread sympathy for the aspirations and objectives of the Cuban revolution” among ordinary Bolivians and expressed concern over pro-Cuba public marches. By 1961 they routinely warned of “Castroist-Communist subversion” in Bolivia, with the phrase becoming a blanket term for all sentiment to the left of MNR government policy.<sup>79</sup>

Second, in 1960 the possibility of Soviet economic aid to the MNR emerged. Soviet leader Nikita Khrushchev publicly offered to finance the construction of a tin smelter in Bolivia so that Bolivian tin could be refined domestically. In response, U.S. Assistant Secretary of State Thomas Mann wrote a series of lengthy memos in November 1960 about “the danger of losing Bolivia.” The absence of U.S. action, he said, could result in “Soviet penetration and control of Bolivia’s mining industry” (*penetration* was a key trope, appearing in several other documents decrying the Soviet aid offer). A literal Soviet takeover was of course highly unlikely; Mann’s main fear was that Soviet aid “could conceivably...put COMIBOL on its feet...and supplant U.S. failure with Communist success,” with “staggering” consequences for U.S. control elsewhere in Latin America.<sup>80</sup> Since 1952 a central U.S. goal in Bolivia had been to avoid

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<sup>78</sup> Arthur Schlesinger, Jr., “Report to the President on Latin American Mission, February 12-March 3, 1961” (n.d.), in DoS, *FRUS, 1961-1963*, 12: 13.

<sup>79</sup> Weise to Coerr, November 11, 1960, and MemoConv, August 1, 1960, both in NA 59/3172/1; “Latin America: Guidelines of United States Policy and Operations” (draft), April 24, 1962, in NA 59/3172/2. On Bolivian officials’ skillful manipulation of these U.S. fears see Siekmeier, *The Bolivian Revolution*, 94-98.

<sup>80</sup> Mann to Dillon, November 10 and 17, 1960, in NA 59/3172/1. The smelter offer was part of a \$150 million Soviet aid offer, which Eder himself later admitted was made “with no strings attached” (*Inflation and Development*, 521).

“actions or results which would make nationalization attractive” and “tempt other countries to follow their example.”<sup>81</sup>

These factors helped convince U.S. planners of the need to aid COMIBOL, retreating from the longstanding policy of prohibiting the use of aid by state-owned enterprises. In March 1961 the U.S. and West German governments joined the Inter-American Development Bank in a partnership that would end up delivering \$62 million in aid to COMIBOL over the next decade.<sup>82</sup> The stated purpose of the “Triangular Plan” was the “rehabilitation and recovery” of the state-owned mines. Bolivian politicians’ descriptions of the program promised “the capitalization of COMIBOL” and a range of technical improvements that would increase efficiency and enhance Bolivia’s competitiveness in international minerals markets.<sup>83</sup> By early 1961 “rehabilitation” had become the central buzzword of official rhetoric on the mining crisis.

Although the Triangular loans were presented as a benign offer by the United States and its partners, the declassified record reveals the real motives behind the plan.<sup>84</sup> U.S. motives were first and foremost political. The objective of preventing leftist political elements from achieving power remained paramount, and simply stabilizing the Paz government was the United States’ immediate goal. But the plan also provided a chance to discipline the unruly mineworkers and undermine state control over the mining industry. Internal U.S. discussions reveal a remarkably

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<sup>81</sup> Hudson to Atwood, April 30, 1953, in NA 59, CDF 824.00/4-3053. In fact, this concern predated the 1952 revolution and mine nationalization: see MemoConv, August 24, 1950, in NA 59/1130/2; Dunkerley, “The Origins of the Bolivian Revolution,” 156. Officials who opposed U.S. loans to YPFB similarly argued that such loans would lead to “greater danger of nationalization of the oil industry in various countries of the world” (Prochnow to Hoover, November 19, 1955, in NA 59, CDF 824.2553/11-1755).

<sup>82</sup> Total U.S. aid increased by 600 percent in the period 1960-64. See Burke, *The Corporación Minera de Bolivia*, ii, 16; Dunkerley, *Rebellion in the Veins*, 108.

<sup>83</sup> *El Diario*, June 7, 1961, and April 6, 1961.

<sup>84</sup> While German and IDB officials sometimes differed from U.S. officials in their assessments and recommendations, all three entities agreed on the basic outlines of the plan. Moreover, since the United States was the most powerful of the three (and provided almost two-thirds of total funds and most of the foreign advisers who oversaw the plan’s implementation), its internal record deserves the closest attention.

single-minded emphasis on the miners themselves as the source of COMIBOL's fiscal problems. One of the chief foreign advisers appointed to oversee the Triangular Plan's implementation, Victor E. Bjorkman, wrote that "[t]he whole cause of failure can be laid to failure [sic] of management of COMIBOL to win the right to manage. [...] The workers, through the medium of the Syndicate, refuse to allow the rational and economic use of materials and equipment." A 1960 State Department memo offered the same diagnosis, arguing that "the Bolivian Government's problem is essentially political; namely, how to force the extreme left to accept drastic cutbacks in advantages which the Bolivian laboring classes have come to enjoy at the expense of all other sectors in the economy."<sup>85</sup>

Bolivian officials made similar arguments. In April 1961 President Paz publicly called for "labor discipline and responsibility." COMIBOL President Guillermo Bedregal complained to Paz about "the intransigence of the union leaders," arguing that "the Administrators of the mines find themselves deprived of the right to manage." Bedregal and other MNR officials emphasized the atmosphere of chaos and "the unraveling of the principle of authority" in the mines. He also alleged that the unionists were "under the thumb of imperialism" and that they threatened "all which constitutes the essence of Bolivianness," including "its Christian and democratic tradition." The miners' protests were blamed on "a decided minority" of "conspirators," usually Communists, who would foment "red subversion" by "trick[ing] the workers" into opposing government or COMIBOL policies. Official speeches often juxtaposed "the conspirators responsible" for the unrest with "*los compañeros trabajadores*," thus implying

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<sup>85</sup> Belcher to Martin, et al., May 29, 1963, in NA 59/3172/3; "Action to Meet Soviet Pressures." Cf. officials quoted in Burke, *The Corporación Minera de Bolivia*, 35. The U.S. press also chimed in: *Time* magazine referred to "the coddled, politically powerful miners," and asserted that "Bolivian labor toils hardly at all." See "The Fanned Spark" (March 16, 1959), 40-41, and "Chaos in the Clouds" (March 2, 1959), 27.

that the former were totally separate from the category of “workers,” who were by definition loyal and compliant.<sup>86</sup>

MNR officials had in fact been formulating many of the outlines of the Triangular Plan since coming to power in 1952. The 1955 *Plan inmediato de política económica* had blamed *pulpería* subsidies and “excess” miners for many of COMIBOL’s problems. Even the leader of the MNR left, Juan Lechín, had argued that “the main problem lies in the absence of real work discipline.” The *Plan inmediato* also emphasized the MNR’s desire for private U.S. and European investment in the Bolivian mining industry, specifically to exploit recently-discovered iron deposits at Mutún near the Brazilian border. The Bolivian ambassador to Washington, Víctor Andrade, had intimated to U.S. reporters as early as February 1956 that Bolivia’s mines “one day will be returned to private ownership.”<sup>87</sup> One of the Triangular Plan’s central aspects, worker lay-offs, began under the MNR three years prior to the start of the plan.<sup>88</sup> It would thus be erroneous to assume that the Triangular Plan was simply a unilateral imposition by foreign imperialists. U.S. intervention gave moderate and right-wing MNR leaders—sometimes with tacit support from leaders like Lechín—the leverage necessary to implement a shared agenda.

The diagnosis that identified labor as “the whole cause” of COMIBOL’s ills ignored a host of other factors. The roots of the crisis extended far back in time. The 1951 Keenleyside mission sponsored by the UN had given a pessimistic assessment of the mining industry:

No important new tin mines have been developed in Bolivia during the last 20 years, and the gradual exhaustion of the known high grade tin ore reserves can

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<sup>86</sup> *El Diario*, April 10, 1961; Belcher to Martin, et al., May 29, 1963; *Última Hora*, July 10, 1961; *El Diario*, June 8-9, 1961; Morales Guillen to Strom, July 27, 1960, in NA 59/3172/1.

<sup>87</sup> Guevara Arze, *Plan inmediato de política económica*, 39, 45, 57-59; Lechín quoted in Canelas, *Mito y realidad de la COMIBOL*, 57 (on Lechín see also Field, “Ideology as Strategy,” 164, 175); Andrade paraphrased in *World Telegram and Sun*, February 8, 1956 (included in *Embajada de Bolivia—Washington a Ministerio de Relaciones Exteriores, enero a junio de 1956*, p. 76, located in RREE).

<sup>88</sup> Canelas, *Mito y realidad de la COMIBOL*, 99.

only result in increased costs of production and a steadily declining output in the near future. The average assays of ores mined have already decreased 40% within the last 5 years.<sup>89</sup>

By the 1930s most major Bolivian mines had already begun their decline, reflected in depleted ore reserves, declining ore grades, and lack of capital investments from outside companies. To make things worse, the “Big Three” tin corporations that had controlled 80 percent of Bolivian tin production had devoted little money to exploration or new machinery. The long-term trend was one of rising costs and declining productivity. Plummeting world tin prices following the end of the Korean War exacerbated these problems.<sup>90</sup>

The MNR inherited these problems, but from 1952 to 1960 it had done relatively little to combat them. It neglected the mining sector as it devoted massive resources to road construction, education, and other urgent projects. It also steadily siphoned money out of COMIBOL through both direct taxes and hidden taxation resulting from artificial exchange rates, and failed to reinvest the money necessary to increase production and efficiency.<sup>91</sup> Economist Melvin Burke even contests the widely-believed notion that COMIBOL was unprofitable in the late 1950s. If the claims of the COMIBOL administration are credible, the MNR government extracted at least \$100 million in “hidden taxes” during the first five years; if that figure is accurate, COMIBOL had actually netted significant *profits* by 1960, and high taxation rates were largely responsible for its apparent insolvency. This evidence raises the possibility that COMIBOL “was actually a

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<sup>89</sup> UNTAA, *Report*, 49. The 1942 Bohan mission had been premised on the expectation that mining was “a declining source of wealth” (U.S. Economic Mission to Bolivia, *Plan Bohan*, 8).

<sup>90</sup> Burke, *The Corporación Minera de Bolivia*, 3-4, 12, 15; UNTAA, *Report*, 45-46. See also CEPAL, “The Economic Development of Bolivia,” 25-28; CEPAL, “The Economic Policy of Bolivia in 1952-64,” 66-73; Canelas, *Mito y realidad de la COMIBOL*, 19-101.

<sup>91</sup> Burke, *The Corporación Minera de Bolivia*, 13; Roger Freeman, “The Revenue Problem of Bolivia,” April 12, 1957, pp. 36-37, in NA 59/1170/13; CEPAL, “The Economic Development of Bolivia,” 26, 32; CEPAL, “The Economic Policy of Bolivia in 1952-64,” 63, 67. The MNR itself admitted this policy later: see República de Bolivia, *Plan nacional de desarrollo*, 181-82.

profitable public enterprise which simply never had access to the surplus it generated.”<sup>92</sup> There are also some indications that COMIBOL was more efficient than the private mines: although the labor force in the privately-owned mines was roughly equal in size to that of COMIBOL, private mines produced no more than 35 percent of total mineral sales. Based on this evidence Burke concludes that “deceptive accounting” was part of the effort of certain government officials “to discredit labor.”<sup>93</sup> These facts suggest that rhetoric about the inherent inefficiency of state enterprise and the culpability of the labor force derived far more from political motivations than from impartial economic analysis.<sup>94</sup>

The official diagnosis did not go uncontested. In the late 1950s and early 1960s the miners’ union and sympathetic politicians in the Bolivian Congress decried government attempts to blame workers. They instead blamed the COMIBOL administration and its “parasitic bureaucracy” and even denounced “the chaos and anarchy” of the administrative branch, turning their opposition’s own accusations against it. At one point in October 1957—the same month that COMIBOL announced plans to lay off 5,200 workers—miners from several of the major mines reported that they were working only half the day due to power shortages. Miners and leftist politicians also noted that the U.S. and Soviet dumping of mineral reserves on the world market had lowered prices and thus cost the country tens of millions of dollars since the revolution came to power. They condemned anti-Communist rhetoric as a fig leaf for the assault by MNR moderates and rightists “against the democratic freedoms of this country.”<sup>95</sup>

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<sup>92</sup> Burke, *The Corporación Minera de Bolivia*, 6, 16. Cf. Canelas, *Mito y realidad de la COMIBOL*, 64-76.

<sup>93</sup> Burke, *The Corporación Minera de Bolivia*, 1, 11.

<sup>94</sup> All large organizations, whether owned privately or by the state, face the same problems of motivation, limiting employee “agency,” and maximizing productivity; state enterprise is not inherently less efficient than private enterprise. See Simon, “Organizations and Markets”; Chang, *Bad Samaritans*, 103-21.

<sup>95</sup> *El Diario*, April 4 and June 6, 1961; Cabrera, *La burocracia estrangula a la COMIBOL*; *El Diario*, October 19, 1957, and June 12, 1961. In 1962 Senator Arturo Crespo claimed that U.S. dumping had cost Bolivia \$90 million over the previous decade (H. Senado Nacional, *Hornos de fundición en Bolivia*, 17); an estimate by a U.S. company

Even some observers who were sympathetic to the U.S.-MNR agenda cast serious doubt on the official dogma that labor costs were “the whole cause of failure.” In 1957 U.S. fiscal adviser to Bolivia Roger Freeman had reported that “a large part, and possibly the major part” of COMIBOL’s deficit “was the result of the Government’s paying the mines only a fraction of the proceeds of their ore output.” Bolivian leaders like President Paz, while assigning much of the blame to the lack of “labor discipline,” sometimes acknowledged that “the causes of this [problem] are several,” including for example decapitalization and “the lack of investments in recent years.”<sup>96</sup> A 1967 CEPAL report acknowledged a range of “economic, financial and socio-political factors” behind the decline in productivity, but emphasized that the crisis “was very largely due to the deterioration in technical mining conditions and the low tin content of the ore.”<sup>97</sup> A German government consultant named J.G.A. Hertslet went even farther in a letter to the State Department in 1961:

The main problem of the Bolivian mineral industry is not so much the problem of the unrest of the workers, the fancy social privileges and benefits they have been granted after the events of the 1952 revolution, but the crucial problem is the question, whether Bolivia still has enough tin and other minerals in order to fulfil [sic] the export quotas...Bolivia is not in the position presently to produce more, even if COMIBOL would work efficiently....

The only possibility I envisage [sic] to give Bolivia a new economical basis is the establishment of a certain amount of semi-finished industries, based on the minerals and natural riches of Bolivia.<sup>98</sup>

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calculated a \$124 million loss for COMIBOL from just 1952-57 (quoted in Nash, *We Eat the Mines*, 247). The Soviet Union had also dumped mineral reserves, though the United States had agreed to buy them. The U.S. government also imposed import restrictions that reportedly hurt Bolivian lead and zinc exports. See Deputy Jara’s speech in República de Bolivia, *Redactor del H. Cámara de Diputados, octubre de 1958*, 42-43, and Senator Torres in República de Bolivia, *Legislatura Ordinaria de 1958, Redactor del H. Senado Nacional*, 204-05.

<sup>96</sup> Freeman, “The Revenue Problem of Bolivia,” 36-37; *El Diario*, April 10, 1961. Interestingly, an economic analysis authored by right-wing MNR official Wálter Guevara Arze in 1955 had echoed this point, but most party leaders seem to have forgotten it thereafter. Guevara also noted that a significant part of the expenditures categorized under labor costs derived not from high wages or benefits but from Bolivia’s dependence on food imports for the *pulperías*, which consumed practically all of the foreign exchange spent on “labor.” Lack of food sovereignty thus contributed to COMIBOL’s problems (*Plan inmediato de política económica*, 27-31).

<sup>97</sup> CEPAL, “The Economic Policy of Bolivia in 1952-64,” 70.

<sup>98</sup> Hertslet to Berle, April 24, 1961, in NA 59/3172/1.



But such views, which sounded dangerously close to structuralism, had little impact on policy.

Contrary to imagery of pampered miners living in luxury, wages and working conditions in 1960 remained abysmal. By one calculation, real wages actually *fell* from 1950 to 1955. The rate of accidents increased over the same period in some of the major mines. In the mid-1950s the government itself estimated that perhaps half of all COMIBOL miners suffered from silicosis and other lung and cardiovascular illnesses. According to a 1956 report by the U.S. firm Ford, Bacon & Davis, the average life expectancy of a Bolivian tin miner who worked below ground was 27 years; those miners who worked above ground averaged 33 years. A typical miner lasted between six and eight years on the job, a figure comparable to the longevity of the typical field slave in Brazil or the Caribbean during the most brutal periods of plantation slavery.<sup>99</sup>

Nor were the miners as intransigent and irrational as official statements alleged. In 1958 the MNR had begun offering monetary compensation to all miners who voluntarily retired, and it seems that many COMIBOL workers were actually quite willing to cooperate as long as they received adequate severance. According to a classified U.S. report from the late 1950s, “This system has worked out rather well in the nationalized mines but so far has had only a limited effect in reducing the number of supernumerary employees in private establishments.” In 1962, a report noted that “all workers ‘dismissed’ thus far have left COMIBOL voluntarily.”<sup>100</sup>

A more recent and systematic analysis of COMIBOL’s performance by Melvin Burke has confirmed what a range of dissident voices was saying at the time: that many factors rather than simply labor costs were inhibiting profitability. Drawing on COMIBOL data and a series of

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<sup>99</sup> Canelas, *Mito y realidad de la COMIBOL*, 51-56; FBD, *Mining Industry of Bolivia*, vol. 3, cited in Burke, *The Corporación Minera de Bolivia*, 11.

<sup>100</sup> “Program [Eder Plan] in the Second Year”; “Report of the Advisory Group to Corporación Minera de Bolivia for the Period June, July and August, 1962” (n.d.), in NA 59/3172/2. See also Burke, *The Corporación Minera de Bolivia*, 37; Canelas, *Mito y realidad de la COMIBOL*, 99. June Nash makes a similar point about miners’ reactions to technological changes: see *We Eat the Mines*, 196-97.

contemporary studies by foreign firms, Burke concludes that COMIBOL's dismal outlook was attributable to "a multitude of complex interrelated factors"; labor costs were not the only, nor even the primary, source of its problems. This fact was not permitted to interfere with the design of the Triangular Plan, though.<sup>101</sup>

Given the array of factors responsible for the crisis, the decision to target the miners was not simply based on technical concerns. And even if smashing the miners' union into submission could save COMIBOL some money, it was bound to be less effective than alternative options in promoting long-term productivity. So what explains the disproportionate focus of U.S. and MNR officials on labor? Targeting labor was the cheapest and most desirable option from the perspective of these officials for at least three reasons. First, it was a way of "decreasing...labor's role in the economy" and, by extension, the government. Second, U.S. officials viewed the mining crisis, like the 1956 inflationary crisis, as an opportunity to promote the privatization of nationalized assets, which stood to benefit U.S. corporations and would also help prevent the Bolivian nationalization from becoming too "attractive."<sup>102</sup> These motivations are apparent in the conditions attached to the Triangular loans: "the establishment of controlled discipline in the ranks of labor, reduction of the mines labor force, and reorganization of COMIBOL."<sup>103</sup> These stipulations sought the pacification of the workforce and the privatization of the mining industry, taking aim at both the miners and at the existence of a large state-run enterprise. Finally, there would be an implicit message directed to populations outside Bolivia:

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<sup>101</sup> As Burke comments, "In a capitalistic system, labor is always the root cause of all the financial and economic problems of the system or firm while capital and management take the credit for productivity, profits, and prosperity" (*The Corporación Minera de Bolivia*, 15, 11).

<sup>102</sup> "Action to Meet Soviet Pressures"; Hudson to Atwood, April 30, 1953.

<sup>103</sup> Anderson to Barr, December 4, 1963, in NA 59/3172/3.

defiance of the U.S.-led hemispheric order is foolish; cooperation with that order is the only sensible choice for underdeveloped nations.<sup>104</sup>

The specifics of the plan followed from these goals. U.S. officials proposed “to strengthen the hand of management” and government vis-à-vis the miners through a series of “internal disciplinary measures.” Chief among them were massive lay-offs of surplus mineworkers. Reestablishing managers’ right to “free hire and fire,” which had been curtailed by MNR legislation, was a key priority. The first step, emphasized Thomas Mann, would be “the elimination of those union leaders who have defied the authority of the Central Government.”<sup>105</sup> Beyond targeted firings, the Triangular partners demanded the lay-offs of thousands of excess miners. Various non-governmental reports acknowledged the existence of surplus workers, so the problem was real, but U.S. officials knew that the lay-offs would also weaken the miners’ union by increasing the ranks of unemployed (many miners termed them a “white massacre”).<sup>106</sup> The lay-offs were consistent with the planners’ efforts to rein in labor militancy: as Melvin Burke notes, to eliminate surplus workers from the COMIBOL payroll “was to simultaneously destroy their political and ideological opponents.” State Department officials understood perfectly well that “these reforms tended to undercut the power base” of left-wing MNR leaders.<sup>107</sup> The U.S. government could have resolved the problem of surplus workers by funding further mineral exploration, expanding COMIBOL’s productive capacity, or promoting industrial

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<sup>104</sup> Imparting this message had become more urgent following the Cuban Revolution. On the key place of Bolivia in Kennedy’s Alliance for Progress see Field, “Ideology as Strategy”; Siekmeier, *The Bolivian Revolution*, 88-98.

<sup>105</sup> Lane to Woodward, July 13, 1961; Arnesen (to Moscoso?), July 19, 1963, in NA 59/3172/3; Mann to Dillon, November 16, 1960; “Conclusions and Recommendations Regarding Bolivian Program” (n.d. [1958?]), in NA 59/3172/1; Mann to Dillon, November 10, 1960.

<sup>106</sup> An CEPAL report noted that the mining workforce had increased 50 percent from 1951-56 (“The Economic Policy of Bolivia in 1952-64,” 68); cf. Canelas, *Mito y realidad de la COMIBOL*, 38. The distribution of the labor force was also skewed, with a disproportionate percentage of workers employed above ground.

<sup>107</sup> Burke, *The Corporación Minera de Bolivia*, 30; DoS Executive Secretary Benjamin Read quoted in Siekmeier, *The Bolivian Revolution*, 100. See also MemoConv, May 25, 1960, in NA 59/3172/1; *El Diario*, April 7, 1961; Stephansky to May, August 16, 1962, in NA 59/3172/2; Carr to Strom, November 6, 1960, in NA 59/3172/1.

diversification, but instead sought to boost private mining at COMIBOL's expense. Economists' recommendations that lay-offs be delayed until "suitable alternate employment" was created received low priority.<sup>108</sup>

By reducing the size of the state-employed workforce, the lay-offs also contributed to the "promotion of private enterprise." Not only would they help weaken the tin miners' union as a political force and as a collective bargaining unit, but they were also part of an assault on state-owned industries more generally. The other component of this attack was the U.S. insistence on the increased participation of private foreign business in Bolivian mining. Months before loan negotiations even began, Thomas Mann stressed that U.S. aid "would be carefully conditioned upon the acceptance by the Bolivian Government of sound foreign management for COMIBOL." Long desired but deemed unrealistic by U.S. planners prior to late 1960, the signing of "a private management contract" would thereafter be a firm U.S. condition. Three years later U.S. officials had raised their expectations even more, actively pursuing the prospects for "establishing one or more mixed companies, with COMIBOL retaining 51 percent ownership and, in each case, the private company granted complete control of operations." The goal of privatizing COMIBOL, entirely or in part, was part of a larger hemispheric campaign targeting nationalization as a concept. A successful nationalized enterprise might, after all, "tempt other countries to follow their example."<sup>109</sup>

Finally, another condition required COMIBOL to use at least half the amount of the foreign loans to buy U.S. imports—starkly inconsistent with "free trade" ideals but favorable for U.S. exporters. The U.S. Agency for International Development (USAID), the entity in charge of

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<sup>108</sup> Quoted in Burke, *The Corporación Minera de Bolivia*, 39.

<sup>109</sup> "Summary of and Comments on USOM Bolivia's Criticism of Aid Policy in Bolivia"; Mann to Dillon, November 10, 1960; Anderson to Barr, December 4, 1963; Hudson to Atwood, April 30, 1953.

disbursing the U.S. portion of the Triangular money, privately acknowledged that this stipulation “cannot but raise costs” for COMIBOL.<sup>110</sup> Partly as a result, by 1963 Bolivia was obtaining “almost all its manufactured imports from the US.”<sup>111</sup> The Triangular partners also refused to renegotiate the loans’ repayment, thereby contributing in a significant way to Bolivia’s rising debt obligations and increasing dependency. James Wilkie notes a “34 per cent increase in Bolivia’s external public debt between 1960 and 1965.” By 1970 COMIBOL owed \$40 million to its foreign creditors.<sup>112</sup> This problem would produce dire consequences by the 1980s, contributing to the crisis that was used to justify the neoliberal program imposed in 1985.

What amounted to \$62 million in loans during the 1960s did relatively little to improve COMIBOL’s efficiency. Only \$4 million went to mineral exploration and only small amounts were devoted to acquiring new technology. Government records showed a return to profitability by 1966, but “creative accounting” and other factors unrelated to actual production were the primary causes of the apparent turnaround. The government provided massive—but often hidden—tax breaks to COMIBOL and in 1966 cut export taxes (*regalías*) by over 50 percent. The Triangular partners also stopped pushing for continued compensation to the former mining tycoons, potentially saving COMIBOL millions of dollars. And perhaps most importantly, mineral prices on the global market increased substantially in the 1960s; tin prices rose by 66 percent over the course of the decade. The rise of global tin prices was the main factor in the near-doubling of total Bolivian exports—from \$69 million to \$118 million—from 1963 to 1966. A 1967 CEPAL study noted that “the recovery of tin prices on the world market in the three-year

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<sup>110</sup> Similar conditions were attached to most U.S. loans to Latin America under the Alliance for Progress (Rabe, *The Most Dangerous Area*, 154). USAID memo quoted in Burke, *The Corporación Minera de Bolivia*, 23.

<sup>111</sup> Dunkerley, *Rebellion in the Veins*, 111.

<sup>112</sup> Wilkie, *The Bolivian Revolution and U.S. Aid*, 44; Burke, *The Corporación Minera de Bolivia*, 23-24.

period 1964-66 has done more to increase COMIBOL's value of production than the physical increases in output brought about by the rehabilitation plan."<sup>113</sup>

Of course, improving efficiency was not the primary goal of the Triangular partners, who were much more interested in economic privatization and "labor discipline." To their delight, the plan contributed to the further de-nationalization of COMIBOL. Throughout the 1960s COMIBOL purchased a substantial portion of the tin it exported (up to 36 percent) from private mining companies, and in 1965 began leasing many of the smaller state mines to private firms under the military junta's new mining code. By 1970 the private mining sector had surpassed COMIBOL, with a workforce four times larger than COMIBOL's and twice the production levels.<sup>114</sup> COMIBOL retained control of only the largest mines.

Efforts to "obtain discipline among labor" were also quite successful in the short term. In 1966 former U.S. economic adviser Cornelius Zondag noted with approval "the change in the attitude of labor itself...as evidenced by its recent cooperation."<sup>115</sup> The strategy involved both economic and military coercion. By mid-1963 the U.S. embassy had decided "that the various aid programs (both AID and military) should be used as appropriate to help solve COMIBOL's labor problems." The U.S. government had been supplying military aid to Bolivia since 1957, with most going toward the creation of government "internal security" forces. Consistent with the Alliance for Progress elsewhere, the Kennedy administration dramatically increased military aid to Bolivia.<sup>116</sup> After Army leaders overthrew the Paz government in November 1964, they

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<sup>113</sup> Burke writes that the plan "salvaged the Corporation at the expense of true rehabilitation" (*The Corporación Minera de Bolivia*, 18-34, 72 [p. 34 quote]); CEPAL, *Economic Survey of Latin America: 1966*, 92; CEPAL, "The Economic Policy of Bolivia in 1952-64," 71-72. See also CEPAL, *Economic Survey of Latin America: 1969*, 115; Nash, *We Eat the Mines*, 216-17.

<sup>114</sup> Burke, *The Corporación Minera de Bolivia*, 40-42, 53-54.

<sup>115</sup> Zondag, *The Bolivian Economy*, 237.

<sup>116</sup> Annual U.S. military aid increased from \$400,000 in 1961 to \$3.2 million in 1964 (Wilkie, *The Bolivian Revolution and U.S. Aid*, 48). On the "internal security" emphasis of U.S. military aid to Latin America by 1960, see

forcibly occupied the mines, slashed wages by 36 percent in the first year (for miners, but not for administrators), and laid off over 1,300 additional workers. In October 1965 Bolivian Church officials sent an open letter to the junta condemning the “subhuman standard of living” of the miners. U.S. officials responded with enthusiasm, reassuring the new regime of the United States’ “strong moral support” for the “forceful and effective measures” being taken.<sup>117</sup>

But the key shift had occurred well prior to the military coup. The Paz government had already abolished what was left of “workers’ control” in August 1963, and more workers left the labor force before the military occupation than after (lay-offs totaled 3,700 in 1961-64). In late 1963 COMIBOL President Guillermo Bedregal had already begun applauding “COMIBOL’s victory over labor.”<sup>118</sup>

### **Resistance and the Paths Not Taken**

The “victory” was never total, neither in the mines nor in the broader economy. The Bolivian government was always constrained, both by the revolutionary rhetoric of the time and, more concretely, by the threat of mobilization from tens of thousands of angry Bolivians. U.S. officials overseeing the stabilization program often lamented the degree to which they, as well as

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Rabe, *Eisenhower and Latin America*, 147-48; Rabe, *The Most Dangerous Area*, 125-47. Although Wilkie’s statistics show no military aid provided prior to 1958, an unsigned memo from March 22, 1957, noted that “[o]f the total of \$20 million in aid for Bolivia for the present year, \$10 million is considered for ‘Defense support’ and \$10 million for stabilization” (NA 59/1170/13). On the multiple facets of the Alliance for Progress—economic, political, and military—see Grandin, *Empire’s Workshop*, 47-49, and for Bolivia see Field, “Ideology as Strategy.” The military emphasis of the Alliance increased further under President Johnson, partly as a result of Thomas Mann, who was active in the DoS under Kennedy and Johnson; see LaFeber, “Thomas C. Mann”; Rabe, *The Most Dangerous Area*, 173-81. However, Paz and Siles were also interested in rebuilding the Army and approached the U.S. government for help (Lehman, *Bolivia and the United States*, 141, 148-49).

<sup>117</sup> Canelas, *Mito y realidad de la COMIBOL*, 153 (wages); 158-60 (Church officials). On U.S. support for the military junta see McCausland to Stutesman, July 10, 1963, in NA 59/3172/3; Vaughn to Mann, June 4, 1965, and U.S. Embassy to DoS, June 30, 1965, both in NA 59, SNF 535. USAID approved \$1.8 million specifically for the military intervention in the mines; see “Editorial Note,” *FRUS, 1964-1968*, 31: 349, and also Field’s recent findings on U.S. support for earlier (Paz-era) paramilitary violence in “Ideology as Strategy,” 147-48.

<sup>118</sup> Bedregal cited in MemoConv, November 14, 1963, in NA 59/3172/3; Burke, *The Corporación Minera de Bolivia*, 36-37, 42 (lay-offs), 52.

Paz, Siles, and other MNR leaders, were handcuffed by “the Bolivian politico-social context.” While they continued to push for a freeze on miners’ wages and other harsh measures, they privately conceded that some “slippage in government policy” was inevitable due to “the pressure from powerful labor and political groups.” George Eder bemoaned MNR “vacillation” in imposing the stabilization measures and the wage increases forced upon the government by miner resistance.<sup>119</sup> The Eder Plan’s attempt to eliminate subsidized groceries at the mines triggered massive protest, with miners and their wives occupying the *pulperías* at Catavi, Huanuni, San José, Quechisla, and other mines. In June 1957 the Second Congress of the COB threatened a general strike if the government refused to modify the stabilization measures, though the strike plan failed due to the government’s successful appeals to other working-class sectors and some of the miners themselves.<sup>120</sup>

Resistance to the Triangular Plan was also fierce, though mostly confined to the mining sector. In mid-1961 the tensions that had been brewing between the MNR and the miners reached a boiling point. Just as the Triangular partners were signing their “Memorandum of Understanding” to begin the plan, the miners’ union issued a series of demands over economic grievances and in early June began what became an 18-day strike. When the Paz government jailed a number of union leaders in response and refused to release them, outrage spread through the mines with threats of strikes, angry denunciations of the MNR leadership, and alleged acts of sabotage to impede production. The June strike also signaled a historic occasion with the formation at the Siglo XX mine of a Comité de Amas de Casa (Housewives’ Committee) to help defend the miners’ union there. At one point during the strike the press reported that 20,000

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<sup>119</sup> Unsigned to Mann and Lane, October 28, 1960, in NA 59/3172/1; “United States Policy toward Bolivia”; “Summary of and Comments on USOM Bolivia’s Criticism of Aid Policy in Bolivia”; “Program in the Second Year”; Eder, *Inflation and Development*, 299, 447-52.

<sup>120</sup> John, *Bolivia’s Radical Tradition*, 170-71.



women from the mines were threatening to descend on La Paz. The threat posed by this resistance was obvious: while 152,075 work days were lost to strikes in 1960, the number in 1961 was 489,789.<sup>121</sup> The miners' estrangement from the MNR accelerated rapidly thereafter.

The strikes and protests have been well documented, but sometimes neglected in the historiography are the concrete alternative policies that the protesters advocated.<sup>122</sup> The miners themselves were often the loudest proponents of these alternatives. For instance, delegates to the 1954 COB Congress had discussed the formation of "pools" of primary-commodity producers among the underdeveloped countries to prevent devastating price fluctuations and ensure fair prices for raw materials like tin.<sup>123</sup> In place of the Eder Plan's strict austerity and zero-inflation policy, they proposed higher taxes on capital and demanded wage increases and price controls to shield workers from the effects of devaluation and rising prices.<sup>124</sup> Intellectual allies like Trotskyist Guillermo Lora pointed out that controlled inflation could be used as a way to redistribute wealth; as long as workers' wages and other benefits rose faster than prices, the result would be a downward redistribution of income.<sup>125</sup>

A core popular demand regarding the tin industry was the call for one or more smelters that would enable Bolivia to refine its own tin, freeing it from its dependence on U.S. and British

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<sup>121</sup> Women had long played a significant role in Bolivian miners' struggles, but in the early 1960s that role became much more visible. See *El Diario*, June 27, 1961; Lagos, ed., *Nos hemos forjado así*, 21; Canelas, *Mito y realidad de la COMIBOL*, 93 (strike days). For more on government detentions and repression see Field, "Ideology as Strategy."

<sup>122</sup> Here I take issue with the common argument that critics of the stabilization program lacked "an alternative program" and "did not come forward with anything concrete to replace" the Fifty-Step Plan (Alexander, *The Bolivian National Revolution*, 215). The alternatives may have lacked unity and academic form, and certain aspects may have been impractical, but they *were* presented. For more on alternatives see Chapter 5.

<sup>123</sup> *El Diario*, November 12, 1954.

<sup>124</sup> *El Diario*, June 29, 1957; Dunkerley, *Rebellion in the Veins*, 89; Delgado González, *100 años de lucha obrera*, 249-77.

<sup>125</sup> Lora, *La estabilización, una impostura*; Lora, *A History of the Bolivian Labour Movement*, 303.

smelters (including a Liverpool smelter owned largely by the Patiño family).<sup>126</sup> The need for a smelter had long been central to revolutionary nationalist thought in the country, and it was the key plank in the left's proposed alternatives to the Triangular Plan. The miners' congress in Huanuni in May 1961 passed a list of nine demands including acceptance of the Soviet aid offer to fund a smelter, the end to indemnification payments to the tin barons, more funding for mineral exploration, and state control over all mining revenue. The economic commission of the factory workers' congress a week later echoed the call for a smelter.<sup>127</sup>

These demands in turn exerted pressure on politicians in the national legislature. In 1962 a group of Bolivian senators wrote to Paz Estenssoro demanding that he accept the Soviet aid offer. One, Arturo Crespo, criticized the government's failure to promote "the economic independence of the country." In response Paz promised a tin smelter at some point in the future, but in the short term committed only to sending minerals to the USSR for "intensive metallurgical studies." Empty promises did little to placate popular demands, as revealed by incidents like the 1963 threat of the "Pro-Smelters Committee" in Oruro to launch "a total blockade of the communications system in this part of the country" if Paz did not accept a Czech offer to build an antimony smelter in Oruro.<sup>128</sup>

The arguments for smelter construction resonated widely. Although a 1961 Bolivian government report estimated the cost of a tin smelter at \$20 million, this amount was less than the compensation paid to the former tin barons to that point, and about one-third the amount of

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<sup>126</sup> Bolivia in fact had several small smelters, including a tin smelter in Oruro dating from 1945. But these were small-scale operations and incapable of refining low-grade ore (Almaraz, *El poder y la caída*, 212-33; Burke, *The Corporación Minera de Bolivia*, 64n64). On the Liverpool smelter see Eder, *Inflation and Development*, 51-52.

<sup>127</sup> *El Diario*, May 9 and 16, 1961. Other popular sectors echoed these demands throughout the decade; see for instance the university students' (CUB) 1965 letter cited in Canelas, *Mito y realidad de la COMIBOL*, 160-62.

<sup>128</sup> "Oficio de la Presidencia de la República correspondiendo a minuta de los HH. Crespo, Chávez, Zuazo, Alvarez Plata, Fernández, Torres y Morales," September 24, 1962, in H. Senado Nacional, *Hornos de fundición en Bolivia*, 267-69; Crespo speaking on September 12, 1962, in H. Senado Nacional, *Hornos de fundición en Bolivia*, 15; *El Diario*, June 18, 1963.

the Triangular Plan loans (the total cost of which ended up being far more due to interest).<sup>129</sup> The Soviet Union had offered to fund the construction of the smelter “with no strings attached,” as even George Eder admitted. Moreover, the demand for a smelter transcended the left-right divide: nationalists of all political stripes insisted on its necessity, and even right-wing military leaders after 1964 had to genuflect to this central tenet of Bolivian revolutionary nationalism by promising them one.<sup>130</sup>

The MNR’s failure to construct a tin smelter, coupled with the lack of substantial industrialization and diversification more generally, contributed to heightening discontent by the early 1960s. Why would the MNR promote, or at least acquiesce to, a program of mass firings and privatization for the mining industry while neglecting the options that could help put the industry and the economy on a more solid long-term footing? After a decade of revolution and no smelter, many Bolivians agreed with Senator Ñuflo Chávez’s allegation that “there is a real conspiracy of foreign interests to avoid smelting in the country” (see Figure 3.2).<sup>131</sup> Public opinion also indicted certain Bolivian elites. The *rosca*, it had long been believed, had conspired to prevent the construction of mineral smelters and had violently resisted state attempts to assert greater control over the industry, most clearly in its alleged murder of President Busch in 1939. After 1952 the tin barons had joined forces with the U.S. government to impede and co-opt the revolution. Communist intellectual Sergio Almaraz also accused COMIBOL of cooperating with

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<sup>129</sup> República de Bolivia, *Plan nacional de desarrollo*, 192. The need for a smelter is the key theme in Sergio Almaraz’s history of the tin industry, first released in 1966: *El poder y la caída*, esp. 127-233.

<sup>130</sup> In 1967 General and President René Barrientos promised a smelter, “whatever it costs” (*Extra*, May 23, 1967). Some groups on the right, such as the neo-fascist FSB, also criticized mine privatization schemes, though they may have done so opportunistically (e.g., *Extra*, July 28, 1966). Eder quote from *Inflation and Development*, 521.

<sup>131</sup> Ministro de Minas y Petróleo referring to Chávez, September 13, 1962, in República de Bolivia, H. Senado Nacional, *Hornos de fundición en Bolivia*, 42.

foreign smelting companies that wanted to prevent Bolivia from obtaining its own smelter.<sup>132</sup> Such beliefs reflected the deep-seated conviction, common throughout Latin America but especially pronounced in Bolivia, that U.S. political and economic elites opposed the industrialization of the Third World. Dependency theorists would articulate this notion more fully later in the decade.



**Figure 3.2: “The United States will donate *this* furnace to Bolivia.”** The construction of a tin smelter had long been a demand of Bolivian nationalists and popular classes. This 1960 cartoon mocks the U.S. government’s purported generosity, implying that the only “furnace” the United States would allow Bolivia would be one for “melting Bolivia” by destroying its national industries. Here U.S. Ambassador Carl Strom gleefully roasts the state tin and oil companies, railroads, and “national industry.” The cartoon echoes the popular accusation that U.S. policy undermined Bolivian attempts to industrialize, a critique that persists in many left and nationalist circles today. Cartoon from *El Pueblo* (La Paz), October 29, 1960. Archivo Hemerográfico, Biblioteca y Archivo Histórico de la Asamblea Legislativa Plurinacional, Bolivia.

<sup>132</sup> Speeches by Deputies Pórcel and Aracena in República de Bolivia, *Redactor del H. Cámara de Diputados*, octubre de 1956, 154-56, 194; Almaraz, *El poder y la caída*, 88-89 (Busch murder), 178-79 (COMIBOL).

The U.S. position on Latin American industrialization in the 1950s was slightly more complex than such arguments suggested. Prior to World War II the U.S. government *had* explicitly opposed the idea of Latin American industrialization. Leading planners had invoked neoclassical theories of comparative advantage and often outright racism to justify a neo-mercantilist world order in which the United States and Europe produced manufactured goods while the rest of the world supplied them with cheap raw materials and labor. This argument survived into the postwar era, but U.S. officials could no longer vocalize it without drawing protest from Latin Americans.<sup>133</sup> In addition, not all postwar U.S. officials were neoclassical ideologues like George Eder.<sup>134</sup> By the 1950s many had started to favor the idea of Latin American industrialization in the interest of ensuring a stable, U.S.-friendly political order and reducing the need for U.S. aid. Nor were foreign capitalists necessarily opposed to the prospect of Latin American industrialization, and sometimes favored it for their own interests.<sup>135</sup>

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<sup>133</sup> For discussion of one prewar mercantilist vision see Krenn, *U.S. Policy toward Economic Nationalism*, 12. A postwar report warned that inter-American relations had been strained at the 1945 Chapultepec conference when a top U.S. official had “strongly insinuated that...Latin America should forsake its industrialization aims” (“Special Report Prepared by the Psychological Strategy Board” [n.d.], in *FRUS, 1952-1954*, 1: 1493).

<sup>134</sup> I have omitted a lengthier discussion of the divisions within the Eisenhower and Kennedy administrations, in part because, as Siekmeier notes, “the division in U.S. policymaking circles was not over goals but over tactics” (“Fighting Economic Nationalism,” 70). Nonetheless, some divisions were significant. Some Eisenhower officials like Milton Eisenhower and Undersecretary of State Douglas Dillon advocated greater U.S. aid to Latin America. Some were also more tolerant toward Keynesianism and recognized the need for state intervention to stimulate industrialization. The Eder Plan, like Eisenhower policy more generally, implicitly reflected contradictory currents: while it involved significant foreign aid, its conditions mandated fiscal austerity, reliance on private enterprise, and prioritization of debt service and compensation to the deposed tin barons. Kennedy’s economic policy involved a greater emphasis on aid to Latin America and, though often overstated, a modestly higher degree of tolerance toward structuralist ideas. Such internal tensions characterized U.S. economic foreign policy for much of the 1950s, 1960s, and 1970s, though again, they should not obscure the commonality of basic goals among policymakers. On the Eisenhower era see Kaufman, *Trade and Aid*, 161-66; Siekmeier, “Fighting Economic Nationalism,” 198-237; Rabe, *Eisenhower and Latin America*; Fenwick, “The Eisenhower Administration.” On the ambivalent and fleeting U.S. tolerance for structuralism under Kennedy see Taffet, *Foreign Aid as Foreign Policy*, 85-89.

<sup>135</sup> Siekmeier, “Fighting Economic Nationalism”; Evans, *Dependent Development*; Cardoso and Faletto, *Dependencia y desarrollo*. The U.S. ambassador to Bolivia in the late 1950s, Philip Bonsal, pushed for aid to YPFB as a way of promoting industrialization in order “to get Bolivia off the back of the American taxpayer” (memo to Rubottom, August 21, 1958, in NA 59/1170/13). As one indication of the modest shift in U.S. thinking, Albert O. Hirschman, an economist sympathetic to structuralist ideas, was among the candidates considered to replace Eder as head of the Stabilization Council in Bolivia in 1957 (Dillon to Rubottom [n.d., ca. August 2, 1957], in NA

In practice, however, U.S. support for industrialization was quite limited, and especially in the Bolivian case. The charge that the U.S. government opposed a Bolivian tin smelter was correct, though U.S. officials always insisted that their aversion to the idea stemmed from neutral economic calculations—that it would be a waste of precious resources. The development of smelting operations in Bolivia in the 1960s occurred despite the Triangular Plan, not because of it.<sup>136</sup> And U.S. policy hindered industrialization and diversification in other ways, too. The United States required Bolivia to use its aid to buy U.S. food products, which hampered the development of Bolivian agriculture.<sup>137</sup> It insisted on low tariffs for industrial imports. It discouraged the rise of any industries that would compete with powerful U.S. business sectors; any Bolivian industrialization would have to complement, not threaten, U.S. corporations. It prohibited the use of U.S. aid to assist state enterprise (mining and oil) until the late 1950s. Its stabilization plan hindered industrial development in the name of stopping inflation. It also worried that industrialization in export sectors might raise the cost of imports to the United States.<sup>138</sup> Moreover, Bolivia was not Brazil or Mexico: if U.S. officials and corporate executives sometimes favored industrialization in these countries, they tended to view Bolivia as a more classic extractive economy whose purpose was to supply the First World with cheap minerals.<sup>139</sup> In short, there was much evidence to support popular suspicions that U.S. elites opposed

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59/1170/13). For a global perspective on selective U.S. support for ISI, see Maxfield and Nolt, “Protectionism and the Internationalization of Capital.”

<sup>136</sup> Burke, *The Corporación Minera de Bolivia*, 33-34. For Triangular Plan adviser Victor Bjorkman’s opposition see *Extra* (Cochabamba), July 31, 1966. Eder, for one, said of smelter construction “that the investment could not be justified on economic grounds” (*Inflation and Development*, 549).

<sup>137</sup> Burke, “Does ‘Food for Peace’ Assistance Damage the Bolivian Economy?”; Seikmeier, “Fighting Economic Nationalism,” 192.

<sup>138</sup> Green, *The Containment of Latin America*, 76, 178 (tariffs); Siekmeier, “Fighting Economic Nationalism”; Wilkie, “U.S. Foreign Policy and Economic Assistance,” 92.

<sup>139</sup> And even in Mexico and Brazil U.S. government support for industrialization was limited, especially in the early postwar era. On Brazil see Haines, *The Americanization of Brazil*, 87-144.

Bolivian industrialization. Their opposition derived not so much from any dogmatic or ideological commitment as from concrete conflicts of interest. As David Green observes, even if U.S. officials did not intentionally seek to perpetuate underdevelopment, “their relationship to private interests may have promoted it.”<sup>140</sup>

The highly-selective nature of U.S. support for industrialization is further evidence of the importance of power dynamics in economic policymaking. There were policy alternatives available in the mining sector (and, as Chapters 5-6 will make clear, in other realms of the economy as well), and they were widely discussed in both intellectual and popular circles. These alternatives were not guaranteed to work, of course, and certainly none of them offered a panacea for Bolivia’s profound structural problems of underdevelopment, mono-export dependence, and inequality. But whether or not these alternatives would have produced better long-term outcomes than the options chosen is less important than the key point: that alternative courses were available and had a reasonable likelihood of producing at least as much growth and equity as monetarism and privatization, but were defeated because of asymmetrical power relationships.

Yet the United States government, its MNR allies, multinational capital, and international agencies were not the only entities capable of exerting influence over economic policy. The concrete impact of popular pressures is often overlooked. Popular demands had an effect not only on official discourse and political culture, but often on economic policy as well. Although the MNR and the Barrientos regime that followed launched an all-out assault on mineworkers’

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<sup>140</sup> Green, *The Containment of Latin America*, 303n9. The often-contradictory imperatives of promoting U.S. corporate interests and maintaining political stability in Bolivia were revealed in a 1955 comment by Hubert Humphrey during a meeting of the Senate Foreign Relations Committee: “I am for American capital and other capital going into these countries. However, I am not for people going in under our sponsorship and take [sic] out everything they can. After they have created revolution and hardship, we are forced to bail out the country, and they get away with it” (included in Bolivian Embassy to Guevara Arze, June 10, 1955, in *Embajada de Bolivia—Washington a Ministerio de Relaciones Exteriores, enero a junio de 1955*, p. 132, located in RREE).

rights, they were compelled to take steps toward the construction of mineral concentration mills and smelters (and, as Chapter 6 will show, oil refineries). In 1963 the Paz administration established the *Corporación Nacional de Fundiciones* (National Smelter Corporation) to oversee the various small smelting operations in the country and explore future smelter possibilities. The Barrientos regime signed a contract with a German firm for the construction of Bolivia's first large-scale tin smelter in 1966. By 1970 the new smelter was operating in Oruro, along with another for antimony, and the government had plans for tungsten, copper, lead, zinc, and bismuth smelters as well.<sup>141</sup> And despite the Triangular partners' hopes and threats from Bolivian officials, nothing approaching a full privatization of the mining industry would occur until 1985, largely due to the furious popular response to further efforts to privatize individual mines in the 1960s.<sup>142</sup>

As the following chapters will demonstrate, economic nationalism and redistributive demands from popular sectors often placed powerful constraints on U.S. and MNR power. This pattern is apparent not just in mining but also in the realms of urban industry, hydrocarbons, and agriculture. Though in many ways the revolution was defeated by the forces of reaction after 1956, popular resistance also limited the power of those forces in real and meaningful ways.

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<sup>141</sup> Burke, *The Corporación Minera de Bolivia*, 34, 65n69; CEPAL, *Economic Survey of Latin America: 1969*, 115-17.

<sup>142</sup> The case of the Matilde mine in the department of La Paz attracted widespread condemnation from miners and nationalist intellectuals when the government leased it to a private company: see for instance *El Diario*, December 5, 1964; *Extra*, July 20, 1966; Senator Córdova in República de Bolivia, Legislatura Ordinaria de 1966, *Redactor del H. Senado Nacional*, 129-33; Quiroga Santa Cruz, *El saqueo de Bolivia*, 29ff. Colonel Juan Lechín Suárez (the half-brother of the labor leader), president of COMIBOL under the military junta, publicly mentioned the possibility of closing COMIBOL: see *Última Hora*, December 16, 1965, cited in Canelas, *Mito y realidad de la COMIBOL*, 157.



## CHAPTER 4

### **The Battle for Men's Minds: Economic Ideas, U.S. Propaganda, and the Reformulation of Revolutionary Nationalism**

*“Of what lasting value is an agreement negotiated between the American Embassy and the host government if public opinion in the country does not support its government’s position?”*

—Thomas Sorensen, U.S. Information Agency (1968)<sup>1</sup>

Most modern counterinsurgency doctrine emphasizes the need to win over the civilian population in war zones through more than just military means. Recent Western military interventions in Iraq and Afghanistan have been accompanied by much talk of the need to conquer the “hearts and minds” of civilian populations in those countries. Since the end of the Cold War U.S. policymakers and intellectuals have increasingly advocated the use of “soft power” to win the allegiance of foreign peoples, and the U.S. government has employed a range of cultural, ideological, and economic means alongside military aid and intervention.<sup>2</sup>

Half a century before, the U.S. and Bolivian governments experimented with a similar approach. An extensive “informal diplomacy” campaign led by the U.S. Information Agency (with foreign posts known as the U.S. Information Service, USIS) accompanied the more overt forms of U.S. intervention described in Chapter 3. In the words of one postwar USIA official, U.S. propaganda efforts were intended “for the purpose of persuading other people to think and

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<sup>1</sup> Sorensen, *The Word War*, 56.

<sup>2</sup> For example, Nye, *Soft Power*. U.S. liberals like Nye have been the foremost proponents of this strategy, while neoconservatives have placed more emphasis on direct military intervention. Liberal support for soft-power approaches has parallels in the earlier epochs, from Woodrow Wilson’s “Committee on Public Information” during World War I to John F. Kennedy’s expansion of the U.S. Information Service. Many postwar Republicans were initially skeptical about the efficacy of such tactics and some even charged that U.S. informational programs were infiltrated by communists. See Sorensen, *The Word War*, 31-41; Belmonte, *Selling the American Way*, 38-39, 51-57.

act in ways that will further American purposes.”<sup>3</sup> Such candid admissions of self-interest often appeared alongside highly moralistic language about the proper path that Third-World societies should take. USIA crusaders tended to view the world in stark, Manichean terms. Like John Foster Dulles, Eisenhower’s Secretary of State, they considered ideas like economic nationalism and Third-World neutralism “immoral.”<sup>4</sup> In 1950 President Truman’s Assistant Secretary for Public Affairs coined the phrase “Campaign of Truth” to characterize overseas propaganda efforts. However Orwellian the label, it was an appropriate reflection of the psychology of most U.S. policymakers in the early postwar decades. Like George Eder, U.S. propaganda agents frequently used motifs of war when describing their activities. A 1951 report seeking to justify funding for propaganda efforts asked “Shall it be democracy or totalitarianism south of the border? Shall the battle be fought now with books and brains or later with bombs?” References to the “battle for men’s minds” were common in the 1950s and 1960s.<sup>5</sup>

This archaic (or maybe not-so-archaic) rhetoric obscured the real issues at stake. The main conflict in places like Bolivia was not between democracy and totalitarianism but among differing ideas about the path to economic development and social justice. Internal U.S. reports on Bolivia often admitted as much once they moved past the obligatory Cold War rhetoric and engaged in substantive analysis. U.S. propaganda agents explicitly sought to dislodge deep-seated popular beliefs about the world economy, particularly the widespread suspicion of imperialism and class exploitation, and foster trust in the mutually-beneficial nature of

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<sup>3</sup> Sorensen, *The Word War*, 5.

<sup>4</sup> Dulles, referring specifically to neutralism, quoted in Sorensen, *The Word War*, 54. Sorensen does not explicitly endorse Dulles’s view, but consistently echoes its basic assumptions. Many USIA officials were more liberal than Eder and Dulles, but their basic attitudes regarding U.S. interests and privileges were not dramatically different.

<sup>5</sup> DoS, *Around the Good Neighbor Network* (May 1951), p. 5, in NA 306/1015/21; Unsigned, “Are We Winning the Battle for Men’s Minds in Latin America?” February 7, 1962, in NA 306/1032/2. For similar phraseology see Henderson, *The USIA*, 44-45. On the Campaign of Truth see also Cull, *The Cold War and the USIA*, 51-67.

international and domestic capitalist class relations. Resource nationalism, they hoped, would give way to an abiding faith in free enterprise, foreign investment, and U.S. goodwill, while Bolivian workers would realize the folly of class struggle and join hands with their employers for their mutual advancement. This project was ambitious, for it sought to reverse some of most pervasive currents in working-class political culture.

USIS messaging dovetailed with the efforts of Bolivian government officials seeking to promote foreign investment and suppress labor militancy. By the late 1950s the MNR leadership had re-opened the oil sector to private investment, imposed a harsh austerity plan, and initiated a drastic downsizing of the state mining corporation, all while repressing mineworker protests and prohibiting formal labor-peasant alliances. On the level of discourse, it began subtly redefining official Bolivian identity in a way that deemphasized the miners and lauded the *campesino*, the middle class, and the Army as symbols of the nation. The MNR's appeal to nationalism helped it achieve a modest degree of success in its quest for legitimacy. That success ultimately proved temporary, however, and neither MNR leaders nor Army officials were able to make Bolivians forget the core premises of Bolivian revolutionary nationalism.

USIS propaganda had even less success in changing Bolivians' views. Despite marked changes in economic policy after 1955, U.S. officials would often lament that popular attitudes about economic development, class conflict, and international relations remained quite consistent. The U.S. failure to achieve ideological hegemony in Bolivia is evident in its increased reliance on military aid to the MNR starting in the late 1950s. Bolivian popular attitudes and mobilization in the 1950s and 1960s placed strong checks on what the U.S. and MNR governments could do.

## **A Hedge against Revolution: U.S. Informal Diplomacy Prior to 1952**

The U.S. government's first sustained effort at overseas propaganda was during World War II, when it created the Office of War Information (OWI) to promote the Allied cause.<sup>6</sup> The chief OWI agency for Latin America was the Office of the Coordinator of Inter-American Affairs (OIAA), led by Nelson Rockefeller. The OIAA's Coordination Committee for Bolivia distributed newspaper articles, newsreels, radio programs, and films promoting cooperation with the United States and Allies. Though dissolved soon after the war, the OIAA laid the foundation for postwar propaganda efforts in Latin America.

Like so much else about the U.S. government, the OIAA campaigns were fraught with paradox. One January 1944 report describes a visit to the town of Sorata to show OIAA films. When a power outage occurred, U.S. agents used local soldiers wielding whips to conscript Indian laborers to fix the power lines and relocate a utility pole. The report admitted that "their work was not necessarily 'voluntarily' [sic]," and the treatment of the natives "a little bit primitive," but concluded that "the uses of Democracy were well served under methods which are by custom under a feudal set-up."<sup>7</sup> Although not particularly extreme—U.S. intervention often took much more violent forms—the incident embodies the contradictions of a state that constantly invoked the cause of democracy while behaving in deeply antidemocratic ways around the world.

By whatever means, OIAA outreach efforts reached a large minority of the population during the war. By late 1945 each U.S.-supplied film was being shown about 600 times per month in schools around the country. Total showings numbered around 400 a week and took

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<sup>6</sup> There were earlier efforts, however, most notably Wilson's Committee on Public Information, which targeted both domestic and foreign audiences. See Cull, *The Cold War and the USIA*, 1-12; Henderson, *The USIA*, 23-28.

<sup>7</sup> Wasson to Rockefeller, January 10, 1944, in NA 229/1/225.

place in at least 36 cities and rural towns. According to one report, over half a million Bolivians saw the films and over 100,000 saw U.S. newsreels in just one four-week period; more than 150,000 attended other OIAA-sponsored programs. The actual number of individuals was probably lower—OIAA reports do not specify the number of unique audience members—but the figures remain impressive given Bolivia’s population of around three million at that point.<sup>8</sup>

The messaging ranged from subtle to overt. Wartime film titles included *How to Swim* and *Picturesque Massachusetts*, but also *Airways to Peace* and *Nazi Atrocities*. Films like *Steel*, *Man’s Servant* and *Soldiers of the Sky* showcased U.S. industry, technology, and weaponry. Others, like *Champions Carry On* and *Busy Little Bears* (shown to children), praised personal characteristics like hard work and perseverance. Still others offered general praise for the United States without focusing on any one area of society or government.<sup>9</sup>

The number of film showings diminished significantly after 1945, but other aspects of the informal diplomacy campaign intensified in the late 1940s.<sup>10</sup> The Truman administration created a number of short-lived but laboriously-named agencies like the U.S. International Information and Educational Exchange (USIE) program that adapted the OIAA mission to the emerging Cold War. Many of the strategies and messaging themes of anti-Nazi campaigns proved useful for the anti-left campaigns of the postwar era. As the Cold War heated up and governments around the hemisphere launched a full-fledged assault on workers’ rights, social democracy, and radicalism, U.S. propaganda efforts in Bolivia likewise picked up.<sup>11</sup> USIE and other agencies focused special

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<sup>8</sup> Wasson to Harrison, December 13, 1945, in NA 229/1/225. Population figure from the 1950 census (República de Bolivia, *Censo demográfico*).

<sup>9</sup> Wasson to Harrison, December 13, 1945; Maroney to Murillo, February 12, 1942, in NA 229/1/225.

<sup>10</sup> Crandall to DoS, July 18, 1950, in NA 59, CDF 511.24/7-1850. Film showings declined significantly, to 104 showings of 64 films (and a total audience of just 12,989) in July 1950.

<sup>11</sup> On the hemispheric context see Bethell and Roxborough, “Introduction”; on Bolivia see Whitehead, “Bolivia.” On the domestic U.S. context see Fones-Wolf, *Selling Free Enterprise*; Cauter, *The Great Fear*.

attention on newspapers. By 1949 “all newspapers in Bolivia” were using USIE-provided materials, and one report boasted that “USIE can practically guarantee the publication of its material in the most influential papers.” The newspaper with the largest circulation, *La Razón*, featured around 500 column-inches of USIE materials per month. Agents enjoyed a close collaborative relationship with newspaper editors, particularly of *La Razón* and the other major right-wing daily *Los Tiempos*. One 1950 report claimed that USIE efforts had “stirred editors into writing more and more editorials which, in addition to published USIE releases, abetted in disclosing to the papers’ readers the evils of Communism.” The report also noted that USIE was broadcasting on “over 19 radio stations” and getting hundreds of hours of “free air time” on major radio stations each month.<sup>12</sup>

The ideological tone of U.S. propaganda also became more pronounced by the late 1940s.<sup>13</sup> In 1949 the USIE introduced a radio program called *Family Hour* that imparted a steady stream of anti-Communist lessons, plus a magazine entitled *Did You Know?* that ran “articles explaining the destructive tactics of communism.” The following year the USIE staff produced another family-oriented radio program featuring two parents and a college-age son. The Catholic parents “painstakingly explain to the son—who leans to the ‘left’—the moral corruptness and abysmal life Communism will give him should he continue interested in its doctrine.” Much of the scripting for the program came directly from U.S. Congressional reports on Communism and from anti-Communist diatribes by U.S. authors. The program aired on at least eleven stations

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<sup>12</sup> Hunsaker to DoS, January 10, 1950, in NA 59, CDF 511.24/1-1050.

<sup>13</sup> One former USIA official associates the 1948 creation of two new propaganda programs and the 1950 initiation of the “Campaign of Truth” with a shift toward more aggressive propaganda efforts (Henderson, *The USIA*, 42-46).

around the country, with “careful and discreet steps” taken “to assure that the source of origin would not be revealed.”<sup>14</sup>

“Pro-United States” messages were at least as prominent as anti-Nazi and anti-Communist ones. Just as they would after 1952, U.S. officials had to contend with widespread negative images of the United States. They lamented how “most people south of the border” viewed the United States as “a nation of highly materialistic, pleasure-mad alcoholics.”<sup>15</sup> But Bolivians seem to have reserved their most serious criticisms for U.S. government and corporate capital. In 1951 agents noted the widespread usage of the term *el imperialismo yanqui*, a “catch phrase” that they attributed to a “misunderstanding and distrust of the United States, its objectives and policies.” This distrust was apparent “not only among the working class but among the small, growing, middle class and the upper strata of society as well.” Yet rather than reflecting a visceral hostility to North Americans or foreigners in general, the sentiment was usually rooted in a concrete sense of class and ethnic exploitation. According to one U.S. agent, the average Bolivian mineworker viewed all owners and supervisors with contempt, whether they were “Bolivian[s] or foreigner[s].”<sup>16</sup> Informal diplomacy was required to combat these “misrepresentations.”<sup>17</sup>

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<sup>14</sup> Hunsaker to DoS, January 10, 1950. Seth Fein comments that U.S.-sponsored newsreels in 1950s Mexico rarely came off as “didactically ideological” (“New Empire into Old,” 724). U.S. informal diplomacy in Bolivia may have been more overtly ideological than in Mexico, and probably became more so starting in the late 1940s.

<sup>15</sup> DoS, *Around the Good Neighbor Network*.

<sup>16</sup> At the same time, labor unrest may have been more pronounced in the U.S.-owned Corocoro mine than elsewhere in the country: see Crandall to DoS, June 29, 1951, in NA 59, CDF 511.24/6-2951. Such a pattern would support Charles Bergquist’s argument that labor militancy is higher in enterprises under foreign ownership (*Labor in Latin America*).

<sup>17</sup> DoS, *Around the Good Neighbor Network*. The argument that Bolivians simply “misunderstood” U.S. policy was common. In his 1958 visit to La Paz, Vice President Nixon said that Bolivians were “poorly informed on these [US] policies,” and emphasized “the need for disseminating clearer information.” The mass of Venezuelans who famously attacked Nixon’s motorcade and covered his limo in a deluge of spit that same year must have been very poorly informed indeed, for they failed to understand the generosity behind U.S. support for the Pérez Jiménez dictatorship. See Briggs to Bernbaum, May 21, 1958, in NA 59/1162/27.

Agents were particularly worried about negative attitudes among what they considered the leadership class in Bolivian society. The “priority target groups” for U.S. efforts, in descending order of importance, were 1) middle-class professionals, particularly teachers, media directors, and others with substantial influence over public opinion; 2) Church officials, government officials, urban workers, and young people; and 3) rural workers.<sup>18</sup> Cadets and officers at the Bolivian Military Academy were also crucial targets, particularly during the war. One 1943 memo from the head OIAA agent in Bolivia noted that the academy’s students tended to come “from the country’s best families” and predicted that this population would comprise “many or most of the country’s future leaders. Reaching these boys at an impressionable age and creating in their minds a favorable attitude towards the United States seems to me a very worthwhile accomplishment.” The Bolivian military’s historic ties to Germany worried the author, but he expressed optimism that officers were “gradually outgrowing their contempt for North American military prowess.”<sup>19</sup>

The memo also described regular lunch-hour film showings in La Paz “in one of the poorer sections of town.” The author’s description helps illuminate the logic of the U.S. outreach strategy and also speaks volumes about U.S. officials’ perceptions of lower-class Bolivians:

What benefit may accrue to us from the showing of films to audiences such as these, is a question which may well be asked. These people, under present circumstances, have no voice in government; they do not look promising as a source of future leadership. They are an element of the population which simply doesn’t count...but I have the feeling that our efforts are not entirely wasted...The pictures must stir some sort of emotional response; the audience is not the kind from which to expect an intellectual reaction.

Furthermore, who can predict what political and social changes may take place after the war, even in a country like Bolivia?...These showings, then, may perhaps be justified—if on no other grounds—as a hedge against revolution.<sup>20</sup>

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<sup>18</sup> Hunsaker to DoS, April 19, 1950, in NA 59, CDF 511.24/4-1950.

<sup>19</sup> Wasson to Rockefeller, August 24, 1943, in NA 229/1/225.

<sup>20</sup> Ibid.



The last two sentences would prove prophetic, though the “emotional response” of the poorer elements in 1952 would not be quite the type that U.S. agents wanted.

### ***Chasquis for Private Capital Investment***

Although the informal diplomacy of the early postwar era failed to prevent a revolution, it served as the basis for U.S. propaganda and cultural campaigns in Bolivia after 1952. The media forms, outreach strategies, and messaging pioneered during and after the war by the OIAA, USIE, and other bodies prefigured the campaigns of the U.S. Information Agency following the revolution. Created in August 1953, the USIA and its foreign branches (the USIS) quickly became a fixture in U.S. foreign policy. By 1952 “foreign propaganda” had become “a permanent feature of American government,” notes one former USIA official.<sup>21</sup> USIS efforts in Bolivia after 1952 were still intended as a “hedge,” not against revolution itself but against a certain *kind* of revolution.

When U.S. officials spoke of the Bolivian “tinder box,” they were referring not just to government policies but to popular attitudes.<sup>22</sup> Defusing the situation required more than just formal diplomacy. Consequently, the U.S. propaganda campaign in the country expanded significantly after the revolution. According to an official evaluation of the USIS program in late 1954, “The sweeping economic and sociological changes taking place in Bolivia give the Information Program increased importance in maintaining proper attitudes toward the United States.”<sup>23</sup> The most important “proper attitude” concerned capitalist enterprise. Throughout the 1950s, the primary “country objective” of the USIS campaign was “promoting popular

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<sup>21</sup> Sorensen, *The Word War*, 4. On the agencies created between 1938 and 1952 see Henderson, *The USIA*, 28-52.

<sup>22</sup> On the tinder box analogy see Chapter 2, note 104.

<sup>23</sup> Opsata, “Inspection Report of USIS BOLIVIA,” November 24, 1954, in NA 306/1045/1.

acceptance of private capital investment,” a goal that coincided with that of George Eder, the Triangular Plan partners, and the State and Treasury Departments.<sup>24</sup>

USIS agents devoted particular energy to promoting the monetary stabilization plan implemented in December 1956, a task which apparently “overwhelmed” the staff in La Paz. They planted articles in Bolivian newspapers, published newsreels and news bulletins, and operated an extensive film and radio campaign. One interesting tactic consisted of public opinion polls with questions “deliberately weighted so as to convert people and to keep them enthusiastic about the stabilization program.” A 1958 report proudly noted that Bolivia “is the only country so far where the public opinion survey has been used as a propaganda device,” and suggested “that this device has been more successful than the press and radio effort along this line.” Like the MNR’s own propaganda, USIS “news” implied near-unanimous support for the stabilization plan among the general population. One USIS newsreel produced during Siles’s term reported on the President’s visit to the major mines, claiming that “[e]verywhere the workers gave him their unanimous support and promised to double their efforts.”<sup>25</sup>

Like earlier OIAA and USIE campaigns, USIS efforts in the 1950s and 1960s targeted especially the upper and middle classes in the cities—“the intellectuals, the opinion molders, and the political opportunists.” University students were a particular target.<sup>26</sup> But in an apparent change from the pre-1952 period, the agency also produced materials in Quechua and Aymara

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<sup>24</sup> USIS-La Paz to USIA (Washington), May 27, 1958, in NA 306/1021/2.

<sup>25</sup> USIS-La Paz to USIA, January 28, 1957, and Unsigned, “Notes on Bolivia (For IRI/R and IAL),” September 22, 1958, both in in NA 306/1021/2; Bolivian Newsreel No. 16 (n.d.), in NA 306/1098/51.

<sup>26</sup> USIA, “Inspection Report: USIS/Bolivia,” May 11, 1962, in NA 306/1045/1. Both U.S. and Bolivian students were viewed as a highly strategic sector, with U.S. officials hoping they would be ambassadors for capitalism. The USIS Public Affairs Officer in the late 1950s suggested “that a number of bi-lingual, politically sophisticated undergraduate students from the U.S. should come down to study in the Bolivian universities with the idea of answering the Marxist arguments on the spot.” In the 1960s the U.S. government also sponsored official visits by Bolivian student leaders to the United States. See Unsigned, “Notes on Bolivia”; “Dirigentes universitarios bolivianos visitaron Estados Unidos,” *Foro Universitario* 1, no. 4 (1965): 6-9.

for diffusion among the indigenous population. It printed a trilingual monthly news bulletin called *El Chasqui* (“The Courier” in Quechua) and posted it on public walls around the country. USIS efforts also extended beyond the cities “out into the Indian areas.” The agency provided films dubbed in Quechua and Aymara for use in rural locales and co-sponsored “a radio teaching program in the Indian languages run by Maryknoll missionaries.” Tens of thousands of pamphlets promising that “the life of the campesino will be better” under the stabilization program were disseminated in the countryside.<sup>27</sup>

As in the World War II period, “primitive” methods were sometimes required for getting the message across. The USIS maintained a close relationship with a Canadian priest named Lino Grenier, who seems to have been an especially enthusiastic transmitter of the USIS message. Grenier and his order ran an extensive educational campaign with USIS equipment, with Grenier himself operating near Siglo XX, one of the country’s most militant mines. One USIS agent wrote that Grenier “may be something of a fanatic. He is also a fighter, I understand, and has been known to resort to the use of his fists to defend his views, and has personally participated in breaking up Communist rallies at Siglo XX.” Grenier (who was in fact a martial arts expert) embodies the U.S. and MNR governments’ increasing resort to violence as a means of persuasion.<sup>28</sup>

In addition to “popularizing stabilization,” USIS messaging in the 1950s encompassed a broad array of propaganda themes. On the more overt end of the spectrum, agency newsreels condemned the 1956 Soviet invasion of Hungary and praised the 1954 overthrow of Guatemalan President Jacobo Arbenz. More subtle propaganda publicized the U.S. space program, U.S.

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<sup>27</sup> Unsigned, “Notes on Bolivia,” September 22, 1958; Opsata, “Inspection Report”; ICA-La Paz (Ketner) to DoS, June 14, 1957, in NA 306/1021/2.

<sup>28</sup> While Grenier used his fists, the U.S. government and MNR preferred guns. The next chapter touches upon the U.S.-MNR rebuilding of the Bolivian Army and encouragement of peasant paramilitary violence. Grenier described in Williams to Pitts, September 30, 1959, in NA 59/1162/27; see also Field, “Ideology as Strategy,” 174.

government funding for an anti-malaria program in Bolivia, and a thrilling U.S. hockey team victory over the Russians in the 1960 Olympics (a plotline later borrowed for *Rocky IV*). A large proportion of newsreels also focused on the training and accomplishments of the Bolivian army, a theme that became increasingly important in the late 1950s as the U.S. and MNR governments started to rebuild the country's military. Most of this propaganda contributed to the broader objective of "explaining to Bolivians the advantages of international cooperation among democratic countries." As one 1959 memo noted, a central geopolitical goal of U.S. policy in Bolivia was "to demonstrate that people in social revolutions can make effective gains through cooperation with the US."<sup>29</sup>

### **A People's Capitalism**

As noted in the previous chapter, this goal became more urgent as a result of the 1959 triumph and subsequent radicalization of the Cuban Revolution. Although the fundamental goals of the U.S. government remained the same, new strategies and tactics emerged to counter the threat. The Kennedy administration's approach was both more sophisticated and more brutal than Eisenhower's: the Alliance for Progress inaugurated in March 1961 combined economic development aid with military assistance and the creation of the first modern-day death squads in Latin America.<sup>30</sup>

The shift in policy toward Bolivia was less marked—largely because an Alliance-type relationship with the U.S. government had existed since 1953—but U.S. intervention there did undergo some substantial changes under the Kennedy and Johnson administrations. First,

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<sup>29</sup> Undated Bolivian Newsreels Nos. 15, 17, 19, 24, 39, 55-56, 61, all in NA 306/1098/51; "Briefing Book on Bolivia," undated (ca. 1956), p. 30, in NA 59/1170/13; Siracusa to Rubottom, June 1, 1959, in NA 59/1162/27.

<sup>30</sup> Grandin, *Empire's Workshop*, 47-49; Taffet, *Foreign Aid as Foreign Policy*; Field, "Ideology as Strategy."

military aid to Bolivia increased by 800 percent between 1961 and 1964.<sup>31</sup> A second change involved U.S. informal diplomacy, and was likewise spurred largely by the Cuban Revolution. The USIS campaign in Bolivia became more elaborate starting around 1961.<sup>32</sup> By June 1961 the list of USIS “country objectives” had expanded beyond just “promoting popular acceptance of private capital investment” to include several additional but related aims:

Country Objectives: 1) To foment among Bolivians the conviction that their best interests will be served by alignment with the United States and the democratic civilization for which it stands, and recognition of the free world leadership. 2) To show that American aid to Bolivia is materially benefitting the Bolivian people and has as its sole aim the democratic economic development of the country. 3) To combat actively growing Communist influence and the tendency to accept Marxist dogma in Bolivia.<sup>33</sup>

The official USIS “country plan” a year later also listed several “cultural” objectives. USIS should promote “the creation of a Bolivian national culture” and “a sense of national pride that will over-ride class, educational, economic, and political differences.” This national pride would take Bolivians’ minds off trivialities like poverty and ethnic discrimination, instead “directing national attention and interest to the development of the country” and “emphasizing work and discipline” rather than class struggle.<sup>34</sup>

All these objectives were implicit admissions of the hurdles that USIS agents faced. Far more worrisome than the 5,000 or so registered Communists and Marxist intellectuals in the country was the deep suspicion of U.S. motives, foreign corporations, and capitalism in general that was widespread among workers and the poor. Most Bolivians had no formal affiliation to Marxist parties (and at times even repudiated them), but “a leftist thought pattern” was

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<sup>31</sup> Wilkie, *The Bolivian Revolution and U.S. Aid*, 48.

<sup>32</sup> The overall USIA budget increased by about 25 percent from 1961 to 1964 (Henderson, *The USIA*, 58).

<sup>33</sup> USIS-La Paz to USIA, “USIS Country Plan for Bolivia in FY62,” June 22, 1961, in NA 306/1047/5. ; cf. USIA, “Inspection Report.”

<sup>34</sup> USIS-La Paz (Bishop) to USIA, “FY1963 Country Plan for USIS-Bolivia,” June 28, 1962, in NA 306/1047/5.

widespread and posed tough dilemmas for U.S. policymakers.<sup>35</sup> If Soviet-style Communism inspired little support among Bolivians, nor did U.S.-style capitalism and the racism, militarism, and imperialism widely associated with it. In late 1958 Ambassador Bonsal had complained “that such concepts as the role of the free world economy in helping underdeveloped countries, private enterprise as the key for better living standards, [and] the constructive role of the United States in situations such as Bolivia, are under severe attack.” Conversely, vague notions of socialism and greater national independence enjoyed widespread appeal all over the continent, particularly in the wake of the Cuban Revolution. In late 1960 one report from Bolivia noted that there was “widespread sympathy for the aspirations and objectives of the Cuban revolution” among Bolivians.<sup>36</sup>

The solution was “people’s capitalism,” a messaging theme intended to put a kinder face on the capitalist system.<sup>37</sup> One aspect of this campaign tried to show the social successes of capitalism in the United States. A series of articles in the USIS-produced magazine *Foro Universitario* entitled “Socialism in the United States” sought to counter the common Latin American perception of U.S.-style capitalism as cold-hearted and bereft of social welfare measures. In the process, they also put forth a watered-down definition of socialism stripped of

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<sup>35</sup> The Party membership estimate of 5,000 is from IRI, “Statistical Data on Communist Propaganda Activities in Latin America, 1957,” January 15, 1958, in NA 306/1029/1. Quote from Office of Research and Intelligence, “Communist Propaganda Activities in Bolivia, 1956,” February 25, 1957, in NA 306/1033/1. The official who lamented the “leftist thought pattern” was referring specifically to “government and intellectual circles,” but numerous reports make clear that the same pattern characterized a large portion of Bolivian society-at-large. An undated memo (ca. 1956) speaks of the need to counteract “the Marxist thought pattern historically popular in this nation” (“Briefing Book on Bolivia,” 30). See Chapter 5 for more evidence to this effect.

<sup>36</sup> Bonsal to Rubottom, November 29, 1958, in NA 59, CDF 824.06/1-1058; Weise to Coerr, November 11, 1960, in NA 59/3172/1. Another 1960 memo lamented that although many Latin Americans were harshly critical of the Soviet leadership, and even Castro’s leadership, “This does not mean, however, that the goals of the Cuban Revolution have lost their appeal to a broad base of Latin Americans who seek to change their socio-economic status quo.” See “Latin American Reactions to the Current UNGA,” October 7, 1960, in NA 306/1032/1.

<sup>37</sup> The People’s Capitalism campaign was first launched in 1956, but the slogan only seems to have become prominent in the work of USIS’s Bolivia branch in the early 1960s. See USIS-La Paz to USIA, February 1, 1961, in NA 306/1047/5; cf. Belmonte, *Selling the American Way*, 116-135; Fein, “New Empire into Old,” 718; Sorensen, *The Word War*, 83-84; Cull, *The Cold War and the USIA*, 117-18.

any reference to nationalization, attacks on private property, or workers' control. One such article from 1967 noted that the Republican and Democratic Parties had recently adopted some of the Socialist Party's long-time platforms, such as higher taxation on the rich, regulations on big business, and federal disaster relief, and pointed to Lyndon Johnson's Great Society programs as further evidence of this pattern. The article even appropriated the phrase "permanent revolution," usually associated with Trotskyism, and imbued it with a very different meaning: "This revolution has produced a vigorous and elastic socioeconomic structure in which the ideals of human freedom and social welfare could be applied with ever-better results."<sup>38</sup> The USIS attempt to co-opt and redefine the concepts of socialism and revolution is a testament to those concepts' widespread appeal in Bolivia.<sup>39</sup>

USIS messaging also sought to counter other "misconceptions" about U.S. society, domestic U.S. policy, and the U.S. role in the world. Among the most widespread misconceptions were the belief "[t]hat the U.S. is utterly materialistic" and "that the U.S. favors area dictatorships over the democracies." Polls conducted elsewhere in Latin America produced similar results, adding a long list of further grievances regarding U.S. policies, ignorance, and tendency to "look upon Latin America as a colony." In a 1958 poll of residents in Buenos Aires, Lima, and Caracas, a majority in one or more of the cities—especially Buenos Aires and Lima—condemned U.S. "interference in [the] internal affairs of other countries," the "unfair prices" that the U.S. government and importers paid for the country's goods, the "economic exploitation of our country by North American companies," U.S. "support of dictators," and the "racial

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<sup>38</sup> Mittleman, "El socialismo en los Estados Unidos."

<sup>39</sup> USIA surveys across the Third World had found that when respondents were asked to evaluate the word *capitalism*, "disapproval clearly predominated," whereas "USIA found a highly favorable reaction to the word socialism" (Sorensen, *The Word War*, 80).

discrimination” in the United States.<sup>40</sup> White supremacy and the federal government’s stoic response to the Civil Rights struggle of the 1950s and 1960s were a particularly damning indictment in the eyes of people around the world.<sup>41</sup> The *positive* comments about the United States that respondents deemed most justified were the “high standard of living,” the “efficiency of production,” and “scientific and technological progress”—characteristics that say little about justice or moral virtue.<sup>42</sup>

USIS officials tailored their messaging to combat these attitudes. In addition to publicizing social welfare measures in the United States, propaganda stressed “the peaceful, scientific, civilian nature of the U.S. space program” and of nuclear technology, the benevolent motives of U.S. foreign intervention, and the government’s commitment to civil rights for U.S. blacks. Photo and educational exhibits informed audiences of how the government was “Protecting Minority Rights in the USA” while “Fighting for Peace” against “Aggression from the North” in Vietnam. In 1967 Bolivian college students were treated to Secretary of State Dean Rusk’s take on the Vietnam War, one of many such articles in *Foro Universitario*. Attendees of a 1964 educational panel learned about the noble “Belgian-American humanitarian efforts to rescue victims of the Congo massacre,” with discussion of Belgian-American massacres in the Congo of course omitted. Sometimes the messaging slipped in other subtle lessons as well, like

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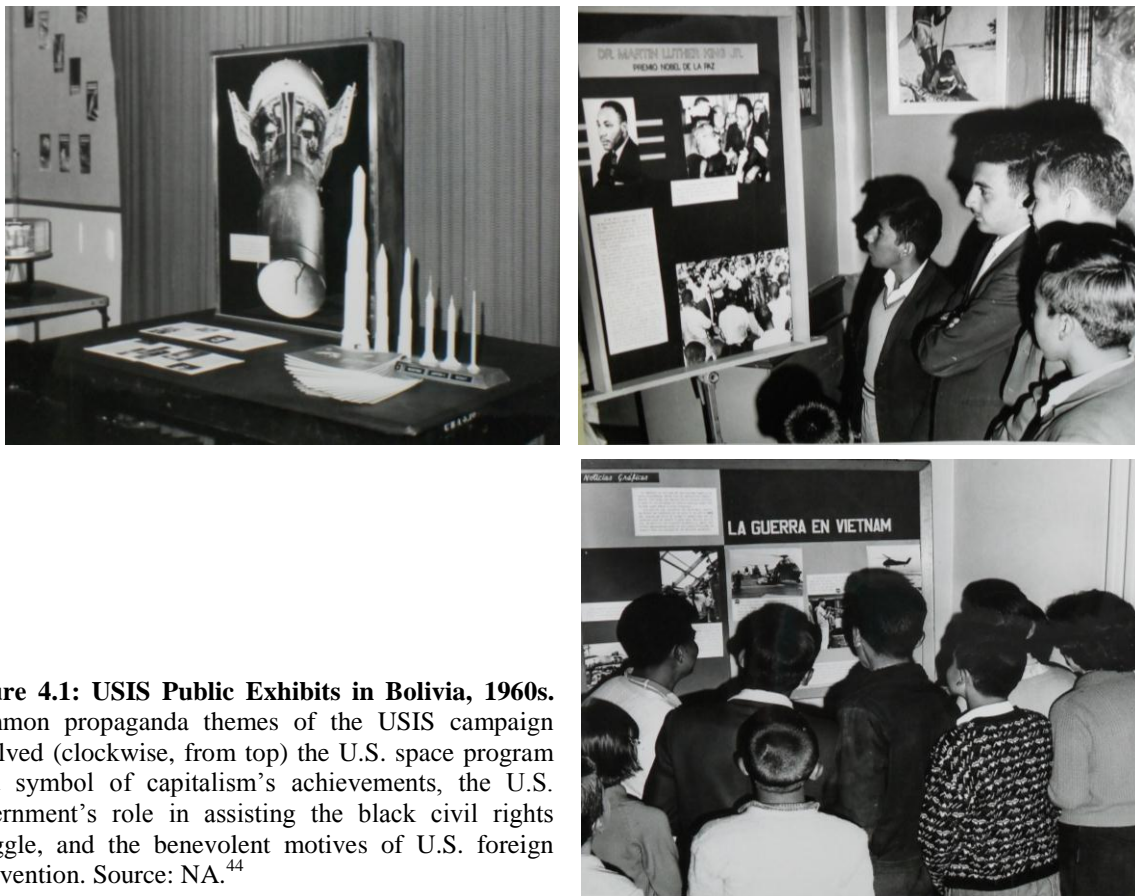
<sup>40</sup> Unsigned, “Misconceptions of American Culture,” September 3, 1959, in NA 306/1032/1; Unsigned, “Unfavorable Latin American Notions about the United States and Its People,” August 28, 1961, in NA 306/1032/2.

<sup>41</sup> Repairing the U.S. image on race relations became a major “Cold War imperative” in the late 1950s and 1960s, as a number of historians and participants have noted. See Dudziak, “Desegregation as a Cold War Imperative” and *Cold War Civil Rights*; Borstelmann, *The Cold War and the Color Line*. On this theme in USIA campaigns specifically see Fein, “New Empire into Old,” 739-40; Haines, *The Americanization of Brazil*, 172; Sorensen, *The Word War*, 100-01, 171-79; Cull, *The Cold War and the USIA*, 113, 211-13, 233-36; Belmonte, *Selling the American Way*, 159-177.

<sup>42</sup> Unsigned, “USIA World Poll Rider Questions: Latin America,” May 26, 1958, in NA 306/1023/5.



when an exhibit on the Civil Rights movement told Bolivians of “Quiet Marchers toward Integration,” thus counseling audiences on the proper way to go about protesting.<sup>43</sup>



**Figure 4.1: USIS Public Exhibits in Bolivia, 1960s.** Common propaganda themes of the USIS campaign involved (clockwise, from top) the U.S. space program as a symbol of capitalism’s achievements, the U.S. government’s role in assisting the black civil rights struggle, and the benevolent motives of U.S. foreign intervention. Source: NA.<sup>44</sup>

In reference to Bolivia itself, the centerpiece of the people’s capitalism campaign was the Alliance for Progress. *Foro Universitario* often publicized the Alliance and Bolivian students’

<sup>43</sup> USIS-La Paz (Fogler) to USIA, October 21, 1966, and USIA, “Statistical Report on Exhibits Program” (n.d., ca. January 1966), both in NA 306/1039/3; Rusk, “Buscamos una paz duradera” (cf. Johnson, “Las 5 normas básicas”); USIS-La Paz (Schechter) to USIA Washington, December 29, 1964, in NA 306/1039/3. Articles placed in Bolivian newspapers by USIS frequently echoed these themes, with headlines like “President Kennedy continues his campaign for black civil rights” (*El Diario*, June 14, 1963). Nicholas Cull comments that “[o]bservers relying only on USIA sources for their picture of the African-American civil rights movement would have the impression that the hero of the civil rights era was the federal government, which came to the aid of the distressed black citizens” (*The Cold War and the USIA*, 211). More broadly, messaging cast U.S. democracy as pluralistic and participatory; see Belmonte, *Selling the American Way*, 95-135.

<sup>44</sup> Photos included with USIS-La Paz to ICS/E Washington, May 20, 1965, in NA 306/1039/3; Schechter to USIA, December 29, 1964.

praise for its alleged achievements.<sup>45</sup> Much of the publicity targeted urban workers. Public exhibits in factories and other urban places were “an important instrument” for disseminating “the Alliance story at a ‘grass-root’ [sic] level.” One exhibit publicizing a 1962 USAID loan to the Soligno textile mill in La Paz was called “The Rehabilitation of the Soligno Factory.”

The exhibit carried the message that the Alliance for Progress, by rehabilitating and putting the plant on a profit making basis, is not only assisting managements [sic], but the workers at the plant and the economy of the country. In addition we wished to express that the success of the rehabilitation program is determined by the amount of cooperation that the workers’ union give [sic] to this project. With this approach it was hoped that each worker would be instilled with the feeling that he is an integral part of the Alliance and that his individual contribution would result in the success or failure of the rehabilitation program.

USIS officials and the Soligno management saw to it that the display “was permanently placed at the Soligno factory, specifically in the workers’ union office” (see Figure 4.2).<sup>46</sup>



**Figure 4.2: “The Rehabilitation of the Soligno Factory.”** In the early 1960s USIS devoted much of its time to promoting the Alliance for Progress. Outreach campaigns like this one in the Soligno textile factory sought to convince Bolivian workers of U.S. goodwill and the benefits of capitalism. Source: NA.<sup>47</sup>

<sup>45</sup> “Universitarios opinan sobre la Alianza para el Progreso,” *Foro Universitario* 2, no. 22 (1967): 9-13; “Quinto aniversario de la Alianza para el Progreso: programa de la Alianza en Bolivia,” *Foro Universitario* 2, no. 13 (1966): 1-7. On USIA promotion of the Alliance see also Sorensen, *The Word War*, 157-60.

<sup>46</sup> USIS-La Paz (Torrey) to USIA, December 4, 1962, in NA 306/1039/3.

<sup>47</sup> Photo included in *ibid.*

Outreach to Bolivian workers had two purposes: to show that the U.S. government looked favorably upon the idea of unions, but also to delineate “good” from “bad” forms of labor activism. U.S.-sponsored “training” for labor leaders and regular USIS publications like *El Obrero* (“The Worker”) sought to counter the notion that the United States was inherently opposed to unions.<sup>48</sup> But only certain kinds of unionism were acceptable. A key goal of U.S. policy around the hemisphere was “to promote responsible trade unionism and understanding management.”<sup>49</sup> Good workers, like good Third-World governments, cooperated with their bosses and with the U.S.-MNR agenda. Workers who resisted U.S.-MNR policies, like the “conspirators” opposed to the Triangular Plan, failed to appreciate the generosity and understanding of their benefactors and therefore forfeited their rights as workers and Bolivians.<sup>50</sup> The USIS message about unions thus had both a public-relations purpose and a disciplinary one.

Bolivian elites were meanwhile developing their own discourse about responsible workers and management, and it complemented the USIS rhetoric nicely. The Said textile factory in La Paz published a regular magazine where it preached the virtues of “understanding between Employers and Workers” and called for the “conscious and friendly cooperation of the unions.” Rather than taking “a hostile attitude” toward their employers, workers were exhorted to respect “the principle of authority and hierarchy in [the] factories and fields.” The magazine also

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<sup>48</sup> Although the U.S. government does not seem to have undertaken an extensive “labor training” program in Bolivia as it did in other countries (with the help of the AFL-CIO), U.S. officials often simply bribed Bolivian labor leaders with cooperation from the Bolivian labor ministry; see Eder, *Inflation and Development*, 524. The U.S. government also sponsored “leader grant” trips to the United States for labor leaders and other Bolivians (see Bonsal to Rubottom, December 1, 1958, in NA 59/1162/27; USIS-La Paz [Fogler] to USIA, March 28, 1967, in NA 306/1039/3). Within Bolivia they distributed free “gift[s] from the people of the United States,” such as the 1959 manual by Liveright, *Capacitación de líderes sindicales*, located in BAH-ALP and stamped with the quoted words.

<sup>49</sup> Wiesman to French, September 29, 1960, in NA 59/3172/1. For an earlier statement of this goal on the hemispheric level see “United States Objectives and Courses of Action with Respect to Latin America” (NSC 144/1), March 18, 1953, in *FRUS, 1952-1954*, 4: 8. On Mexico see Fein, “Everyday Forms of Transnational Collaboration,” 411-16.

<sup>50</sup> See Chapter 3, pp. 118-19. On binary characterizations of subordinate groups by imperial representatives see Hulme, “Tales of Distinction,” 169-71, 190; Guha, “The Prose of Counter-Insurgency,” 58-66; Hale, “Rethinking Indigenous Politics”; Young, “The Good, the Bad, and the Benevolent Interventionist.”

emphasized an argument that would become a steady MNR drumbeat under the stabilization plan: that increased production, not redistribution, was the key to higher living standards. Higher productivity “will result in the strengthening of the national economy and in fair rewards for all the company’s workers.” Each issue of the magazine showcased a handful of dedicated workers who embodied these ideals. Often the leaders of the factory’s white-collar union of *empleados* would be quoted to the effect that “capital and labor...are not conflicting interests.”<sup>51</sup>

Similarly, both the MNR leadership and the military regime emphasized the need for “labor responsibility and discipline.” Since the early years of the revolution MNR leaders had argued that strikes were counterproductive; “the only way to defend working-class interests in Bolivia at the current time is to support the Government” and “give it the cooperation of selfless, disciplined, and productive work.”<sup>52</sup> The military government of René Barrientos (1964-69) continued to insist that the government was the “servant of the working class,” but more explicitly distinguished “corrupt unionism” from “responsible unionism.” The “new unionism,” as Barrientos explained in an October 1966 speech to La Paz factory workers, rejects “the Marxist line” and “class hatred” and instead “struggles in a civilized way” in cooperation with the government and other social classes.<sup>53</sup>

Accompanying the discourse of responsible labor was a message about responsible, “modern enterprise.” Government leaders distinguished foreign companies and the nascent Bolivian bourgeoisie from the tin oligarchy of the pre-1952 era, emphasizing their positive contribution to national economic development. Bolivian business owners depicted themselves

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<sup>51</sup> Javier Aguirre (Jefe de Personal), “Acción Sindical,” and Antonio Said, “El Gerente dice...,” in *Revista Said* (April-June 1954): 14-15, 32; “Garantías a la inversión de capitales,” *Revista Said* (January-March 1955): 2; “Con los dirigentes sindicales,” *Revista Said* (October-December 1954): 35.

<sup>52</sup> Víctor Paz quoted in *El Diario*, April 10, 1961; *La Nación*, November 30, 1955.

<sup>53</sup> Barrientos, *Hacia un nuevo sindicalismo*, 19, 8-10.

as understanding, progressive, and dedicated to the revolutionary nationalist goal of industrial diversification. Antonio Said, owner of the Said textile factory, contrasted the “backward or retrograde enterprise” model of old with the new spirit of “modern enterprise” among business owners who realized “that their mission corresponds to the general economic interest.” Written in 1954 amidst factory workers’ calls for nationalization and workers’ control, Said’s comments reflected a lingering wariness about the economic path of the revolution. Said defended the place of privately-owned national industry by quoting Argentine leader Juan Perón, who in a recent speech had denounced state enterprise and defended private industry as “the most important factor in the development, wealth, and happiness of all peoples in recent times.” According to Said, “These words...are all the more significant” given Perón’s “policy of state intervention” in the Argentine economy.<sup>54</sup> Said appealed to Perón’s reputation as a left-leaning populist to prove the revolutionary nationalist credentials of the policy he himself advocated: state intervention on behalf of national industry coupled with strict respect for private property rights.

The Bolivian elites who employed this discourse were not simply parroting the U.S. line, but rather advancing their own class interest vis-à-vis Bolivian popular sectors. As in post-revolutionary Mexico, the “ideological convergence” between revolutionary elites and U.S. leaders led them to embrace similar discourses for overlapping ends.<sup>55</sup>

### **Modernization and the Mystique of Development**

The psychological objective, as one 1962 USIS report phrased it, was “the creation of a mystique of development” that united Bolivian workers with their bosses and the government in

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<sup>54</sup> Said, “El Gerente dice...” *Revista Said* (July-September 1954), 35. Perón’s speech was printed in the same issue as “Discurso del Presidente Perón sobre las relaciones de trabajo,” 13-15. For a similar discourse of “modern” business in postwar Europe and the United States see Maier, “The Politics of Productivity,” 615-18.

<sup>55</sup> Fein, “Everyday Forms of Transnational Collaboration,” 415, 438n8; Knight, *U.S.-Mexican Relations*, 1-20.

a spirit of cooperation.<sup>56</sup> Like the Soligno factory workers, each Bolivian “would be instilled with the feeling that he is an integral part of the Alliance.” A steady path to progress would follow from hard work, responsible labor unionism, and “alignment with the United States,” where people’s capitalism had allegedly delivered unprecedented economic growth and a high standard of living for everyone in society.

The U.S. space program was a key point of focus in USIS efforts to promote the “mystique of development.” The program signified the supreme triumph of U.S. technology and industry as well as the U.S. government’s peaceful application of scientific knowledge.<sup>57</sup> Numerous USIS public exhibits were designed to awe Bolivians with the program’s accomplishments. A 1966 visit to La Paz by U.S. astronauts Richard Gordon and Neil Armstrong sought to drive home the message. Prior to the visit, the USIS and Bolivian Air Force organized an “Aviation Week” in La Paz high schools with 45 showings of “space films” and 65,000 “pictures of the astronauts and of Bolivia viewed from space” distributed nationwide. The week of the visit itself, USIS personnel planted thirteen articles and ten photos in Bolivian newspapers and produced an audio program about the visit that aired on twenty Bolivian radio stations.<sup>58</sup>

Modernization theory provided much of the intellectual basis for U.S. foreign policy in the 1960s.<sup>59</sup> Common to all variants of the theory was the notion that societies like Bolivia could, and should, follow the blueprint for development furnished by the United States and other industrialized countries. Though its proponents understood “modernization” in multiple senses—

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<sup>56</sup> USIS-La Paz to USIA, June 28, 1962, in NA 306/1047/5.

<sup>57</sup> These messages seem to have been consistent with other USIS programs in Latin America. See Fein, “New Empire into Old,” 738; Cull, *The Cold War and the USIA*, 104-06; Sorensen, *The Word War*, 179-83.

<sup>58</sup> USIS-La Paz to ICS/E Washington, May 20, 1965; USIA, “Statistical Report on Exhibits Program”; USIS-La Paz to USIA, October 21, 1966.

<sup>59</sup> Latham, *Modernization as Ideology*; Gilman, *Mandarins of the Future*. Two influential works were Rostow, *The Stages of Economic Growth*, and Millikan and Rostow, *A Proposal*.

economic, political, social, and cultural—U.S. policy toward Latin America in the 1960s focused above all on the economic. Specifically, policymakers stressed the need for a “middle-class revolution” around the continent, one characterized by economic growth, moderate social reforms, and U.S.-friendly policies, rather than a “workers-and-peasants” revolution of the Cuban variety.<sup>60</sup> As always, the “intellectuals and opinion molders” were key targets. One issue of *Foro Universitario* featured an essay by famed modernization theorist and Kennedy/Johnson adviser Walt Rostow, who outlined the process of “creating modern societies” while “reducing the abyss between rich and poor sectors that exists in almost all developing nations.”<sup>61</sup>

Rostow and other modernization theorists explained underdevelopment by pointing to the shortcomings of Latin American peoples, cultures, and values. They generally minimized or denied the existence of exploitation, imperialism, and structural barriers to development.<sup>62</sup> Again, the implicit antithesis of this model was revolutionary Cuba. The incorporation of modernization theory into USIS propaganda in the 1960s was largely a continuation of George Eder’s ideological battle from the previous decade, but with new terminology and rhetorical bows to social justice concerns. U.S. informal diplomacy in the 1960s ultimately reflected the same motives that had guided policy in the 1950s.

All the talk of a “mystique of development” and a “people’s capitalism” could not obscure the underlying conflict, which involved a set of fundamentally-opposing ideas about the nature of capitalism and international economic relations. First, and arguably most important, was the conflict between the notion that international investment benefited everyone in fair

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<sup>60</sup> Arthur Schlesinger, Jr., “Report to the President on Latin American Mission, February 12-March 3, 1961,” in *FRUS, 1961-1963*, 12: 12.

<sup>61</sup> Rostow, “Problemas del desarrollo económico,” 13, 21.

<sup>62</sup> Valenzuela and Valenzuela, “Modernization and Dependency,” 537-43; Park, *Latin American Underdevelopment*, 202-203.

proportions and the argument that such investment was exploitative and disproportionately benefited foreign businesses. Proponents of the first position claimed that a “mutual-benefit” or positive-sum relationship existed between foreign capital and the Bolivian population, and therefore that all parties shared a common interest in the prosperity of private corporations. The second view, widespread among Bolivians, held that Bolivia was on the losing end of an exploitative and imperialist relationship with both foreign capital and the U.S. government.<sup>63</sup> Most Bolivians did not oppose all foreign investment or aid, but were decidedly skeptical of its motives and opposed the undue benefits or leverage that foreigners usually enjoyed as a result. These opposing conceptions paralleled debates among economists in the United States and Latin America. While the U.S. government line coincided with the claims of modernization theory and overlapped (at times) with development economics, including structuralist economics, many intellectual and grassroots voices in Bolivia echoed—and in fact prefigured—the dependency theory whose formal academic articulations began emerging in the mid-1960s.<sup>64</sup>

Commenting on U.S. oil companies’ efforts to secure contracts in the late 1950s, the U.S. ambassador complained “that it has been a tremendous task to overcome the belief of many people here that in the exploitation of Bolivia’s oil resources [by U.S. companies], Bolivian national interest would be neglected or, at least, be placed in a subordinate position.”<sup>65</sup> USIS propaganda also sought to counter Bolivians’ suspicions of U.S. government motives. A 1961

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<sup>63</sup> A corollary of this sentiment, often evident in public statements from unions and other popular organizations, was what anthropologist George Foster calls “the image of limited good,” meaning that the supply of resources and rewards was viewed as finite. But while Foster suggests that this attitude is irrational outside the context of closed peasant communities and “incompatible with national economic growth,” I would argue that the sentiment reflects at least a substantial degree of rationality given that so much of Bolivia’s economic surplus was captured by imperialist interests and domestic elites in the form of profit repatriation, interest payments, unequal terms of foreign trade, etc. See Foster, “Peasant Society,” 303.

<sup>64</sup> Elements of dependency theory are traceable to earlier decades, of course (see Chapters 1-2). On the “mutual-benefit” claim of development economics versus the dependency view, see Hirschman, “The Rise and Decline of Development Economics,” in *Essays in Trespassing*, 12-19.

<sup>65</sup> Bonsal to Rubottom, May 20, 1958, in NA 59/1162/27.



report noted that “the criticism is often heard that the United States aid programs are not developing the economy of the nation but merely making the rich richer” and that the U.S. government sought to use aid as leverage to shape Bolivian policies. USIS messaging argued “that the United States aid program has the basic purpose of helping this country achieve a sound and diversified economic development,” and that U.S. aid was “of material benefit to all of the Bolivian people and is in support of the Bolivian effort to promote economic development.” U.S. officials visiting Bolivia publicized programs like Point IV to illustrate how “free nations can work together for their mutual benefit.”<sup>66</sup>

Part of this conflict stemmed from starkly different visions of what constituted *fairness*. A 1956 study of the mining industry by the U.S. firm Ford, Bacon & Davis complained that foreign investors in Bolivia were deprived of “an equitable share of the proceeds from mine operations” and stressed the need for “the fair sharing of the profits and responsibilities between the essential partners of production.” Yet the study proposed a maximum tax rate of only 25 percent on private business. The authors’ explanation of Bolivian resentment pointed to “mistaken” popular conceptions about foreign industry and a labor force that was “not informed.” But the conflict went much deeper. Most Bolivian workers were unlikely to agree that foreign investors should get 75 percent of total profits, or to think of those investors as genuine “partners.”<sup>67</sup>

Other fundamental disagreements involved ownership of economic resources and workplace relations. The U.S. government remained ideologically opposed to the idea of state-operated enterprises throughout the period in question, although it eventually (and grudgingly)

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<sup>66</sup> USIS-La Paz to USIA, February 1, 1961; USIA, “Inspection Report”; last quote from Point IV director John Hollister, quoted in *El Diario*, February 3, 1956.

<sup>67</sup> Ford, Bacon & Davis, *Mining Industry of Bolivia*, 9: 59-60, 55, 49, 32, 46. The 1951 Keenleyside mission had also proposed a flat-rate corporate income tax of 25 percent (UNTAA, *Report*, 35).

agreed to lend money to COMIBOL and YPF in the interest of political stability. In Bolivia the existence of state-run industries was also closely linked to another evil: “workers’ control,” or at least worker participation in administrative decisions. This system was anathema to the “principle of authority” and the hierarchical boss-worker relationship held so dear by U.S. and Bolivian elites alike. George Eder had fiercely condemned public ownership and worker empowerment. Nonetheless, these ideas remained central to Bolivian economic thought and political culture in the 1960s. As USIS officials routinely lamented, such attitudes were deeply rooted in Bolivian political culture, and even a far more extensive propaganda effort would have had difficulty eradicating them.

Complicating this battle of economic ideas were the internal contradictions of U.S. government messaging and policy. The uneasy coexistence of monetarist and Keynesian economics that was evident in U.S. policy in the 1950s continued in the 1960s, though the Kennedy administration was moderately more sympathetic to Keynesianism and structuralism than the Eisenhower administration had been.<sup>68</sup> One of the many contradictions of U.S. policy was the sharp disjunction between the economic policies employed at home and those promoted abroad. The U.S. government presented the U.S. economy as a model for Bolivia, but it was not necessarily eager for Bolivia or other Third-World governments to embrace the Keynesianism and state intervention in the economy that had allowed for U.S. economic development, and it certainly feared the left-leaning or redistributive variants of such policies. If U.S. officials favored some degree of industrialization in the hopes of reducing Bolivia’s need for U.S. aid, they opposed any industrialization that might compete with U.S. exporters and other industrial interests, and the 1956 “stabilization” plan and other policies severely limited the development of

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<sup>68</sup> On the Kennedy administration’s mild critiques of Eisenhower’s economic policy in Latin America see Taffet, *Foreign Aid as Foreign Policy*, 85-89; Schmitz, *Thank God They’re on Our Side*, 237-44.

any Bolivian industry. Publicity about the U.S. space program sought to impress Bolivians with the accomplishments of U.S. science and industry, but it never mentioned the extensive state subsidies that had allowed for the space program and high-tech sectors to prosper. USIS propaganda praised the social safety net in the United States, but U.S. policy sought to whittle down the already-meager Bolivian welfare state.<sup>69</sup> These contradictions made “people’s capitalism” an even harder sell among Bolivians.

### **The MNR’s Redefinition of Revolutionary Nationalism**

Though it lacked the material resources to carry out extensive “informational” campaigns, the Bolivian government played a crucial role in the effort to remold Bolivian political culture and popular nationalism. Its messaging usually complemented that of the USIS, though the U.S. government does not seem to have played a direct role in formulating that messaging.

Starting in the mid-1950s the MNR, followed by the Army, sought to redefine revolutionary nationalist priorities and iconography by shifting the emphasis from the miners to three groups: the peasantry, the middle class, and the Army. The militant mineworker gradually faded from official speeches and was largely supplanted by these three new symbols of the Revolution. The Revolution became less about uplifting the exploited miner and more about redeeming the humble peasant and fostering the growth of the middle class in a development process aided by a “revolutionary” and “productive” Army. This shift manifested itself in policy as well as discourse: land reform and a massive expansion of the Army accompanied the

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<sup>69</sup> Many Latin Americans were aware of these contradictions. An August 1961 report on “Unfavorable Latin American Notions about the United States and Its People” (note 40 above) mentioned the widespread perception that “North Americans refuse to recognize that there are socialistic aspects in the U.S. economy, and disapprove of similar trends in other parts of the world.” On the history of state intervention in the U.S. and other Western economies see Chang, *Kicking Away the Ladder* and *Bad Samaritans*.

economic policy measures targeting the miners.<sup>70</sup> These discursive and policy shifts reflected the MNR's need to cultivate alternative bases of support in other sectors of the population to counter the power of the miners, at precisely the same time that the latter were fiercely resisting fiscal austerity and the Triangular Plan.

The exaltation of the peasantry as emblematic of the nation was particularly noticeable starting with Víctor Paz Estenssoro's second term (1960-64). In an April 1961 speech calling for "labor discipline" in the mines, Paz simultaneously reflected on the achievements of the Revolution, proclaiming that "the most notable of them is that of the peasants who went from being servants to citizens and today enjoy full membership in the national community."<sup>71</sup> A 1963 government publication on agrarian reform linked "the abolition of servitude" in the countryside to the unification of the national community, proclaiming that "the spiritual strength of a people has been united on a single path: that of Bolivia, before a national goal of conquering underdevelopment."<sup>72</sup> Peasants assumed an even more central place in the iconography of the Revolution under the military regime of René Barrientos (1964-69). Barrientos spoke Quechua and made frequent visits to the Cochabamba countryside (long a center of peasant unrest) to speak to indigenous peasants in their native tongue. The 1964 "Military-Peasant Pact" solidified this alliance and guaranteed strong peasant support for the military government throughout much of the countryside for the next decade.<sup>73</sup>

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<sup>70</sup> In theoretical terms the MNR and military junta might be said to have increased the "symbolic rewards" accruing to these groups, but alongside "distributive" rewards as well; see Lanning, "Governmental Capabilities in a Revolutionary Situation," 20-21.

<sup>71</sup> *El Diario*, April 10, 1961.

<sup>72</sup> García, *Diez años de reforma agraria*, 8-9.

<sup>73</sup> On Barrientos's brand of right-wing populism see Albó, "From MNRistas to Kataristas to Katari," 385-86; Rivera Cusicanqui, *Oprimidos pero no vencidos*, 143-44.

Concrete attempts at co-optation and control accompanied the government's rhetorical praise for the peasantry. The rate of land redistribution jumped in the early 1960s and probably helped consolidate peasant allegiance to the government. After distributing only 320,502 hectares in 1959, the government handed out 852,771 hectares the next year—prior to the Alliance for Progress—and 1.2 million in 1961. Annual distribution figures continued to increase through 1963 before tapering off in 1964. The number of land titles issued followed a similar trend: it more than doubled from 9,193 in 1958 to 18,380 in 1959, doubled again in 1960, and then averaged 44,400 per year from 1961 to 1963.<sup>74</sup> Corporatist-style structures also sought to impede direct collaboration between peasants and workers. In 1957 MNR moderates outlawed the Worker-Peasant Bloc associated with the MNR left, claiming that it violated party statutes. The paternalistic attitudes of much of the urban left and working class would have made genuine collaboration difficult under any circumstances, but MNR policy piled more bricks onto the wall of separation between urban workers and peasants.<sup>75</sup>

MNR leaders likewise placed greater emphasis on the middle class starting in the late 1950s. One of Víctor Paz's 1960 campaign pamphlets was entitled *1960: The Year of the Middle Class*. The pamphlet reminded readers that the MNR had extended social security benefits to public employees and white-collar workers, and had “democratized education to open up the positions previously reserved for children of the oligarchy to the children of the middle class” (see Figure 4.3a).<sup>76</sup> Though it preceded the Kennedy administration, this MNR message coincided with the emphasis of the Alliance for Progress on “middle-class revolution.”

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<sup>74</sup> García, *Diez años de reforma agraria*, 43, 48; República de Bolivia, *El proceso de Reforma Agraria*, 13-17, 20-21. On Paz's acceleration of land redistribution and his attempts to consolidate peasant support for the MNR during the period 1960-64, see Dunkerley, *Rebellion in the Veins*, 116.

<sup>75</sup> *El Pueblo* (Cochabamba), April 5, May 1, and June 25, 1957. On miner-peasant relations see Harris and Albó, *Monteras y guardatojos*. Malloy also emphasizes Paz's rhetorical outreach to the peasantry (*Bolivia*, 303).

<sup>76</sup> *1960: Año de la clase media*, in UMSA FB 324.6 P348m/MFN 1084.



**Figure 4.3a: “1960: The Year of the Middle Class.”** Victor Paz’s 1960 campaign literature reflected the MNR leadership’s attempts to cultivate alternative bases of support. These pages boast of the job opportunities and social security benefits the revolution delivered to the middle class. Used with permission of UMSA.<sup>77</sup>



**Figure 4.3b: “1960: The Year of the Middle Class” (continued).** These pages emphasize the Catholic and non-Communist nature of the MNR.

A third discursive shift, also noticeable by the late 1950s, was the rehabilitation of the Bolivian military. In a 1958 speech to Congress, President Hernán Siles Zuazo spoke of “a new style of popular Army” which “each day seems more like an armed body of citizens.” In contrast

<sup>77</sup> Both figures excerpted from *ibid.*

to the “Praetorian guards” of the past, the new Army of the “people in arms...is deeply identified with their yearnings for freedom and justice” and follows a “doctrine of peace.”<sup>78</sup> Siles, Paz, and others had long been wary of the independent leftist militias that had arisen along with the revolution, and they had insisted on maintaining a formal state military apparatus after the MNR took power.<sup>79</sup> But from the late 1950s onward these leaders—including the left-leaning Juan Lechín—placed increased emphasis on rehabilitating the Army in both material and discursive terms. Since 1953 “middle-class elements and peasants” had been specifically targeted for recruitment to the military academies, suggesting that MNR leaders may have seen the rebuilding of the Army as part of a coherent strategy for countering working-class power in the mines and cities.<sup>80</sup>

This shift coincided closely with U.S. objectives in Bolivia and around Latin America. After 1956 U.S. military aid to Bolivia climbed steadily before skyrocketing in the early 1960s.<sup>81</sup> Meanwhile, the positive role of the Bolivian military was a major point of overlap between USIS propaganda and MNR rhetoric. As noted above, many USIS newsreels by the mid-to-late 1950s publicized U.S.-Bolivian military cooperation, the U.S. training of Bolivian soldiers in the Canal Zone, training at the Gualberto Villarroel military academy in Bolivia, and other military-related activities. In the early 1960s “civic action” programs became an important strategy for improving the often-negative public image of the Bolivian Army and of other local militaries throughout

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<sup>78</sup> Siles Zuazo, *Mensaje al Honorable Congreso Nacional*, 91-93. See also Malloy, *Bolivia*, 181-82.

<sup>79</sup> Dunkerley, *Rebellion in the Veins*, 49-50, 81. Soon after the revolution Paz Estenssoro stated that “what we want is to abolish the Army of the oligarchy and organize the Army of the Revolution” (from *Tribuna da Imprensa* [Rio de Janeiro], quoted in *El Diario*, January 28, 1953).

<sup>80</sup> Cabinet decree quoted in *Los Tiempos*, July 26, 1953. On Lechín’s participation in the rehabilitation of the Army see Lora, *A History of the Bolivian Labour Movement*, 324.

<sup>81</sup> On the rebuilding of the military after 1956 with U.S. aid, see Dunkerley, *Rebellion in the Veins*, 114-15, and the following chapter. Field emphasizes MNR and U.S. leaders’ shared interest in rebuilding the Bolivian Army and their vision of the Army’s role in economic development (“Ideology as Strategy,” esp. 155-56).

Latin America. In any Latin American country facing popular rebellion, “the military will be a strong bulwark on the side of democracy and freedom,” according to a 1962 State Department planning document. But because most Latin Americans were slow to grasp the democratic credentials of their countries’ militaries, “civic action and psychological warfare” would be necessary “to improve the military image” across the region.<sup>82</sup>

### **Reach and Impact**

The reach of USIS efforts was impressive, especially considering Bolivia’s lack of communications and transportation infrastructure. By the late 1950s, all of Bolivia’s major daily newspapers, magazines, and book publishers, and all of its 35 radio stations, were “using USIS materials with reasonable frequency.” The newspaper space (measured in column-inches) occupied by USIS materials was the highest in Latin America, despite the fact that Bolivia had far fewer daily newspapers than the region’s larger countries.<sup>83</sup> By early 1961 USIS materials were filling around 2,000 column-inches per week in the five major La Paz newspapers alone, with one report boasting that “USIS can place in four of them practically any article it considers of special importance.”<sup>84</sup> Radio programs and film showings also reached broad sectors of the general population. In the early 1960s USIS agents were distributing fourteen weekly radio programs, often with Quechua and Aymara translations, and holding at least ten film showings per day during the dry months. Although USIS officials often complained about the lack of infrastructure and how it hampered their outreach efforts, it seems probable that most of

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<sup>82</sup> “Latin America: Guidelines of United States Policy and Operations” (draft), April 24, 1962, pp. 8, 59-60, in NA 59/3172/2; USIA, “Country Plan for Colombia.”

<sup>83</sup> See Dispatch RO/LA 1958 21-39 (n.d., ca. June 11, 1958), in NA 306/1032/1.

<sup>84</sup> USIS-La Paz to USIA, February 1, 1960, and February 1, 1961, both in NA 306/1047/5.



Bolivia's urban population was exposed to USIS materials in one form or another on a fairly regular basis.<sup>85</sup>

USIS campaigns are just one part of the story. This chapter has also highlighted the collaborative relationship between the USIS and a range of Bolivian elites including MNR leaders, Army officials, business owners, and media directors. This collaboration was important in two ways. First, Bolivian media owners and editors were crucial in enabling the USIS to disseminate its message given ordinary Bolivians' miniscule interest in publications and radio stations from the United States and their skepticism of USIS-labeled materials.<sup>86</sup> Second, Bolivian elites' own discourse usually reinforced that of the United States. The coordination of messaging among these groups was often formal, but Bolivian elites ultimately did not need the USIS to dictate for them; they developed their discourses of the "good worker," the noble peasant, the revolutionary middle class, and the popular Army on their own. Furthermore, Bolivian political, economic, and military elites enjoyed a degree of legitimacy and direct access to the general population that the foreign-funded USIS campaign did not.

Reach and impact are two separate questions, though. The wide dissemination of USIS and MNR propaganda says little about the effect of that propaganda on its audiences. In private correspondence, USIS officials constantly bemoaned Bolivians' hostility toward U.S. policy and the agency's lack of success in remolding popular attitudes. One 1958 report on the "country objective of promoting popular acceptance of private capital investment" lamented that "the post is engaged in an uphill struggle with attitudes that range from hostile and suspicious to merely

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<sup>85</sup> USIA, "Inspection Report"; USIS-La Paz to USIA, January 26, 1962, in NA 306/1047/5. For one such complaint see Unsigned, "Inspection Report on USIS BOLIVIA by Mr. Wells, May 11, 1962," June 15, 1962, in NA 306/1039/3.

<sup>86</sup> For example, a 1956 survey in Santa Cruz found that only three percent of people under 30 listened to U.S. radio programs, and those who did were primarily of upper-class or upper-middle-class status. See Unsigned, "Study of Radio, Films and Publications in Santa Cruz," n.d. (June 1957), in NA 306/1015/7.

skeptical or apathetic.” This skepticism was rooted not in any formal or dogmatic identification with Communism, especially of the Soviet variety, but in a pervasive “leftist thought pattern” and the belief, common in postwar Latin America, “that the first beneficiaries of the development of a country’s resources should be the people of that country.”<sup>87</sup> A 1962 report on “the battle for men’s minds in Latin America” acknowledged that Communism was not the main threat: “If any single current in the wide field of political thought is winning men’s minds in Latin America, it is Latin America’s own and indigenous nationalism.”<sup>88</sup> Such sentiments were an endless source of frustration for the U.S. policymakers charged with containing them.

MNR officials had a modestly greater degree of success. By the early 1960s the MNR and Army had achieved the support or at least acquiescence of most of the country’s peasants and the urban middle class in its attacks on the labor left.<sup>89</sup> Worker-peasant collaboration was infrequent between 1955 and the 1970s. Nonetheless, there were still formidable constraints on the Bolivian government due to popular resistance. In the 1960s the discourse of revolutionary nationalism remained hegemonic, meaning that even the most reactionary politicians would have to couch their actions in the language of economic nationalism, industrialization, national independence, and social justice.<sup>90</sup> Grassroots resistance also partially limited the rightward lurch of economic policy. Although the years 1956-69 did feature a marked shift in this realm, they

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<sup>87</sup> USIS-La Paz to USIA, May 27, 1958; final quote from State Department adviser Laurence Duggan in 1948, speaking generally about Latin America (quoted in Green, *The Containment of Latin America*, 188).

<sup>88</sup> Unsigned, “Are We Winning the Battle for Men’s Minds in Latin America?” On the uphill struggle of USIS efforts in postwar Mexico see Fein, “New Empire Into Old,” esp. 724, 733-42. Haines implies greater success in postwar Brazil: see *The Americanization of Brazil*, 175, 185-93.

<sup>89</sup> Expressions of peasant support must be interpreted cautiously due to patterns of boss rule in rural areas and newspapers’ tendency to exaggerate popular support for the government, but they do tell us something about political dynamics in the countryside. For some examples of peasant support for the MNR and/or Army, and opposition to the left, see *El Pueblo* (Cochabamba), January 1, 3, and 9, 1957, and all of June 1957; *El Diario*, June 11 and 27, 1961; *El Mundo*, October 23, 1964. On peasant support for the 1964 military coup see *El Mundo*, November 6, November 28, and December 20, 1964.

<sup>90</sup> Antezana, “Sistemas y procesos ideológicos”; cf. Roseberry, “Hegemony and the Language of Contention.”

also saw a rising tide of popular combativeness that placed important limits on what the United States and the MNR moderates could do. The story of La Paz popular sectors during these years illustrates this point.

## CHAPTER 5

### **Labor Aristocrats or Revolutionaries? La Paz Factory Workers and the Limits of Containment**

*“The Bolivian Revolution constitutes the keystone in Latin America, an example for other American peoples who struggle for national liberation in their own places, as a step toward the formation of the United States of Latin America...Before the servility of the petty bourgeoisie and of some vacillating middle-class men who are embedded in the heart of the government, the factory workers on behalf of proletarian sectors, peasants, and true revolutionaries of the middle class, will not allow this deviation.”*

—Statement of the Bolivian Factory Workers’ Confederation (CGTFB), December 1956<sup>1</sup>

Alfonso Cordero was among the thousands of armed workers who had converged on La Paz in April 1952 to overthrow the military government and clear the way for the MNR. Exactly a decade later, Cordero stood up before 10,000 La Paz factory workers and declared that “we who made the revolution are being betrayed by it.”<sup>2</sup> The tenth anniversary of the revolution came amid bitter conflicts between the MNR and its working-class base. In June 1961, Cordero and 120 La Paz unions had filled the streets to protest the MNR government’s imprisonment of two union leaders. When the MNR’s Minister of Education had vowed that they would only be released “over his dead body,” the leader of the factory workers’ union had shot back that the workers were “used to overthrowing armies” and would continue fighting “against Yankee imperialism, which is imposing its will by means of the State Department.” Several days later a protest march ended with four protesters killed, apparently by government forces.<sup>3</sup> The confrontation was but one example of the deepening conflict between Bolivia’s increasingly combative popular sectors and a government working alongside U.S. advisers to tame the

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<sup>1</sup> *El Diario*, December 25, 1956.

<sup>2</sup> *El Diario*, April 12, 1962.

<sup>3</sup> *El Diario*, June 8 and 16, 1961.

revolution. By the revolution's tenth anniversary, it was clear that the beast would not be tamed easily.

In the end, it would be restrained but never really tamed. The U.S.-MNR alliance that sought to rein in the revolution's early radicalism was only partially successful. Several recent studies have challenged revisionist understandings of the Bolivian Revolution as a failure or non-event, or of Bolivia as wholly dominated by outside forces. They have emphasized, for instance, the long-term effects of the MNR agrarian reform and the successful efforts of Bolivian diplomats to obtain U.S. support for the MNR.<sup>4</sup> Studies of Bolivian labor, meanwhile, have focused on the legendary mineworkers as evidence of Bolivia's enduring "radical tradition."<sup>5</sup> Yet both the post-revisionist accounts of the revolution and most studies of Bolivian labor have neglected the role of urban workers.<sup>6</sup> Factory workers in La Paz (where most Bolivian factories were located) were especially important in shaping the revolution's course. Though not part of a strategically important export sector like the miners, these workers came to play a crucial political role in the 1950s and 1960s.

This chapter's case study of La Paz factory workers highlights several key points about revolutionary Bolivia. First, it challenges the notion that either the U.S. *or* MNR government dominated events on the ground. Despite formal allegiance to the MNR throughout most of the period, factory workers' obedience to the national government was highly tenuous. As early as 1952, many workers made a distinction between "the revolution" and the politicians in

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<sup>4</sup> Whitehead, "The Bolivian National Revolution," 41-47; Siekmeier, *The Bolivian Revolution and the United States*.

<sup>5</sup> John, *Bolivia's Radical Tradition*; Volk, "Class, Union, Party"; Lora, *Historia del movimiento obrero boliviano, 1933-1952*; Lora, *Movimiento obrero contemporáneo*, 37-146; Nash, *We Eat the Mines*; Iriarte, *Los mineros*; Dunkerley, *Rebellion in the Veins*; Rodríguez Ostría, *El socavón y el sindicato*; Crespo Enríquez, *El rostro minero de Bolivia*; Smale, *I Sweat the Flavor of Tin*.

<sup>6</sup> Exceptions include Delgadillo Terceros, *Fabriles en la historia nacional*; Lora, *Movimiento obrero contemporáneo*, 149-234.

government. Factory workers' challenge to government policy became especially apparent in the late 1950s, as rank-and-file workers confronted both the MNR and entrenched union executives. The U.S. Embassy's early 1952 characterization of the factory workers as pliant and apolitical proved overly optimistic as the decade progressed.<sup>7</sup> And the gathering unrest was not limited to the factories; by the early 1960s the factory workers were among the leaders of a newly-emergent popular coalition that also included miners, construction workers, teachers, university students, and some peasants. In the late 1950s the original revolutionary coalition had splintered on the shoals of the stabilization plan and MNR cooptation, but began to coalesce once again around a program of economic nationalism and social justice during Paz Estenssoro's second term (1960-64). This resurgent popular coalition challenged MNR economic policy from the left and partly constrained the Bolivian state's ability to overhaul economic policy in accordance with the wishes of U.S. officials and the Bolivian upper classes.

Second, the case study suggests that economic policy debates were not the exclusive domain of elites. The urban working class frequently intervened in these debates, although its interventions more often took the form of union resolutions and direct actions than jargon-filled treatises. Factory workers and their union officials were among the most prominent participants in this process of "policymaking from below." Economistic demands for better wages or benefits were their primary concern, but they also articulated coherent positions on complex policy issues like industrialization and natural resource use, and their demands were not limited to the direct concerns of the manufacturing sector. These demands partially overlapped with those of La Paz's small manufacturing bourgeoisie—which also liked tariffs and other protectionist measures—but

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<sup>7</sup> U.S. Embassy to DoS, April 2, 1952, p. 10, in NA 59, CDF 824.00/4-252.

defied the factory owners' and MNR leaders' vision of class harmony by advocating better wages and benefits, nationalization, and even workers' control over their workplaces.

This history challenges the applicability of the concept of "labor aristocracy" for the case of La Paz factory workers. For over a century observers have speculated that, by virtue of its wages, job security, and work and living conditions, a large portion of the urban proletariat will be "politically moderate" and focused on bread-and-butter issues rather than trying to gain control of the means of production or fomenting revolutionary political change.<sup>8</sup> In the 1960s scholars began applying the concept to underdeveloped countries, arguing that the scarcity of industrial employment in the Third World meant that urban wage workers there would be particularly resistant to revolutionary political projects and easily coopted by states and employers. In Frantz Fanon's memorable formulation, industrial workers in underdeveloped economies have "everything to lose" and "because of the privileged place which they hold in the colonial system constitute also the 'bourgeois' fraction of the colonized people."<sup>9</sup> The labor-aristocracy argument does help explain the political history of some working classes. In the Latin American context, the concept is certainly helpful in explaining revolutionary institutionalization and the longevity of populist regimes in Mexico, Brazil, Argentina, and other countries.<sup>10</sup>

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<sup>8</sup> Hobsbawm, *Workers*, 216. Engels and Lenin had written of a labor aristocracy within the working class in rich nations, by virtue of its sharing in the spoils of imperialism; see for instance Lenin, *Imperialism*, 99-108. Marxist historian Eric Hobsbawm further developed the concept starting in 1954 ("The Labour Aristocracy," and *Workers*, 214-72). In the latter work he argued against rigid structural determinism, cautioning that workers' consciousness is partly determined by factors like past experience, culture, and political circumstances (pp. 222-23). Social historians of labor have emphasized this point. See, for example, Thompson, *The Making of the English Working Class*; Winn, *Weavers of Revolution*; Nash, *We Eat the Mines*; Gould, *To Lead As Equals*; Klubock, *Contested Communities*.

<sup>9</sup> Fanon, *The Wretched of the Earth*, 109. For classic discussions focused on Latin American labor (from a variety of ideological angles) see Alba, *Politics and the Labor Movement*; Landsberger, "The Labor Elite"; Spalding, "The Parameters of Labor." Erickson, et al., "Research on the Urban Working Class," provides an early overview.

<sup>10</sup> Since the 1980s a number of studies have lent support (often implicitly) to the theory for certain times and places. On Mexico (despite great variations) see Middlebrook, *The Paradox of Revolution* and Roxborough, *Unions and Politics*; on Brazil see Weinstein, *For Social Peace in Brazil* and Wolfe, *Autos and Progress*, 127-33; on Argentina see James, *Resistance and Integration*. See also Bergquist, *Labor in Latin America*, 169-76 (Argentina), 241-73

The argument is less convincing in the case of La Paz's factory workers, who expressed growing discontent with the MNR and military governments by the late 1950s and 1960s. Their history contradicts the U.S. Embassy's assessment on the eve of the revolution that the factory workforce was "more concerned with straight trade-union questions, such as wages" than with politics and that it would form the core of the "responsible trade unions in Bolivia."<sup>11</sup> It also challenges the emphasis of some left Bolivianist historians on the "backwardness" of the factory workforce "with reference to the miners," calling for a reappraisal of the importance of this working-class sector in the revolutionary era.<sup>12</sup> If the labor aristocracy depiction holds some truth—given, for instance, urban workers' disdainful views of rural Indians—it fails to explain the workers' increasing combativeness and broad social outlook in the 1950s and 1960s. From a comparative perspective, the case is a remarkable example of the breakdown of populist pacts and the failure of revolutionary institutionalization, offering a contrast with places like Mexico.<sup>13</sup>

I suggest that several factors help explain the rising militancy of La Paz workers during the MNR period. First, in structural terms, the fiscal and infrastructural weakness of the resource-starved Bolivian state and the persistent underdevelopment of national industry meant that certain means of ensuring quiescence were less available to the MNR and the factory owners than in other countries like Mexico or Brazil. Second, and less directly traceable to structural conditions, was La Paz's working-class "political culture of opposition."<sup>14</sup> Although this political culture was by no means confined to the factories, I use La Paz factory workers as a case study to

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(Venezuela), 358-59 (Colombia). For a useful recent analysis of the concept for Venezuela see Ciccariello-Maher, *We Created Chávez*, 180-99, whose chapter title I have paraphrased for the present chapter's title.

<sup>11</sup> U.S. Embassy to DoS, April 2, 1952, 10.

<sup>12</sup> Lora, *Movimiento obrero contemporáneo*, 167. See also Malloy, *Bolivia*, 140.

<sup>13</sup> See especially Middlebrook, *The Paradox of Revolution*.

<sup>14</sup> See Reed and Foran, "Political Cultures of Opposition." Webber (*Red October*) applies this concept to more recent Bolivian history.



help understand its content and importance. In their case, militancy was fueled by their sense of class, sectoral, and national identity—and to a lesser extent, ethnic identity—combined with diverse ideological currents. Longstanding ideologies and ideas like Marxism, anarchism, resource nationalism, and industrial protectionism all played a role in forging factory workers’ political identity, as did other factors more specific to the historical context of the 1950s: namely, the collective memory of factory workers’ sacrifices in bringing the MNR to power and a notion of moral economy that held MNR leaders responsible for fulfilling revolutionary aspirations. At the same time, this collective political identity was neither monolithic nor uncontested, but rather the product of ongoing intra-class struggles.<sup>15</sup>

Assessing the attitudes of rank-and-file workers involves important methodological challenges, for the words of most workers never find their way into the documentary record. Here I use three types of evidence to help infer rank-and-file consciousness: 1) the record of mass-based activities like marches, strikes, and union votes; 2) the appraisals of elite sources like the National Chamber of Industries and the U.S. Information Service, which were not inclined to exaggerate their own unpopularity;<sup>16</sup> and 3) the rhetoric of union leaders. With regard to this last source, my methodological assumption is that in a union that is at least moderately democratic—meaning that leaders feel some pressure to be perceived favorably by their constituents—the leaders’ rhetorical demands vis-à-vis employers and the government can usually be taken as an approximate, indirect reflection of rank-and-file attitudes.

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<sup>15</sup> Here my thinking has been informed by arguments about “the relative autonomy of politics” within classes (and, by extension, other social groups). In asserting “the relative autonomy of ‘*the intraclass struggle within the class struggle*,’” labor scholars Stepan-Norris and Zeitlin stress the importance of political identities and ideologies, which are only partially traceable to structural position (*Left Out*, 18-20).

<sup>16</sup> See Introduction, note 25.

## Factory Workers and the MNR to 1956

Manufacturing industries “remained in diapers” in Bolivia up to the 1930s, as one member of the Bolivian Congress put it in 1956.<sup>17</sup> Nonetheless, the two decades following the Chaco War witnessed the growth of a substantial urban industrial sector focused on the production of textiles, food, beverages, and other light consumer goods for the domestic population, with textiles being the most important industry by value and by total number of workers. The Great Depression and the war gave a boost to urban manufacturing, leading to significant peasant migration into La Paz and other cities. By 1938 there were 332 manufacturing establishments in La Paz, which accounted for the vast majority of Bolivian factories. By the mid-1940s there were over 8,300 factory workers in the city, of whom 3,400 were employed in the textile industry.<sup>18</sup> This growth was significant given the small population of La Paz (301,000 in 1942) and Bolivia more generally (just over three million in 1950).<sup>19</sup>

The modest industrial expansion gave rise to a variety of new organizations on both sides of the labor-capital divide. In 1931 employers formed the predecessor of the Cámara Nacional de Industrias (National Chamber of Industries, CNI), with the owners of the city’s new factories playing a prominent role.<sup>20</sup> Meanwhile, individual unions emerged in dozens of businesses around the city to confront working conditions that one historian has described as “inferior to those prevailing in the mines”: long working hours, starvation wages, and employers who

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<sup>17</sup> Deputy Barbery speaking October 11, 1956, in República de Bolivia, *Redactor del H. Cámara de Diputados, octubre de 1956*, 151.

<sup>18</sup> Legg, *Bolivia*, 18; Delgadillo Terceros, *Fabriles en la historia nacional*, 26, 134-35; Lora, *Movimiento obrero contemporáneo*, 154; UNTAA, *Report*, 84-88. In 1944 La Paz had 72 percent of all factories and 95 percent of all textile factories (Peñaloza Cordero, *La Paz en su IV centenario*, 4: 42).

<sup>19</sup> Alcaldía Municipal de La Paz, *Censo demográfico*, 21; República de Bolivia, *Censo demográfico de 1950*.

<sup>20</sup> The CNI began as the Cámara de Fomento Industrial, founded in 1931 (Lora, *Movimiento obrero contemporáneo*, 153-54).

refused to abide by even the country's meager social legislation.<sup>21</sup> There were also efforts to link the workforce on an industry-wide basis. Around 1936 the city's textile workers formed the Sindicato de Textiles (Textile Union). In 1941, 26 unions joined together to form the La Paz-wide Unión Sindical de Trabajadores Fabriles Nacionales (National Union of Factory Workers, USTFN).<sup>22</sup>

The factory workers' unions were characterized by the same ideological conflicts discussed in Chapter 1: in the late 1930s the anarchist FOL competed for influence with Marxist bodies of varying tendencies, namely the FOT and the CSTB. Anarchist influence declined in the 1940s, however, around the same time that MNR loyalists (*movimientistas*) started to gain popularity. The CSTB's decline, meanwhile, came after it supported Villarroel's 1946 overthrow and allied itself with the first of the right-wing *sexenio* (1946-52) governments. The MNR profited at its expense. The USTFN withdrew from the CSTB soon after the 1946 coup and remained close to the MNR thereafter.<sup>23</sup>

Despite the USTFN leadership's generally non-confrontational approach to politics and workplace relations, La Paz factory workers played a vital role in the urban resistance during the *sexenio*. In early 1950 they joined with print workers, bank workers, vendors, railroad workers, and miners in the Comité de Coordinación (Coordinating Committee) to protest working conditions and the atmosphere of intense political repression in the country. The Urriolagoitia government had just enacted a series of executive decrees devaluing the currency and severely restricting union activities (even prohibiting certain sectors, like the railroad workers, from unionizing altogether), and it would soon outlaw all communist parties. When the government

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<sup>21</sup> Lora, *Movimiento obrero contemporáneo*, 158.

<sup>22</sup> Delgadillo Terceros, *Fabriles en la historia nacional*, 72.

<sup>23</sup> Lora, *Movimiento obrero contemporáneo*, 159-62; Alexander, *A History of Organized Labor*, 42, 53.

arrested the Committee's leaders they were replaced by new faces, including Germán Butrón of the glass factory, who was elected General Secretary. The opposition parties, for their part, formed a Comité Cuatripartito (Committee of Four), comprised of the three Marxist parties (the POR, PIR, and PCB) plus the MNR.<sup>24</sup>

Factory workers provided the biggest spark. In late April Butrón and his fellow glass workers went on strike and a wave of solidarity strikes followed. The major textile and shoe factories, including Said, Forno, Soligno, and García, all shut down.<sup>25</sup> Then, on April 27, the Coordinating Committee called a general strike, citing the “reactionary, oligarchic, and pro-imperialist nature of the regime governing the country” and calling for “worker unity” (and advocating “a pact with the peasant class, [our] partner in pain and suffering”).<sup>26</sup> The strike ended only after the government sent the Army into the Villa Victoria neighborhood, where much of the factory worker population was concentrated, killing anywhere from 13 to 100 factory workers and arresting hundreds more.<sup>27</sup> The “Villa Victoria Massacre,” and the factory workers’ vital role in the three days of fighting in April 1952, would thereafter assume a central place in the workers’ collective memory.

These sacrifices helped define La Paz factory workers’ sense of the rights and benefits to which they were entitled, and would also become essential parts of their strategic toolkit after 1952. Factory workers would frequently cite their role in the armed struggles of 1950 and 1952 to justify post-revolutionary demands for better wages and benefits and greater political

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<sup>24</sup> Lora, *Movimiento obrero contemporáneo*, 278-85; Barcelli, *Medio siglo de luchas sindicales*, 220-27. The Coordinating Committee was preceded by a Comité Sindical de Emergencia (Emergency Union Committee), established in March 1950.

<sup>25</sup> *Tribuna*, April 27, 1950; Barcelli, *Medio siglo de luchas sindicales*, 224.

<sup>26</sup> *Tribuna*, April 28, 1950; strike statement quoted in Barcelli, *Medio siglo de luchas sindicales*, 226-27.

<sup>27</sup> Thirteen killed and 112 injured was the Urriolagoitia government’s estimate; Butrón later estimated that over 100 were killed. See Lora, *Movimiento obrero contemporáneo*, 285-86; Delgadillo Terceros, *Fabriles en la historia nacional*, 76. On arrests see *El Diario*, May 27, 1950.

influence. In one typical case from early 1953, workers at the Said textile factory demanded the dismissal of an abusive factory supervisor whom they characterized as an “executioner of workers,” pointing to his active collaboration with the armed forces in the violent repression of May 1950. In repeated statements both public and private they threatened to go on strike and warned that “the Union will not be held responsible for the consequences” if the supervisor reappeared in the factory.<sup>28</sup> Union statements often referred to factory workers as “the authentic representatives of nationalist concerns” and situated factory workers as the “urban vanguard” of the revolution.<sup>29</sup> It was factory workers who had “taken up arms to carry out the actions of April 9,” a factory workers’ delegate to Congress told lawmakers in 1958, and who “as men, have taken to the streets to defend the National Revolution on all occasions.” The revolution was “the revolution of the factory workers,” who were the country’s “most combative” sector and “the sustaining force of the National Revolution.”<sup>30</sup>

The factory workers’ relationship to the MNR was complex. The La Paz Federation had close ties to the party during the *sexenio* and declared “unconditional support” for Víctor Paz Estenssoro after he took power.<sup>31</sup> At first glance, much of their political rhetoric suggests a strong allegiance to MNR leaders, particularly Víctor Paz Estenssoro, and by extension to the cautious reformism and class collaborationism that those leaders advocated. But a closer look

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<sup>28</sup> Said Textile Union to USTFN, January 7, 1953, in CGTFB, 1952 file; “Voto resolutivo de los trabajadores de la fábrica ‘Said,’” January 5, 1953, in *ibid.*; “Voto resolutivo de los trabajadores de la fábrica ‘Said,’” March 22, 1953, in CGTFB, 1953 file.

<sup>29</sup> First quote from a Voto Resolutivo of the Federación Departamental de Trabajadores Fabriles (Factory Workers’ Departmental Federation, La Paz), July 31, 1952, in CGTFB, 1952 file; second quote from Delgadillo Terceros, *Fabriles en la historia nacional*, 75.

<sup>30</sup> Deputy Monje speaking October 20 and 29, 1958, in República de Bolivia, *Redactor del H. Cámara de Diputados, octubre de 1958*, 402-03, 526. See also Delgadillo Terceros, *Fabriles en la historia nacional*, 77. On La Paz workers’ role in the April revolution itself see Murillo, *La bala no mata sino el destino*, 67-148.

<sup>31</sup> Declaration referenced in Alberto Azaeda (Secretary General of the Fanase factory union), et al., to the Minister of Education, December 2, 1953, in CGTFB, 1953 file. See also Delgadillo Terceros, *Fabriles en la historia nacional*, 106, 140n6; USTFN Voto Resolutivo, January 27, 1953, in CGTFB, 1952 file.

reveals that La Paz factory workers often used revolutionary nationalism to their advantage vis-à-vis both the government and their bosses in the factories. In the process they infused the concept with a radicalism seldom present in the government's own discourse, and exercised a significant constraining influence on government practice as well.

Unlike the COMIBOL mineworkers, factory workers were employed by private capitalists. Their relationship to the MNR regime was therefore more complicated: the state was both a target of demands and a “fulcrum,” or secondary target, that could be enlisted to exert pressure on their employers.<sup>32</sup> The state was the target of factory workers' petitions for industrial rehabilitation loans, protective tariffs, anti-contraband measures, and demands pertaining to the development of tin, oil, education, and other sectors. It was a secondary target in cases like the Said conflict mentioned above, in which workers appealed to the national government to expel an abusive supervisor.

An April 1953 resolution from the La Paz Federation offers an indication of the dynamic between the factory workers and the national government in the early MNR period. The resolution first praised Víctor Paz Estenssoro as “a living example of modesty, sincerity, honor, and hard work, of whom all Bolivians feel proud.” But two sentences later the Federation stated that it

DEMANDS of his immediate colleagues, those who share the reins of Government with him, that they abstain from the luxury cars, the bourgeois banquets, and worst of all the scandalous orgies of reckless and irresponsible people in taverns and night clubs, because we feel that [this] is the worst affront, the worst insult that they can make to the working and peasant class.<sup>33</sup>

The complaint reflects a definition of morality firmly rooted in class consciousness and the desire for accountable, representative government. The fiscal costs imposed by the indulgences

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<sup>32</sup> Tarrow develops a similar notion of “target” and “fulcrum” in *Power in Movement*, 62-78.

<sup>33</sup> Resolution from April 21, 1953, included in Saravia to Paz Estenssoro, April 22, 1953, in CGTFB, 1953 file.

of a few MNR leaders may have been minor in the larger scheme of things, but the transgressions had profound symbolic importance for the workers, who viewed them as violations of an implicit moral contract between the revolutionary government and the *pueblo*.<sup>34</sup> Though focused on the personal behavior of officials rather than larger policy questions, the resolution put the government on notice about the workers' expectations and implied that other "bourgeois" behavior would not be tolerated.

As noted above, the resolution's praise for the person of Paz Estenssoro reflected a common element in factory worker discourse in the early years. When police raided the home of a union leader in 1953, the factory union responded with a resolution blaming the "enemies of the Revolution, encrusted in the heart of the Government."<sup>35</sup> Workers often depicted their own protests as a defense of the true spirit of the revolution. When the Fanase factory workers threatened to strike in October 1952 over their employer's refusal to address their grievances, union leaders claimed to be taking action "not only for ourselves but for the future of the entire working class."<sup>36</sup> The 1956 factory workers' statement appearing at the beginning of this chapter promised to guard against the "betrayal" of the "vacillating middle-class men who are embedded in the heart of the government." These examples represent a modern variation on the "good king, bad government" motif common in petitions and protests of the colonial period.

Like the colonial-era petitions, the vows of allegiance to the MNR, and to Paz in particular, can be read two ways: as indications of subservience or as a strategic discourse for the advancement of their interests. Most often, they were probably something in-between. When

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<sup>34</sup> On the notion of "moral economy" and how perceived violations of implicit elite-subaltern contracts can lead to revolt, see Thompson, "The Moral Economy of the English Crowd"; Scott, *The Moral Economy of the Peasant*.

<sup>35</sup> Voto resolutivo del Sindicato de Trabajadores de "Industrias en Confección" y R.A., April 5, 1953, in CGTFB, 1953 file.

<sup>36</sup> Julio Cordero (General Secretary) and Francisco Pacheco (Relations Secretary) to USTFN Directorate, October 23, 1952, in CGTFB, 1952 file.

factory workers professed loyalty to the MNR they were generally not signaling a “blind faith” in the government; they expected something in return.<sup>37</sup> Many appeals for government support did not exactly strike a tone of humble supplication. When the La Paz Federation’s Secretary General, Daniel Saravia, requested the expulsion of the Said supervisor in early 1953, he also threatened “that the workers, given that their just requests are not being addressed, will take the necessary measures to defend the National Revolution.”<sup>38</sup> Yet as in many other instances of Latin American populism, most workers probably took seriously the MNR’s revolutionary nationalist rhetoric and believed that the MNR leadership might fulfill its promises (though the belief diminished greatly as time wore on).<sup>39</sup> Between the two poles of subservience and clever strategic manipulation lies a complex psycho-political realm.

Early worker critiques of MNR leaders were often subtle and implicit, coming in the form of divergences between worker and government statements on various issues but without erupting into overt conflict. While MNR leaders supported the U.S.-backed coup in Guatemala in June 1954 (or at most, spoke out halfheartedly against it), the factory workers’ Second Congress the next month said the new Guatemalan regime had been “imposed by imperialism” and was filled with “enemies of the American proletariat.”<sup>40</sup> While Juan Lechín advocated *control obrero* in industry as “the best way of cooperating in production” to “achieve greater output,” factory workers at the 1954 Second Congress seemed to place more value in its inherent contribution to

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<sup>37</sup> Lora, for one, alleges that the early MNR years were “characterized by the blind faith of the masses in everything the *movimientista* regime could have done” (*Movimiento obrero contemporáneo*, 409).

<sup>38</sup> Saravia letter to an unidentified government ministry (Labor?), March 25, 1953, in CGTFB, 1953 file.

<sup>39</sup> For useful discussions of populism see James, *Resistance and Integration*, esp. 7-40; Knight, “Populism and Neopopulism in Latin America”; Gould, *To Lead as Equals*; Turits, *Foundations of Despotism*.

<sup>40</sup> *El Diario*, July 10, 1954; see also the COB’s later call for the expulsion of the Guatemalan ambassador in *El Diario*, November 14, 1954; for Lechín’s criticism of the coup see *El Diario*, July 6, 1954. On MNR support for the coup see Lehman, *Bolivia and the United States*, 115-17.



social justice and a more democratic workplace.<sup>41</sup> The first factory worker statements on the stabilization plan in December 1956 officially supported the plan, but with the crucial qualification that the plan must “maintain the social and economic conquests of the working class” to that point.<sup>42</sup> The factory workers’ early relationship to the MNR rarely involved overt conflict, though quiet tensions were often apparent.

Disagreements generally stayed within the bounds of revolutionary nationalism, with parties diverging over the meaning and extent of the “national revolution.” Few critics outside the extreme right proposed to overthrow the MNR. Even many of the Marxists who were skeptical of nationalism and sought the overthrow of capitalism often adopted this discourse and shied away from condemning the MNR altogether. Revolutionary nationalism had achieved hegemonic status, and political contenders had to work within this “common discursive framework” to advance their claims.<sup>43</sup> The 1956 stabilization plan would threaten to tear apart the fragile coalitions of 1952-1956, including the factory workers’ alliance with the MNR, but without altering this fundamental dynamic of contention. Even most of those who supported the 1964 overthrow of the MNR cited the party’s lack of compliance with revolutionary nationalist ideals rather than repudiating those ideals.

### **We Who Made the Revolution Are Being Betrayed By It**

The monetary stabilization plan hurt both the factory owners and their workers, though especially the latter. First, the plan’s elimination of the system of multiple exchange rates was

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<sup>41</sup> Workers at this Congress published a statement calling for a variety of progressive reforms, including “*control obrero* in the allocation and use of profits.” Two CGTFB leaders contacted the press the next day to say that the list of demands had not in fact been officially approved by the Congress, however (*El Diario*, July 14-15, 1954). I have been unable to determine who gave the list to reporters. For more on these demands see below, note 120.

<sup>42</sup> Resolution of the Third Congress quoted in Lora, *Movimiento obrero contemporáneo*, 174.

<sup>43</sup> See Roseberry, “Hegemony and the Language of Contention,” 361-66.

devastating since most urban industry had depended on the importation of raw materials at subsidized exchange rates. The shortage of raw materials had been a frequent source of worker and owner complaints even prior to 1956, but the elimination of the exchange-rate subsidy intensified the problem. By 1962 the National Chamber of Industries reported that “53 percent of factory equipment is going unused for lack of raw materials.”<sup>44</sup>

Workers’ real wages also suffered, despite the compensatory salary increases that accompanied the plan.<sup>45</sup> The perception of falling real incomes was certainly widespread among urban workers. In a poll of La Paz workers in late 1957, around half of respondents “thought that their own personal situations had worsened” as a result of stabilization.<sup>46</sup> CEPAL reports blamed three factors in addition to the currency devaluation itself: the elimination of government price subsidies for certain consumer goods, the increase in fuel and transportation prices, and the reduction of overtime hours in urban industry. Reduced purchasing power led to less consumption, which in turn amplified industry’s troubles and threatened the jobs of current workers.<sup>47</sup>

The stabilization plan thus increased the material burdens on industrial workers while eroding the capacity of factory owners to ensure worker quiescence through decent wages and other monetary incentives. It also limited the MNR’s ability to maintain the workers’ allegiance. Although factory workers were not employed by the government, they had depended heavily on

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<sup>44</sup> *El Diario*, April 14, 1962. For an example of a union petition see Jorge Ríos (union General Secretary), et al., to Gerente de la Fábrica de Calzados García, September 3, 1953, in CGTFB, 1952 file.

<sup>45</sup> In 1958 Robert Alexander estimated that factory workers’ “monetary income [had] increased about a third, and their cost of living about a half,” signifying “a considerable decrease in their real wage” (*The Bolivian National Revolution*, 211).

<sup>46</sup> Unsigned (Harner?) to IAL (Haddow) and IRI/R (Parry), March 10, 1959, in NA 306/1021/2.

<sup>47</sup> CEPAL, “The Economic Development of Bolivia,” 35. CEPAL argued that “the most serious of the difficulties encountered by industry is undoubtedly the contraction in domestic consumption caused by the fall in real income” (*Economic Survey of Latin America: 1956*, 11).

its subsidization of consumer goods and, indirectly, on the manipulation of exchange rates that allowed for the cheap acquisition of raw materials. By eating away at workers' real wages and reducing the co-optative power of both employers and the state, the stabilization plan undermined the material basis for worker loyalty and destabilized the network of uneasy alliances that had been held together by high inflation and social spending.

Factory worker responses to stabilization seem to have varied significantly depending on the conditions, management style, and political culture prevailing in individual factories. Some evidence suggests that factories with greater capital, higher wages, and more paternalistic managers witnessed relatively less worker militancy than their counterparts. Contrasting developments in two otherwise similar La Paz textile factories, Said and Soligno, highlight the importance of factory-specific conditions.

Founded in 1929 by a Palestinian immigrant and his sons, the Said factory soon became one of the country's largest manufacturing establishments, employing nearly 500 workers by 1935.<sup>48</sup> In addition to paying workers relatively high wages and instituting overtime pay, the Saims implemented a variety of corporate welfare programs at a time when few other owners were doing so. By the late 1930s the factory was already providing medical and dental services, "the first proletarian school in the country," and even an ophthalmology hospital for workers.<sup>49</sup> By the early 1950s the factory offered diverse activities for workers, including twice-weekly movie showings in Said's theater, sports leagues for soccer, boxing, and tennis, and annual *Carnaval* celebrations. In addition to the material benefits they offered, these programs allowed the elder Said to cultivate an image of himself as a benevolent father figure and to promote

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<sup>48</sup> Winn (*Weavers of Revolution*, 14-15) dates the factory's opening to 1929; Lora (*Movimiento obrero contemporáneo*, 153) says 1928.

<sup>49</sup> Lora, *Movimiento obrero contemporáneo*, 158-59; "En la escuela 'Said,'" *Revista Said* (October-December 1954): 30 (quote); "Hospital oftalmológico 'Said,'" *Revista Said* (April-June 1954): 29.

values conducive to class harmony and increased production. The factory gave out periodic awards for exemplary work, often to indigenous and female laborers, which sought to drive home the benefits of hard work and loyalty to the factory.<sup>50</sup> A 1954 issue of the factory's official magazine, *Revista Said*, publicized the factory's school with a quote from the director telling workers to "feel proud of this altruistic contribution and remain grateful for its founder, who in addition to being one of the active promoters of industry, is also [an active promoter] of education."<sup>51</sup>

Antonio Said frequently employed the language of God, country, and family to reinforce traditional values of patriarchy, hierarchy, and class harmony. He established a *Club de Obreras* (Female Workers' Club) in the late 1940s that featured classes on cooking, sewing, and other "feminine labors" for the participants, with the explicit goals of "cultivating in them love of the *Patria*, observance of familial norms, etc."<sup>52</sup> The use of religion was even less subtle. Jesus Christ was the "patron saint of the factory." Every year Said sponsored a trip for all workers to the Copacabana shrine on the shores of Lake Titicaca. On one such trip in 1955, the shrine's director preached God's word to the assembled workers: "United in our duties, in patriotism, we are constructing the national glory, because we are part of the Bolivian family without distinctions." Capitalism, country, and the Almighty melded seamlessly together in common cause. "Before the great Workshop which is the *patria*, we must all work together and in harmony, for God wills it that way."<sup>53</sup> However crude, such exhortations were indicative of the

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<sup>50</sup> "Con los dirigentes sindicales" and "Cine 'Said'" in *Revista Said* (April-June 1954): 21-22, 28; "Fiestas del Carnaval," *Revista Said* (January-March 1955): 34; "Página de honor," *Revista Said* (July-September 1954): 18-19.

<sup>51</sup> Germán Revollo T., in "En la escuela 'Said,'" 30.

<sup>52</sup> "Exito del Club de Obreras," *Revista Said* (July-September 1954): 23-25; "Asistencia y bienestar social," *Revista Said* (April-June 1954): 23-24.

<sup>53</sup> "Vacación anual y romería de los trabajadores a Copacabana" and "Fiesta del Corazón de Jesús, patrono de la fábrica" in *Revista Said* (April-June 1955): 9-10, 24.

paternalism with which Said sought to ensure worker quiescence. Perhaps in no other Bolivian factory were the paternalistic structures and management style so highly developed.<sup>54</sup>

This background may help explain the differing responses of the Said and Soligno workers to the stabilization plan. Said remained a bastion of support for the Siles government during the plan's crucial first year, refraining from overt challenges to either the government or Said management. The Said union was among the unions that publicly disavowed the Second COB Congress's June 1957 for a general strike in opposition to the plan. The Soligno workers, meanwhile, initially supported the plan but were conspicuously absent from several mid-year newspaper accounts intended to publicize factory workers' continued enthusiasm for stabilization.<sup>55</sup> In a May 1957 incident that captures this contrast, the Soligno union and twenty other factory unions in the "Popular Revolutionary" slate accused the Said leadership of rigging elections for the La Paz Federation to favor pro-Siles candidates, saying that the elections "have been directed from the National Political Committee [of the MNR]."<sup>56</sup>

Soligno workers continued to be among the most unruly in the years that followed. Workers in one section of the factory went on hunger strike in November 1958 over the poor quality of materials provided to them. When the government declared the strike illegal, meaning that workers would not receive pay for their days on strike, a group of workers apparently assaulted supervisory personnel—prompting a flurry of media commentary and accusations of "terrorism" from the National Chamber of Industries.<sup>57</sup> Soligno workers simultaneously pressured the government for industrial loans and enforcement of tariffs on manufactured goods.

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<sup>54</sup> The Said factory (originally "Said y Yarur") was closely linked to the famous Yarur textile factory in Chile, whose first owner Juan Yarur was also known for his paternalistic style. The two families emigrated from Palestine and learned the textile business together starting in the 1920s. See Winn, *Weavers of Revolution*, 14-16, 32-42.

<sup>55</sup> *El Diario*, December 30, 1956, and June 28-30, 1957.

<sup>56</sup> *El Diario*, May 25, 1957; Mitchell, *The Legacy of Populism*, 74.

<sup>57</sup> *El Diario*, November 13, 20, and 22, 1958.

As a result of their actions, including threats of strike, as well as the objective capital deficiencies of the factory, Soligno was one of three factories targeted for major rehabilitation loans (and U.S. Information Service propaganda) under the Alliance for Progress in 1961.<sup>58</sup> Although the source limitations of this study prevent a more detailed inquiry into factory-by-factory responses to the stabilization plan, the contrast between Said and Soligno is suggestive. The greater resources and paternalistic management at the former may help explain the relative quiescence of its workers in the late 1950s as compared to the Soligno workforce.<sup>59</sup>

In any case, the divisions among factory workers, and within the COB more broadly, faded somewhat in the years after 1957. By the late 1950s most factory workers were united in their condemnation of the stabilization plan. The Fourth Congress of the CGTFB in March 1959 declared that the stabilization plan “has no other outcome but mass firings, hunger, and misery,” and that the government’s economic policies since 1956 “have done nothing but accentuate ever more the misery and hunger of the working family, reducing production costs through the gradual reduction of real wages and the reduction of the number of workers.” The congress resolved that the plan had been “imposed by our feudal bourgeoisie and by imperialism by means of dollar loans” and accused President Siles and his administration of “a capitulating *entreguismo* before imperialism.” Perhaps most surprisingly, the delegates to the congress voted to repudiate the very idea of co-government with the MNR, declaring that “so-called co-government has never existed” and rejecting “any attempt to create a new co-government.”<sup>60</sup>

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<sup>58</sup> *El Diario*, February 3 and 8, 1959, and May 6, 1962. On the loans see *El Diario*, June 10, 1961; the creation of an industrial “Rehabilitation Fund” had preceded the Alliance, dating back to 1958 (*El Diario*, November 27-28, 1958). On the USIS at Soligno see Chapter 4, p. 155.

<sup>59</sup> I stress *relative*, because both Said’s paternalism and Said workers’ quiescence were inconsistent. For example, Said was accused of wage theft, and Said workers occasionally did voice displeasure with supervisors and/or government policy (e.g., *El Diario*, December 23, 1956).

<sup>60</sup> Quoted in Lora, *Movimiento obrero contemporáneo*, 175-77.

Paz's second term (1960-1964) brought renewed economic growth, but by 1961 protests flared up again in the country's cities and mines.<sup>61</sup> In May the La Paz Factory Workers' Federation threatened to strike over the government's failure to provide rehabilitation funds to the city's factories. When the government responded to the protests by arresting two union leaders, Daniel Saravia and Max Toro, ten thousand La Paz factory workers marched to demand their release. Around this time union statements began placing far greater emphasis on non-economic demands than they had previously: while they continued to request government loans and other assistance, they insisted on the need for civil liberties. They demanded that the government respect the *fuero sindical*, or union independence and right to protest, as well as the factory workers' independent radio station in La Paz.<sup>62</sup> They also deepened their ties with the mineworkers' FSTMB and a number of other sectors like the construction workers and university students, often signing formal solidarity agreements to support each other's struggles.

Sacrifice and betrayal were key themes in these protests. The factory workers' leaders presented their constituency as the self-sacrificing victims of back-stabbing politicians. As Alfonso Cordero told the workers' rally the following April, the workers "who made the revolution" through their valiant combat were "now being betrayed by it"—or, more precisely, by the politicians at the top of the MNR.<sup>63</sup> The factory workers' self-conception as an urban vanguard charged with ensuring that revolutionary ideals were fulfilled is also evident in earlier statements, such as the December 1956 CGTFB promise that "the factory workers on behalf of proletarian sectors, peasants, and true revolutionaries of the middle class" would "not allow" the

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<sup>61</sup> Growth averaged 5.7 percent annually from 1961-64 (Mitchell, *The Legacy of Populism*, 92). On miners' protests see Chapter 3.

<sup>62</sup> *El Diario*, May 9, June 8-16, 1961. For similar demands in later years see *El Diario*, June 15, 1963, and November 30, 1966.

<sup>63</sup> *El Diario*, April 12, 1962.

more conservative sectors “embedded in the heart of the government” to derail the revolution.<sup>64</sup> This self-identification and strategic use of revolutionary nationalism became more common in the aftermath of the stabilization plan. The CGTFB newspaper argued in 1963 that “factory workers have been the most sacrificed [sector] in these eight years of Monetary Stabilization.”<sup>65</sup>

Worker protests did not let the factories’ owners off the hook, though. Although the workers wanted many of the same things that the owners wanted—government loans, cheaper raw materials, protective tariffs, and enforcement of anti-contraband laws—the owner-worker relationship rapidly deteriorated after 1957. In the second half of 1958 several La Paz factories went on strike over a variety of grievances, targeting both employers and the state; while some demanded higher wages, others demanded higher-quality raw materials. In October the CGTFB announced a national strike over the failure of the National Chamber of Industries to respond to worker petitions, and the CNI threatened a lock-out in response.<sup>66</sup> In November Labor Minister Aníbal Aguilar complained of the “virtual Cold War...between the forces of labor and capital” and organized a special seminar in La Paz to try to “reconcile the interests of workers and bosses,” who were “mutually attacking each other.”<sup>67</sup>

Aguilar’s efforts proved fruitless, however. The following February the CGTFB announced that it would hold a massive march targeting factory owners. In response the CNI accused “some union leaders” of promoting “a permanent class war with the destruction of private industrial enterprise as its predictable outcome,” and expressed shock at this “act of repudiation of the businesses that provide them with paid work and opportunities for material and moral progress.” The CNI leaders appealed to Aguilar, who assured them that the march

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<sup>64</sup> *El Diario*, December 25, 1956.

<sup>65</sup> *Eco Fabril* 7, no. 11 (July 1963).

<sup>66</sup> *El Diario*, September 3-4, October 3 and 16, 1958.

<sup>67</sup> *El Diario*, November 13 and 19, 1958.



would not take place.<sup>68</sup> Suppressing the march did little to pacify the factories, though. The first 100 days of 1959 averaged about one strike every two days nationwide.<sup>69</sup>

### **The Shameless and Corrupt**

The torrent of discontent among the factory workers after 1956 would have had far less impact had it not been for a parallel confrontation within the unions themselves. The stabilization plan turned up the heat on union leaders, who were caught between their disgruntled bases and a federal government intent on imposing severe austerity measures and ending the subsidization of urban industry. As MNR economic policy drifted rightward, many workers started to blame entrenched *dirigentes* in addition to MNR politicians and capitalists.

Rank-and-file displeasure with union leaders became more apparent starting in 1957. Historian Wálter Delgadillo (himself a leader of the factory workers' confederation in the 1980s) notes the increasingly frequent rank-and-file denunciations of the *mañudos* and *viciosos* in union leadership positions; these labels translate loosely as “entrenched,” “shameless,” and “corrupt.” Both were “applied to leaders who are adept at exploiting [the privileges of their positions] and at not working in the factory.”<sup>70</sup> Many workers felt betrayed not just by the MNR leadership but also by their own elected representatives. When factory worker Alfonso Cordero spoke about “being betrayed” on the tenth anniversary of the revolution, he was reflecting a widespread sentiment (and perhaps trying to stave off any potential criticism of himself, now a union

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<sup>68</sup> *El Diario*, February 5-6, 1959. Siles's mid-term appointment of Aguilar, who was generally not pro-labor, had been a slap in the face to the factory workers at precisely the time that discontent over the stabilization plan was increasing. See Delgadillo Terceros, *Fabriles en la historia nacional*, 126.

<sup>69</sup> Across all labor sectors (*El Diario*, April 16, 1959).

<sup>70</sup> Delgadillo Terceros, *Fabriles en la historia nacional*, 115.

official, for not standing up to the government). At the same rally at least one other high-level CGTFB official was booed off stage and prevented from speaking by the workers in the crowd.<sup>71</sup>

Union leaders serving in government positions were particular targets. Since 1952 various labor representatives had accepted positions under the MNR's system of "co-government," particularly in the Ministry of Labor. In May 1957 one factory worker complained that "before stabilization the petitions [to government ministries] flew right through and were resolved quickly; now things have changed, because the ministers have pitted themselves against us."<sup>72</sup> That same month Félix Lara, a factory worker representative who had been appointed Minister of Labor, was berated by a factory workers' assembly and forced to resign his government position.<sup>73</sup>

But the most dramatic remonstrations were still to come. Delegates to the Fifth Conference of La Paz factory workers in January 1959 voted to prohibit worker representatives from taking positions as public officials. The latter move was directed particularly at CGTFB General Secretary Abel Ayoroa, who was then doubling as Minister of Labor in the Siles administration. Ayoroa's refusal to resign led to his ouster within the CGTFB at the factory workers' national congress in March—and, remarkably, to the ouster of the *entire* CGTFB executive committee. This rank-and-file rebuke was virtually "unprecedented" in the history of Bolivian unionism, notes Christopher Mitchell. The new group of officials had harsh critiques of

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<sup>71</sup> *El Diario*, April 12, 1962. Trifonio Delgado González (*100 años de lucha obrera*, 315) says that both Alberto Patty and Executive Secretary Stanley Camberos were booed off stage, but the newspaper report suggests that only Patty was booed.

<sup>72</sup> Quoted in Delgadillo Terceros, *Fabriles en la historia nacional*, 111.

<sup>73</sup> In a meeting with factory owners around the same time, Lara and other union leaders pledged to help "maintain on their end discipline in the workplace so that industry can overcome the difficult situation in which it finds itself" (*El Diario*, May 9, 1957). Soon after the November 1964 military coup Lara, along with ten other factory worker leaders, would be expelled from the CGTFB for allegedly receiving money from the Minister of Labor (*El Diario*, December 5, 1964). For workers' May 1957 critique of Lara and his resignation see Delgadillo Terceros, *Fabriles en la historia nacional*, 102-03; Alexander, *A History of Organized Labor*, 104.

MNR policy and reflected the spirit of outrage and frustration that characterized the 1959 congress.<sup>74</sup> In the years that followed the new officials themselves would also be subjected to scrutiny and occasional denunciation by critics who perceived them as being too cozy with the MNR and military governments.<sup>75</sup>

The increased criticism of the MNR government from the factory workers' unions in the late 1950s and early 1960s was not the result of a few singular leaders but of a widespread and growing rank-and-file disenchantment with government policies and employer intransigence. Indeed, it seems to have been worker pressures on union leaders that often pushed the latter to press the government and bosses. This process of internal union revitalization, however incomplete, helped pave the way for the factory workers' confrontation with the MNR.<sup>76</sup>

Militant voices in the CGTFB, like in most individual unions, were generally either of the MNR left or affiliated with the Marxist parties (the Trotskyist POR or the Communist Party, the PCB). Significantly, however, most of the new elected leaders were still self-identified *movimientistas* rather than Marxists. The MNR left seems to have held a modest advantage over the Marxists within the Confederation throughout this entire period.<sup>77</sup> At the Fifth Congress of the CGTFB in May 1961, for instance, the *movimientistas*' political resolution defeated the one presented by the Trotskyists and Communists by a vote of 135-108, leading the Cochabamba delegation to walk out in protest. The theses differed primarily "in their appraisal of the current

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<sup>74</sup> *El Diario*, January 24 and March 15, 1959; Mitchell, *The Legacy of Populism*, 75; Delgadillo Terceros, *Fabriles en la historia nacional*, 124; Alexander, *A History of Organized Labor*, 108.

<sup>75</sup> See, e.g., *El Diario*, June 28, 1961, and December 5, 1964.

<sup>76</sup> The COB leadership was feeling similar pressures, largely as a result of the miners and factory workers. After 1956 "it was frequently obliged to enter into direct confrontation with the regime by a rank and file it could not fully control," notes Dunkerley (*Rebellion in the Veins*, 85).

<sup>77</sup> For instance, the CGTFB Executive Committees elected at the Fourth (1959), Fifth (1961), and Sixth (1963) Congresses were all dominated by candidates of the MNR left; see note 60 and *El Diario*, May 19, 1961; *Presencia*, June 18, 1963; *Eco Fabril* 7, no. 11 (July 1963); Delgadillo Terceros, *Fabriles en la historia nacional*, 124.

political situation,” according to a newspaper report, with the winning resolution reaffirming general support for the Paz administration.<sup>78</sup> Although the Marxist parties enjoyed substantial support, as the May 1961 vote suggests, the majority of factory workers were not ready to renounce all support for the MNR. In 1961 most workers still held out hope that MNR leaders might be pushed to fulfill the ideals of revolutionary nationalism, particularly now that Siles had been replaced by Víctor Paz, who had presided over those hopeful years at the beginning of the revolution.<sup>79</sup> Some workers may also have doubted the Marxist left’s ability to govern, especially given a hostile international context, or feared that the fall of the reformist MNR could usher in a more reactionary alternative (as it eventually did).

On the other hand, workers’ unwillingness to break with the MNR does not necessarily indicate approval of MNR policies, and nor does it mean that workers were willing to sacrifice in the interest of boosting production levels while the capitalist class prospered. As the political activities of the CGTFB and the La Paz Factory Workers’ Federation suggest, continued attachment to the MNR did not preclude what was at times scathing criticism of government policy. In this sense, focusing on the intra-union conflicts between the MNR left and Marxists can obscure the substantial commonalities among the two groups.<sup>80</sup> The increased rank-and-file support for *both* factions by the late 1950s is an indication of widespread disillusionment and willingness to criticize the MNR leadership. Workers who voted for Marxist representatives and most of those who supported the MNR left were united in their repudiation of the government’s

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<sup>78</sup> *El Diario*, May 16, 1961.

<sup>79</sup> See Chapter 1, note 93.

<sup>80</sup> In his description of the June 1963 Congress, for instance, Lora writes of two “opposing tendencies: some who followed the official line and others inspired by Marxist sectors” (*Movimiento obrero contemporáneo*, 191). This dichotomy seems too reductive, at least if the goal is to gauge rank-and-file goals and values, which are not always apparent from their formal political affiliations. For a related warning against inferring too much from the “professed ideologies and beliefs” of labor movements see Roxborough, “The Analysis of Labour Movements,” 89.

economic policies, despite differing over the proper stance toward the party in power and in the extent of their critique of the capitalist system.

### **Keynesians and *Dependentistas* in the Factories: Popular Economic Thought**

Workers in La Paz and other cities came to detest the stabilization plan, but what exactly did they want in place of it? The conflicts and debates that erupted in the aftermath of the plan's implementation shed light on the contours of popular economic thought in revolutionary Bolivia. Popular demands focused heavily on wage and benefit levels, as one would expect, but many workers also insisted on the need for structural transformations in the country's economy. Though they rarely cited any prominent experts, union statements on the economy nonetheless embodied many of the same arguments that economists in the Keynesian, structuralist, Marxist, and dependency schools were making (or would soon make) in more academic form. The mix of policy prescriptions that emerged from these statements was at least fairly coherent and practical, belying the frequent charge that critics of austerity and corporate capitalism "lacked an alternative."<sup>81</sup> Despite disagreements within the workforce—particularly over the role of the bourgeoisie and the desirability of capitalist ownership—La Paz workers in the 1950s and 1960s were broadly united around a progressive, economic nationalist agenda that sought state intervention to promote industrialization, diversification, and a more egalitarian distribution of the economic surplus. This agenda reflected the influence of pre-revolutionary agitation dating back to the 1920s, but it received fuller articulation in the 1950s. After 1956, as the stabilization plan wrought havoc on workers' real incomes, its tone would become more strident and its content more radical.

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<sup>81</sup> See Chapter 3, note 122.

Factory workers' statements on the economy often emphasized the need not just for higher wages, but for fundamental changes in both the "structure" and "model" of development.<sup>82</sup> Most workers were keenly aware of the inherent problems of Bolivia's mono-export economic structure and insisted on the need to overcome external dependency and increase the country's self-sufficiency through economic diversification. Factory workers often emphasized their sector's importance in the attempt to build "a prosperous and independent national economy." The manufacture of consumer goods was deemed essential to fulfilling these revolutionary mandates, and factory workers appealed to their own importance in arguing for state subsidies (loans, tariffs, etc.) as well as wage increases from their employers.<sup>83</sup> Only through "the most patriotic defense of national industries" could the economy and the country be saved, argued a statement issued by the Cochabamba workers' central in 1954.<sup>84</sup> The factory workers and a number of other urban sectors also emphasized the importance of industrialization in the minerals industry through the construction of smelting facilities.<sup>85</sup> The development of the mining and hydrocarbons industries was often envisioned as a way of facilitating the greater development and diversification of the economy. Many working-class voices viewed natural resources not just as a source of rent for social redistribution, but as potential "levers" for creating a healthier and more stable economy.<sup>86</sup>

Starting in the early 1950s factory worker unions often joined the miners in calling for a different development "model" as well, demanding the strengthening of the state sector if not its

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<sup>82</sup> For definitions of these concepts see Chapter 2.

<sup>83</sup> Quote from a Cochabamba factory workers' public critique of factory owners, who they argued were acting "to the direct detriment of the preparation and expansion of the incipient national industry" (*El Mundo*, July 11, 1963). For similar examples of factory workers' strategic discourse see COD, "Documento de crítica y autocrítica," February 19, 1954, 153-54 (cited in Chapter 2, note 48); *El Diario*, April 12, 1962; *Extra*, November 30, 1968.

<sup>84</sup> COD, "Documento de crítica y autocrítica," 153.

<sup>85</sup> See Chapter 3, note 127.

<sup>86</sup> See Chapter 2, pp. 68-69.

expansion into other realms of the economy. The defense of COMIBOL and YPF, the two biggest state companies, was a concern of many unions around the country, not simply the miners and oil workers themselves. The 1961 and 1963 factory workers' congresses called upon the state to invest more capital in COMIBOL, YPF, and other state enterprises, and for workers to defend against any attempts at re-privatization. The congresses also proposed a host of policy measures that would benefit urban industry, such as mandatory profit reinvestment, enforcement of anti-contraband laws, and new rehabilitation loans from the government. This broad outlook challenges the argument of the "labor aristocracy" school that Latin American labor "has remained indifferent to national problems that do not immediately affect the unions, but that are of importance to the future of society."<sup>87</sup>

A related priority for many workers was deepening economic cooperation among underdeveloped countries. A typical 1959 speech by a representative of the Bolivian Workers' Central (COB) argued "that Bolivia's main enemy is foreign capitalism, which amounts to a few big trusts [controlling everything]." The speaker went on to call for the formation of a "United States of the South" and proposed "a Latin American *Bandung*," referring to the 1955 conference of Third-World governments in Indonesia that became known for its message of non-alignment in the Cold War. The factory workers' CGTFB in 1956 had envisioned "the formation of the United States of Latin America."<sup>88</sup> At other times these calls explicitly advocated closer economic ties to the Soviet bloc, particularly in the interest of financing smelter construction. In the early 1960s statements of solidarity with the Cuban Revolution became common, both from

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<sup>87</sup> Lora, *Movimiento obrero contemporáneo*, 179-81, 195-201. Quote from Alba, *Politics and the Labor Movement*, 341-42. For the factory workers' defense of YPF see also U.S. Embassy to DoS, August 27, 1959, in NA 59, CDF, 824.2553/8-2759.

<sup>88</sup> Orlando Capriles quoted in *El Diario*, March 4, 1959; chapter epigraph.

Marxist and MNR-left factions.<sup>89</sup> Integration was deemed necessary for both economic and political reasons, and the two rationales were closely linked: unity would facilitate joint economic efforts like common markets and regional planning, and economic development would in turn increase Latin America's political independence. Similar ideas would receive emphasis in structuralist and dependency writings across Latin America by the 1960s.

Like the U.S. policymakers who viewed Bolivia as a "test case" in the struggle to contain Third World nationalism, many Bolivians also saw their revolution as a test, but for the ability of Third-World peoples to cast off the shackles of imperialism and dependency. Workers' statements often ascribed a transcendental importance to their particular struggles, which they linked not only to "the future of the entire working class" in Bolivia but also to the future of all oppressed peoples around the world. In their December 1956 statement the leaders of the factory workers' confederation declared that "the Bolivian Revolution constitutes the keystone in Latin America, an example for other American peoples who struggle for national liberation in their own places." In October 1956 a representative of the miners told the Congress that "workers and peasants around the world have been watching these events, because a victory of the Bolivian Revolution [will] reverberate and promote the revolutionary victory of other countries."<sup>90</sup> Here "victory" meant not just survival, but also breaking the bonds of national dependence on foreign powers as well as traditional domestic elites. Again, this goal was broadly shared by all major political factions within the factory workers' unions, although Marxists and particularly Trotskyists are most often associated with it.

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<sup>89</sup> For example see the economic resolutions of the factory workers' Fifth Congress, summarized in *El Diario*, May 16, 1961, and Lora, *Movimiento obrero contemporáneo*, 180-81.

<sup>90</sup> Note 30 above; chapter epigraph; Deputy Jara speaking October 11, 1956, in República de Bolivia, *Redactor del H. Cámara de Diputados, octubre de 1956*, 159.



Even the more mundane wage demands often reflected an understanding of larger economic forces. In a public appeal to the National Chamber of Industries in 1963, CGTFB leaders justified their call for graduated wage raises of 20-60 percent by emphasizing the potential benefits to the economy. The “sub-human” conditions in urban industry were immoral, but they also impeded national economic development:

[I]mpoverished masses cannot constitute the Market [sic] that industry requires. The only way of invigorating and stabilizing our economy is to remunerate workers adequately, for only then can they become the main consumers of the country’s industrial production... We don’t think it’s necessary to have a profound knowledge of economics to understand such a simple truth.<sup>91</sup>

Though their rhetoric was self-interested, the CGTFB leaders understood the potential benefits of higher wages for the entire economy and used the logic of wage-led growth to their advantage.

The CGTFB congress just a month before had also denounced a number of common capitalist claims about the relationship of wages to prices and economic growth. To the argument that higher wages automatically translated to higher prices for the consumer, the congress pointed out that wages since 1956 “have been virtually frozen, and, nonetheless, prices have risen by more than 80 percent.” Both inflation and deflation were understood as means for the redistribution of wealth: “With inflation the exploiting classes increased their profits by taking money from workers’ pockets under the pretext of capitalizing the country.” The congress decried those who insisted that “industrial rehabilitation” was first necessary before wages could be increased, arguing that wage increases need not cripple factory operations if, for example, state subsidies were increased or profit levels reduced. This analysis was wrong about the forces

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<sup>91</sup> *El Diario*, July 12, 1963. For a contemporary economist’s elaboration of this logic for underdeveloped economies, see Baldwin, “Patterns of Development,” 176. See also Baran, *The Political Economy of Growth*, 270.

favoring inflation—the U.S. government, financial interests, and most of the Bolivian upper class staunchly opposed it—but it was otherwise accurate.<sup>92</sup>

The most threatening aspect of factory worker agitation, however, was not wage demands but rather the challenge to that most cherished of capitalist principles: the freedom of the bosses to hire, fire, and otherwise organize the workplace as they pleased. Factory workers' public statements often demanded greater union supervision and control over factory operations. In November 1958 the CNI filed its own petition to the government, emphasizing the need for “discipline” in the factories. By discipline it meant specifically the “autonomy of management in order to organize and manage factories without union interference.”<sup>93</sup> The petition's demands for tariffs, the elimination of contraband, and industrial loans coincided with workers' demands, but on the question of workplace control the two parties were firmly opposed.

Factory workers themselves were not entirely united on this question either, though. The role of the bourgeoisie, which at its root was a debate over the capitalist system itself, was a source of much disagreement within the factory workforce: Should workers *control* the factories, or should they simply exercise greater influence over decision-making? Over which decisions should they have a say? Should the government promote the growth of a “national bourgeoisie” that would drive industrial capitalist development, as Bolivian capitalists, middle-class leaders, and Stalinists all advocated? Or should it “skip” this historical phase and create a socialist system where workers owned the factories, as the Trotskyists argued? These debates had important implications: would workers join in a cross-class alliance with the nationalist, “progressive”

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<sup>92</sup> Quoted in Lora, *Movimiento obrero contemporáneo*, 200-01. Some workers appear to have believed that U.S. and Bolivian elites intentionally promoted inflation. For instance, in 1953 one Cochabamba teacher claimed that U.S. imperialism “wants there to be more monetary inflation because in that way the crisis worsens” and “aids the counterrevolutionary action of the *rosca*,” furthering the U.S. “colonial agenda” (Acta de la Central Obrera Departamental, Cochabamba, October 7, 1953, excerpted in Crespo and Soto, *Historia y memoria colectiva*, 174).

<sup>93</sup> *El Diario*, November 4, 1958, and March 20, 1959.

bourgeoisie and middle class against the forces of imperialism, or would they reject such alliances and struggle simultaneously against imperialism and their domestic class oppressors?<sup>94</sup> And in practical terms, did opting for the latter mean withdrawing all support for the MNR government? This debate reflected a broader ideological conflict within Bolivia's popular sectors, which pitted the most of the MNR left and the Stalinists against the Trotskyists.

Many workers resented capitalists and imperialists but stopped short of advocating an end to the bourgeoisie itself. Union discussions of “worker control” highlight the tension between this group and the Trotskyist left. The concept of workers’ control was more complicated in revolutionary Bolivia than in the traditional socialist formulation. The system of *control obrero* instituted in the nationalized mines provided for union *input* over some decisions, such as hiring and firing, but stopped far short of putting workers themselves—let alone the rest of the population—fully in charge of production, allocation, and consumption. Juan Lechín advocated *control obrero* “not to crush capitalism...but to prevent the abusive use of capital and the extraction of capital from the country.” Many Bolivian workers aspired “more to share in the control of traditional managerial functions rather than to overthrow them,” as historian Charles Maier says of labor unions in postwar Europe.<sup>95</sup> Moreover, even the MNR’s limited system of workers’ control was compromised by bureaucracy.<sup>96</sup>

Within the CGTFB, too, workers and union leaders advocated a range of workers’ control arrangements that differed in their priorities and in the extent to which worker representatives would exercise real power. Many factory worker statements that called for *control obrero* seemed to envision unions acting merely as auditors, for instance by overseeing government

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<sup>94</sup> Bolivia was hardly unique; leftist and nationalist forces in numerous colonial and postcolonial contexts engaged in a similar debate throughout the twentieth century.

<sup>95</sup> *El Diario*, July 6, 1954; Maier, “The Two Postwar Eras,” 338.

<sup>96</sup> Lora, “La clase obrera después de 1952,” 198-204.

industrial loans to prevent employers from stealing funds.<sup>97</sup> CGTFB Executive Secretary Stanley Camberos interpreted the concept this way. Camberos was elected in 1959 due to rank-and-file discontent with the pro-Siles conservatism of his predecessors, but he was a *movimientista* who believed in working within the capitalist system to improve workers' lives (or at least doubted the viability of worker-run enterprises). In a 1961 comment that revealed his capitalist inclinations, Camberos tried to defuse calls for wage raises by insisting that "if we ask for raises the owners are going to hand over the keys to the factories."<sup>98</sup> Some of the Marxist jaws in the audience must have dropped in disbelief at this "warning."

On the other hand, those who supported or acquiesced to capitalist relations of production were not necessarily straightforward class collaborationists. Many factory workers, for example, were not Marxists but advocated measures (wage raises, tax hikes, government and employer subsidies, etc.) that would result in a substantial redistribution of wealth. While some of the common factory worker demands coincided with the demands of the national bourgeoisie—both workers and owners favored more government aid to industry—popular demands also contained a redistributionist thrust that set them clearly apart from the owners'.<sup>99</sup> It was not only Trotskyists who agreed with Deputy Jara, one of the miners' representatives in Congress, when in 1956 he railed against the "economic policy of forming a bourgeoisie at the expense of the workers." Jara argued that "in Bolivia the situation is such that it is not possible to expect that both the Revolution and the *rosca* can advance at the same time. If the Revolution advances, it is

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<sup>97</sup> *El Diario*, April 13, 1959.

<sup>98</sup> *El Diario*, May 16, 1961.

<sup>99</sup> Lora has implied that by demanding industrial subsidies, factory workers were essentially doing the owners' work for them (*Movimiento obrero contemporáneo*, 189, 197-98). I find this view too simplistic, for although government aid "benefited the bosses" (198) it also stood to benefit the workforce. Workers and bosses *did* have a shared interest in industrial expansion, even if they did not benefit equally, and even if workers might have benefited much more from a socialization of the factories.

the reaction that will recede, or vice versa.”<sup>100</sup> Likewise, most non-Marxist factory workers in 1961 probably agreed with the chair of the factory workers’ Economic Commission, Ceferino Tórrez, when he argued for closer relations with the Soviet bloc, sharing his view that “the [interests] of the capitalist camp are contrary to the interests of our country’s economy.”<sup>101</sup> The militant-but-not-necessarily-Marxist nature of factory worker demands throughout this period suggests that the ideological terrain within the factory workforce was more complicated than simply liberal-versus-Marxist or collaboration-versus-confrontation.

Outside the urban working class the tensions within revolutionary nationalism were starker. Some were apparent at the March 1959 mass protests in response to an unnamed U.S. official’s offhand comment to *Time* magazine that Bolivia should be dissolved and divided among its neighbors. When the article was reprinted in La Paz dailies it incited mass outrage, bringing together groups that at that moment in history did not often collaborate. The MNR’s official organ *La Nación* published an uncharacteristically harsh condemnation and President Siles made several public appearances to denounce *Time*, suggesting that the government may have been seeking to use nationalism to unify the populace at a time of acute social divisions and protest.<sup>102</sup> But if the protests in La Paz gave the impression of popular unity, the speeches, signs, and actions of the contingent groups betrayed vast differences. Orlando Capriles of the COB proclaimed that “the workers, the peasants, and other unionized Bolivians say to the Northern colossus: you shall not pass.”<sup>103</sup> He decried the desire to “divide up Bolivia, as the body of

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<sup>100</sup> Deputy Jara in República de Bolivia, *Redactor* (cited in note 90 above), 166. Another common counter-argument to this policy was that the bourgeoisie in underdeveloped countries was not progressive (in the sense of fostering the development of capitalism), but economically parasitic and inclined to stifle reform (see, e.g., Baran, *The Political Economy of Growth*).

<sup>101</sup> *El Diario*, May 16, 1961.

<sup>102</sup> See “Chaos in the Clouds,” *Time* (March 2, 1959), 27, and “The Fanned Spark,” *Time* (March 16, 1959), 40-41. The quotation itself appeared only in the Spanish-language version of the March 2 issue.

<sup>103</sup> All quotations in this paragraph and the next come from *El Diario*, March 4, 1959.

Túpac Amaru was divided up [in 1781].”<sup>104</sup> Capriles linked that desire to the economic exploitation of Bolivia and stressed the working class’s central role in the construction of a new economic order. The working class would “defend the sovereignty of Bolivia and our right to economic independence, for which we fought on April 9.” Workers were “the most profoundly Bolivian class” and were therefore “the axis and motor of national struggle” as well as class struggle. “Bolivia’s main enemy is foreign capitalism,” Capriles argued. Many workers’ signs also linked national honor to the quest for economic justice and independence: “No More Exploitation [*saqueo*],” “Bolivia Is Not For Sale,” and “Death Before Slavery.”

Hernán Flor Medina of the Confederation of Chaco War Veterans gave a very different speech, emphasizing the unity of all Bolivians in response to the article’s affront. The article had triggered “the patriotic reaction of all of the Bolivian people, who regardless of social class and political creed make known through this multitudinous protest their virile strength as a sovereign and free people.” He also praised the State Department’s public disavowal of the comment and added that “we are sure that the unfortunate article in *Time* magazine in no way reflects the feelings of the democratic American people or their government.” The stark contrast with Capriles’s speech reflects the divides among revolutionary nationalists over questions of class, economic policy, and foreign relations.

The speeches by Capriles and Flor Medina also highlight the prevalence of gender and ethnic tropes in discussions of economic dependency, revolution, and national honor. Calls for the “virile” defense of the nation against foreign aggression might be unsurprising from a military man, but gendered language was never confined to just military circles and the right. In 1966 various legislators attacked one of the Barrientos regime’s generous contracts with a

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<sup>104</sup> A reference to the May 1781 execution of the indigenous rebel leader in Cuzco, Peru, by Spanish colonial authorities. Túpac Amaru II was drawn and quartered, his body torn apart by four horses.

foreign mining company for “handing over the national wealth,” calling it “a gift” from “our motherland, our poor Bolivia to the powerful Americans” that “has not sufficiently taken into account [the need for] industrialization.”<sup>105</sup> One impugned the lack of patriotism evident in the contract, defining patriotism as “that grand trait that exists in the soul of man” that compels him to leave his wife and children “when the invader appears at the gates.” The patriot, said the speaker, defends his nation “with manliness” [*hombría*] and refuses to submit.<sup>106</sup> Male factory workers sometimes depicted themselves as manly defenders of revolutionary ideals and national wealth, as when one representative boasted in 1958 that “as men” the factory workers had “taken to the streets to defend the National Revolution on all occasions.”<sup>107</sup> In these debates the *nationalist* and the *revolution* were both cast as masculine, assigned the historic task of redeeming an emasculated nation by protecting its virgin resources from exploitation by rapacious foreign capitalists.

Revolutionary nationalist discourse was often racialized as well. Unlike MNR leaders and more conservative nationalists, workers and leftists—whites, mestizos, and Indians alike—sometimes spoke of the revolution as the struggle of an indigenous nation to defeat its North Atlantic colonizers. Some, like Orlando Capriles, evoked the memory of past indigenous rebellions against colonial oppression.<sup>108</sup> Other times workers resorted to thinly-veiled racism in the service of class and nationalist demands, denouncing the “Jewish” and “Semitic” capitalists who exploited the country; in addition to the tin oligarch “Hochschild the Jew,” this group included the “Semitic bosses” that candy factory workers singled out for criticism in an August

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<sup>105</sup> Senator Córdova speaking in Legislatura Ordinaria de 1966, *Redactor del H. Senado Nacional*, 2: 129, 132.

<sup>106</sup> Senator Montoya speaking in *ibid.*, 137.

<sup>107</sup> See note 30.

<sup>108</sup> Nonetheless, this theme was not nearly as prevalent as it would become later in the century with the rise of indigenous rights movements in Bolivia and around the continent. Notably, Capriles evoked Túpac *Amaru*—the anticolonial hero executed in Cuzco—rather than Túpac *Katari*, who had led the 1781 siege on La Paz.

1952 resolution, and perhaps also the “unscrupulous foreign merchants” condemned by the Said factory union in 1959 for invading the Bolivian market with “the disloyal competition of foreign manufacturing.”<sup>109</sup> These gendered and ethnic undertones were by no means universal, and the more chauvinistic and racist ones were less common on the left than among military nationalists or the right. But such tropes and the sexism and racism they often reflected were important elements in the discourse and practice of the predominantly-male, predominantly-mestizo leadership of labor unions and the left in the 1950s and 1960s.<sup>110</sup>

Given the self-identification of urban workers as ethnically distinct from their exploiters, union statements were surprisingly inattentive to the needs of Bolivia’s rural indigenous population. Conspicuously absent from most urban workers’ statements on the economy are the issues of agrarian reform and agricultural development.<sup>111</sup> Urban workers had a pragmatic incentive to support the peasantry: with 70 percent of the country’s population dependent on agriculture and only two percent of land in cultivation as of 1951, a radical redistribution of land, capital, and credit in the countryside stood to greatly expand the market for Bolivian-made consumer goods and also facilitate urban industry’s access to raw materials.<sup>112</sup> But although urban unions often spoke of “workers and peasants” working together and occasionally made reference to agricultural policy, meaningful outreach efforts were rare.

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<sup>109</sup> Deputy Aracena speaking October 16, 1956, in República de Bolivia, *Redactor del H. Cámara de Diputados, octubre de 1956*, 194. Other quotes come from the vote of the Sindicato de Trabajadores de “Industrias en Confección,” August 30, 1952, in CGTFB, 1952 file; *El Diario*, January 30, 1959. For a parallel example of workers and the left utilizing anti-“Turk” racism against Middle Eastern factory owners in Chile, see Winn, *Weavers of Revolution*, 152. On anti-Semitism see also Chapter 1, notes 79-80.

<sup>110</sup> Interestingly, both Bolivian nationalists and U.S. policymakers used sexual tropes, but for opposing ends: while the former feared the rape of their country, State Department officials feared the “penetration” of the hemisphere by Soviet influence and ideologies that stood to challenge U.S. domination (see Chapter 3, note 80).

<sup>111</sup> This point supports the “labor aristocracy” characterization of Latin American labor as narrow-minded and “indifferent to national problems.” Urban workers and miners in Bolivia were not quite *indifferent* to agrarian problems, but they certainly deemphasized them. They did show frequent concern for other “national” issues, though (see note 86).

<sup>112</sup> Figures from UNTAA, *Report*, 53.



The neglect of agrarian issues was indicative of a broader disdain for peasants and the indigenous population, an attitude shared not only by MNR leaders but also by most leaders in urban unions and left parties (and obviously the right). The COB's early history illustrates this disdain. The body gave nearly three times as many votes to proletarian sectors as to peasants, and the number of votes allocated to middle-class sectors and the Executive Committee also outnumbered the peasant votes. The first COB Congress in 1954 made space for 177 proletarian delegates but only 50 peasant ones (and 56 middle-class); moreover, the peasant delegates sent by the National Peasant Confederation were summarily dismissed and replaced with government designees.<sup>113</sup> The COB leadership justified these skewed ratios by saying that "the proletariat is the natural leader [*caudillo*] of the Revolution" and "the motor force that will drive the transition from the Old to the New Society."<sup>114</sup>

However critical they were of the MNR mainstream, even Marxist organizers and left intellectuals seemed to agree with the government's disdainful assessment of rural Indians.<sup>115</sup> Nor did their attitude change much in subsequent years. Writing decades later, Trotskyist intellectual Guillermo Lora said that the subordination of the peasantry within the COB "should be considered progressive." In March 1965 the La Paz factory workers' federation, obviously incensed by the military-peasant alliance, issued a statement saying "the peasant masses, given the backwardness and isolation in which they live, are inimical to the Bolivian Revolution."<sup>116</sup> Even many Aymara migrants to the city ending up internalizing these urban and ethnic

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<sup>113</sup> *El Diario*, October 22, 1954; Lora, *Movimiento obrero contemporáneo*, 363, 369.

<sup>114</sup> Central Obrera Boliviana, *Primer Congreso Nacional de Trabajadores*, 10.

<sup>115</sup> On MNR leaders' contempt for the *indio* see Chapter 1, note 78, and Chapter 2, note 74.

<sup>116</sup> Lora, *Movimiento obrero contemporáneo*, 363; *El Diario*, March 18, 1965. On urban La Paz and Cochabamba unions, respectively, see Federación Departamental de Trabajadores Fabriles de La Paz, *Los fabriles vistos por ellos mismos*, 100-12; Crespo and Soto, *Historia y memoria colectiva*, 34, 42. Hylton and Thomson contrast these attitudes with more respectful collaboration several decades earlier (*Revolutionary Horizons*, 78).

prejudices, as they sought to define themselves as part of a “middle class” separate from the “lower class” of peasants and *indios*.<sup>117</sup>

The combination of ethnic, urban, ideological arrogance militated against the formation of a durable coalition of workers and peasants. In a parallel way, male chauvinism within the unions reproduced unequal gender relations and prevented female workers from becoming leaders.<sup>118</sup> The importance of these sectoral, ethnic, and gender divisions within the Bolivian popular sectors is hard to overestimate. Similar divisions have sometimes had a decisive impact on revolutionary outcomes in other countries, and certainly helped facilitate the rightward policy drift in Bolivia after 1955.<sup>119</sup>

There is scattered evidence of minority currents that were significantly more attuned to the interests of women, rural farmers, and indigenous Bolivians. In July 1954 La Paz newspapers received a 22-point petition from “some factory worker leaders” purporting to represent the demands of the factory workers’ congress then in progress. After *El Diario* published the petition the CGTFB General Secretary and Press Secretary wrote in to say that in fact the Executive Committee had not passed it, and was only conducting a “careful study” of the document. Although the origin of the petition is unclear, the scope of its demands was impressive. It called for wage raises, higher taxation of the owners, “*control obrero* in the concession and use of

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<sup>117</sup> See the polls of migrants to La Paz conducted in 1976-77, reported in Albó, et al., *Chukiyawu*, 1: 71, and 3: 156-61.

<sup>118</sup> Although 35 percent of textile factory workers in 1950 were women, nearly all factory union leaders in the 1950s-60s were men; women were usually confined to serving as liaisons with other women (the *Secretaria de Vinculación Femenina* position) (República de Bolivia, *Censo demográfico de 1950*, 174). On Cochabamba unions in the early 1950s see Crespo and Soto, *Historia y memoria colectiva*, 137-39. On sexism in various unions in the late twentieth century see Federación Departamental de Trabajadores Fabriles de La Paz, *Los fabriles vistos por ellos mismos*, 67, 79; Alanes Bravo, *Mujeres en los sindicatos*; CEPROMIN, *Testimonio colectivo de la lucha de las mujeres mineras*; León, “Bartolina Sisa.”

<sup>119</sup> At least one study argues that the decision of so many Mexican urban workers, Indians, and women to fight for Carranza and Obregón “may have tipped the scales” against the more radical (and largely peasant) forces represented by Zapata and Villa (Foran, Klouzal, and Rivera, “Who Makes Revolutions?” 18).

profits,” and greater political freedoms. Most striking, however, were its calls for “equal pay for equal work” for female workers, the acceleration of agrarian reform, a national literacy campaign, and bilingual education for indigenous students.<sup>120</sup> The petition’s accidental publication allows for a glimpse into the differences within the factory workforce in the 1950s. Similar dissident thoughts were no doubt common, perhaps especially among the many female and indigenous workers who labored on the factory floors but whose voices were rarely recorded in the newspapers or union memoranda. Yet most union leaders, as well as the leaders of the MNR and the left parties, never embraced these dissident sentiments (or, to put it another way, the dissidents rarely attained leadership positions). By the 1950s the dominant strain of revolutionary nationalism was male-oriented, ethnocentric, and far more concerned with mineral resources, oil, and urban industrialization than with agrarian development. Like most such projects throughout history, it vehemently attacked certain hierarchies but not others.

Nonetheless, the existence of these internal tensions and contradictions did not negate the challenge posed by popular economic ideas to the joint U.S.-MNR agenda. Despite all its limits, popular economic thought in La Paz reflected a fairly coherent set of ideas about economic relations and potential alternatives. Whether or not rank-and-file workers formally identified with the Marxist left (the majority did not), the “revolution” meant a higher standard of living—employment, good wages, a safe workplace, education for their children, etc.—as well as a new model of economic development. Not all workers demanded the socialization of the factories, and some were more chauvinistic, racist, and insular than others, but most were at least united in their demands for industrialization, diversification, and a more equitable distribution of wealth.

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<sup>120</sup> *El Diario*, July 14-15, 1954.

If workers' economic discourse sometimes appears overly optimistic about the possibility of breaking Bolivia's external dependency, or overly dismissive of private capital, the basic assessment of the country's economic problems was accurate and the proffered solutions often quite plausible. Private foreign investment had indeed siphoned away precious natural resources without contributing to significant industrialization. Dependency theory has been widely attacked for overlooking the possibilities for industrialization in dependent nations, but Bolivia's enclave economy fit the "classic" pattern of dependency and underdevelopment much more closely than some of the larger nations like Brazil or Mexico. As noted in Chapter 2, several CEPAL studies from this time period emphasized the contrast between Bolivia and many neighboring countries, arguing that Bolivia had benefited much less from the liberal export model and had also been unable to foster significant import-substitution industrialization due to structural limitations like small market size and acute inequality.<sup>121</sup> Dependency theory has been assailed from many angles, but in few places were its basic arguments more valid than for mid-century Bolivia.<sup>122</sup>

### **Great Britain in the Nineteenth Century: The Elusive Quest for Hegemony**

Neither the U.S. nor MNR government was able to dislodge the core economic beliefs of Bolivians. The persistence of these beliefs to the present day—and indeed, their enormous influence on current politics in Bolivia—is perhaps the most forceful counter-argument to interpretations that view the Bolivian Revolution as a simple failure. The tenuousness of the conservative triumph is especially evident in the increasingly militant history of La Paz factory

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<sup>121</sup> CEPAL, "The Economic Policy of Bolivia in 1952-64," esp. 61-64; see also Chapter 2, pp. 63-65.

<sup>122</sup> As Stephan Haggard commented in 1990, "Criticizing dependency theory has become an academic industry of the worst sort. The crudest formulations are attacked with vehemence, the overall contribution and the more sophisticated variants ignored" (*Pathways from the Periphery*, 19). In addition to the predictable neoclassical critiques, Marxists have criticized the theory for focusing on global circulation rather than production, while social historians have critiqued many *dependentistas'* tendency to downplay the importance of Third World actors.

workers during the 1950s and 1960s. This group, as much as any other except the mineworkers, would continue to pose problems for the regimes that took power after 1964. Their actions prevented a full-scale rollback of bread-and-butter gains at the factory level, limited the government's ability to abandon economic nationalism and public spending, and imbued revolutionary discourse with an emphasis on working-class rights that no regime would be able to ignore.

From the U.S. perspective, relief over the left's exclusion from power was tempered by the realization of an utter lack of legitimacy on the ground. The U.S. Embassy, the U.S. Information Service libraries, and other U.S.-affiliated offices were occasionally attacked and raided by Bolivian protesters, for instance in March 1959 after the appearance of the infamous *Time* article mentioned above.<sup>123</sup> The U.S. government's failure to reshape Bolivians' fundamental ideas about the economy and international relations was often candidly acknowledged in classified USIS reports. Sacrosanct concepts like market capitalism and the goodwill of the United States government remained "under severe attack" despite U.S. efforts. U.S. officials desperately reassured Bolivian audiences that U.S. aid was "of material benefit to all of the Bolivian people and is in support of the Bolivian effort to promote economic development." When an ambassador feels compelled to state publicly that "[o]ur purpose is not to exploit the governments and peoples of the free world," the situation is difficult indeed.<sup>124</sup>

One candid Embassy memo from 1959 on the "possible worsening of the Bolivian situation" compared the U.S. position in Bolivia to that of besieged imperial powers of the past:

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<sup>123</sup> *El Diario*, March 3, 1959; "The Fanned Spark" (cited in note 102).

<sup>124</sup> Bonsal to Rubottom, November 29, 1958, in NA 59, CDF 824.06/1-1058; USIA, "Inspection Report: USIS/Bolivia," May 11, 1962, in NA 306/1045/1; Ambassador Philip Bonsal quoted in *El Diario*, May 9, 1957; Chapter 4, note 66.

In some respects the U.S. position in the immediate future would seem to bear a strong resemblance to that which Great Britain occupied in many areas during the 19<sup>th</sup> century: a determined force for order which [is] not and indeed cannot afford to be concerned about its rating in public opinion polls.<sup>125</sup>

Like Britain, the U.S. government increasingly turned to military force when its lack of legitimacy on the ground began to translate into political and economic unrest. The Eisenhower administration began sending military aid to the MNR in 1957, with one rationale being “to ensure success to the economic stabilization plan.” As noted in Chapters 3 and 4, U.S. military aid to Bolivia rose sharply under Kennedy, funding a 45-percent increase in the size of the Bolivian military by 1965.<sup>126</sup> This increase was consistent with Kennedy-era policy toward the rest of the hemisphere, but also reflected the particular failure of the “soft power” approach in Bolivia. It was a tacit admission of Hannah Arendt’s point: “Violence appears where power is in jeopardy.”<sup>127</sup>

MNR leaders were fully on board with this agenda. Even the left-leaning Juan Lechín had been reticent to eliminate the Army completely, and he had helped spearhead the institution’s reconstruction after 1953 under the guise of a new, “revolutionary Army.” The military became important in the suppression of unrest in the mines, universities, and city streets starting in the late 1950s and particularly after 1964. After 1960 it also became the main instrument for extending the state’s presence in the countryside, through Civic Action programs and the reinstatement of obligatory military service. It thus came to play a vital “educational” role for rural communities around the country, perhaps helping to foster greater identification with the central

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<sup>125</sup> Unsigned, “Possible Worsening of the Bolivian Situation,” July 9, 1959, in NA 306/1032/1.

<sup>126</sup> Wilkie, *The Bolivian Revolution and U.S. Aid*, 48; Loveman, *For la Patria*, 183; Mitchell, *The Legacy of Populism*, 90-92.

<sup>127</sup> Arendt, *On Violence*, 56.

state.<sup>128</sup> Rebuilding the Army was closely linked to the cultivation of peasant support for the MNR in the aftermath of the stabilization plan. While U.S. officials often expressed trepidation about arming the peasants, the MNR undertook a deliberate policy of strengthening peasant militias loyal to the government, and relied on them to threaten and occasionally attack unruly workers and students in the mines and cities.<sup>129</sup>

Factory workers were a particular target of repression. Political arrests and harassment during the early 1960s gave way to more direct violence under Barrientos. Factory workers, along with miners, construction workers, teachers, and restaurant workers, were the most important early sources of opposition to the military regime, and built on inter-union relationships developed since the 1950s.<sup>130</sup> The May 1965 wage cuts and anti-union decrees triggered a strike wave not just in the mines but in the cities as well. In response, Barrientos sent military forces to both the mines and the factory workers' neighborhoods of Villa Victoria and Pura Pura in La Paz. The La Paz assault included the use of military planes and targeted particularly the workers' radio transmitter, Radio Continental, which the Army destroyed.<sup>131</sup>

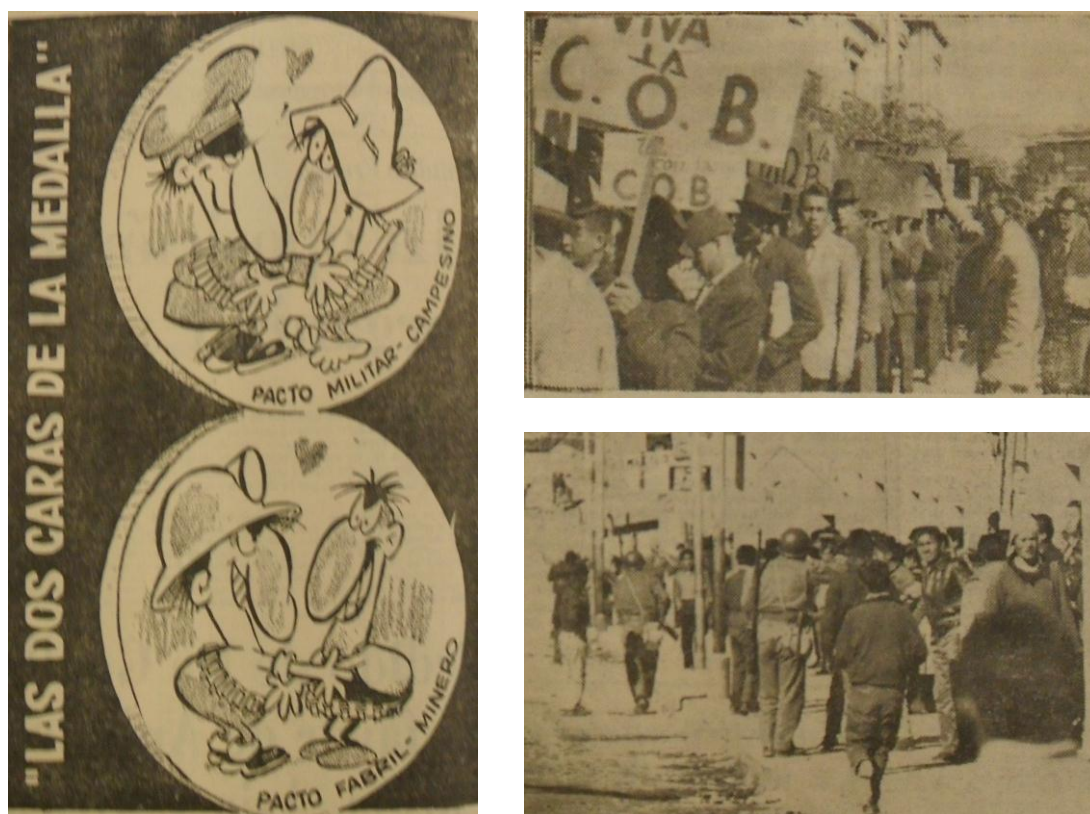
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<sup>128</sup> See Chapter 4, pp. 168-70, plus Malloy, *Bolivia*, 295-96.

<sup>129</sup> For U.S. officials' fears of the peasantry see Alexander, *A History of Organized Labor*, 113-14, plus Chapter 3, notes 54 and 66. For examples of peasant leaders' threats against militant workers and the left see *El Diario*, June 8, 1961; *Presencia*, April 21, 1963; *El Mundo*, October 23 and 31, 1964; *Extra*, July 13, 1966, June 18 and July 9, 1967.

<sup>130</sup> These five groups formed a National Strike Committee in May, ahead of the COB's call for a general strike (*El Diario*, May 13 and 16, 1965). For prior collaboration among factory workers, miners, and construction workers, including inter-union pacts and statements of solidarity, see *El Diario*, October 26, 1957, October 14, 1958, March 17, 1959, and December 9, 1964; *El Mundo*, July 28 and August 18, 1963; Delgado González, *100 años de lucha obrera*, 348-49. Little has been written on the construction workers, though see Lora, *Movimiento obrero contemporáneo*, 241-49, and THOA and Sindicato Central de Constructores, *Los constructores de la ciudad*.

<sup>131</sup> *El Diario*, May 23 and 25, 1965; Delgadillo Terceros, *Fabriles en la historia nacional*, 146.



**Figure 5.1: La Paz workers' opposition to the Barrientos regime.** The cartoon at left dramatizes the political cleavages of the 1960s, depicting the military-peasant alliance and the miner-factory worker alliance (*El Diario*, December 2, 1966); above right: La Paz workers march on May Day 1965, several weeks before the military entered factory workers' neighborhoods (below). From *El Diario*, May 3 and 25, 1965. Archivo Hemerográfico, Biblioteca y Archivo Histórico de la Asamblea Legislativa Plurinacional, Bolivia.

This course of events underscores the extent to which the Bolivian government was itself a captive of popular aspirations. Factory workers expected MNR leaders to advance a revolutionary agenda and criticized them when they did not. Although most were hesitant to condemn the MNR altogether, they gradually asserted greater independence from the party starting in the late 1950s. The “unconditional support” for Paz Estenssoro in the early years gave way by late 1957 to calls for “conditional support” and “loyal criticism,” to angry denunciations of “co-government” itself by 1959.<sup>132</sup> After Barrientos seized power in 1964, the Tenth Departmental Conference of La Paz factory workers denounced him by comparing him to the MNR, arguing that in fact “the MNR has not lost power” because the same “reactionary, anti-

<sup>132</sup> See Félix Mújica’s 1957 proposal to the COB for “conditional support for the MNR government through loyal criticism,” in *El Diario*, November 22, 1957. For other quotes see notes 31 and 60 above.



popular, and anti-worker” policies “continue in force...under the Military Junta.”<sup>133</sup> The MNR’s turn to repression of the workers, as well as the 1964 coup itself, reflected the party’s inability to satisfy or contain popular expectations.<sup>134</sup>

State attempts at cooptation are a further reflection of the factory workers’ continuing power. The military junta led by Hugo Ballivián had sponsored the founding of the CGTFB in October 1951 in the hopes of taming the worker militancy expressed the previous year.<sup>135</sup> The MNR government later tried to appropriate the memory of the May 1950 strike by establishing a Factory Workers’ Day on May 18.<sup>136</sup> Barrientos implicitly acknowledged the factory workers’ continued importance in national politics when he visited the March 1965 La Paz factory workers’ conference and promised that his government “will maintain all the social gains of the National Revolution.”<sup>137</sup> The small native bourgeoisie in Bolivia, led by the National Chamber of Industries, even developed a tamed version of revolutionary nationalist discourse that emphasized its own patriotic role in promoting “modern enterprise”—as distinct from the parasitic model of the *ancién regime*—and “national industry in the service of the country.”<sup>138</sup>

### **Explaining Factory Worker Militancy**

The Bolivian manufacturing sector of the 1950s and 1960s had at least some of the characteristics that might be expected to produce a tranquil and non-militant “labor aristocracy.”

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<sup>133</sup> *El Diario*, March 17, 1965.

<sup>134</sup> Lora has a similar interpretation of the coup, though he places more importance on the U.S. government’s perception that the military would be more reliable than Paz (*A History of the Bolivian Labour Movement*, 334-35).

<sup>135</sup> Delgadillo Terceros, *Fabriles en la historia nacional*, 78-79; *El Diario*, October 7, 1951.

<sup>136</sup> *El Diario*, May 21, 1969.

<sup>137</sup> *El Diario*, March 31, 1965. Barrientos also chose the occasion of a factory visit for his 1966 speech on the need for a “new unionism”: see *El Diario*, October 8, 1966, and Barrientos Ortuño, *Hacia un nuevo sindicalismo*.

<sup>138</sup> First quote from Antonio Said; see Chapter 4, note 54 and corresponding text. Second quote from an ad for the National Match Factory in La Paz, in the factory workers’ newspaper *Voz Obrera* 3, no. 16 (July 1969), 18.

A large population competed for a small number of jobs.<sup>139</sup> One study in the mid-1970s found that just 3.4 percent of peasants who migrated to La Paz found stable factory work, leading the authors to conclude that “to be a factory worker continues to be a privilege.”<sup>140</sup> The owners were mostly Bolivians, not foreigners who might have given worker resentments a nationalist edge.<sup>141</sup> Manufacturing was not a strategic export sector, so workers there lacked the potential leverage of the mineworkers.<sup>142</sup> So what explains the failure of Bolivian governments and factory owners to ensure quiescence in La Paz factories?

Part of the answer undoubtedly lies in the weakness of the Bolivian state, particularly in fiscal terms. Prior to the revolution the state bureaucracy was small and the state’s taxation capacity vastly deficient, forcing Bolivian governments to rely on export duties and other taxes on the mining industry for almost half of all revenue.<sup>143</sup> Per-capita GDP and government spending were much lower than in most other Latin American countries (Table 5.1).

Moreover, the prerevolutionary Bolivian state had little presence in most of the country. Its physical presence—as measured by courts, schools, police, etc.—was largely limited to the arc extending from northwestern Potosí (the site of Siglo XX and other major mines), through La Paz and eastward to Cochabamba.<sup>144</sup> Even within that region it often showed itself stunningly incapable of exercising its authority in either “hard” or “soft” terms. Much of the explanation for

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<sup>139</sup> In 1950 there were approximately 15,000 manufacturing jobs for three million Bolivians, and many of those jobs were in small enterprises. Moreover, the percentage of manufacturing jobs within the total workforce was the fourth-lowest of eighteen Latin American countries in the 1950s. See U.S. Embassy to DoS, April 2, 1952, p. 22; Alba, *Politics and the Labor Movement*, 206.

<sup>140</sup> Albó, et al., *Chukiyawu*, 1: 93, and 2: 20 (quote).

<sup>141</sup> Foreign ownership has often contributed to worker militancy; see for instance Bergquist, *Labor in Latin America*; Spalding, “The Parameters of Labor,” 206-07; Middlebrook, *The Paradox of Revolution*, 108.

<sup>142</sup> Middlebrook’s discussion of Mexico suggests that greater economic and strategic importance gives workers more independence and more readiness to confront the state (*The Paradox of Revolution*, 82, 108-09).

<sup>143</sup> UNTAA, *Report*, 29, 34.

<sup>144</sup> Barragán, et al., “De los pre-supuestos a los presupuestos”; Malloy, *Bolivia*, 243-79.

Bolivia’s defeat in the Chaco War lies in the state’s insufficient capacity to conscript Indian soldiers—even in villages right outside La Paz—and its helplessness to stem the tide of desertions from the ranks. Even in the center of the capital the state’s authority was questionable, as many archival anecdotes attest; in the 1940s prisoners at the famed Panopticon prison in La Paz sometimes left the facility for days at a time or brought their spouses in with them.<sup>145</sup> Such examples highlight the prerevolutionary state’s military and administrative weaknesses as well as its lack of legitimacy among broad swaths of the population. Among the MNR’s formidable tasks after 1952 was the basic project of building a modern state that could administer the nation and also garner the support of civil society.

**Table 5.1:  
Manufacturing Workforce and Per-Capita GDP, 1950**

Country	Total working population (millions)	% of total workforce in manufacturing	Per-capita GDP (1950 dollars)
Argentina	6.7	29.9	496
<b>Bolivia</b>	<b>1.1</b>	<b>9.1</b>	<b>103</b>
Brazil	17.0	17.1	195
Chile	2.2	22.7	303
Cuba	1.8	16.7	365
Haiti	1.2	5.8	74
Mexico	8.2	14.6	210
Venezuela	1.7	41.2	550
United States	60.1	28.6	1,880

**Sources:** All figures taken or calculated from Committee on Latin American Studies (UCLA), *Statistical Abstract of Latin America for 1955*, 5-6. Different sources from the period often give somewhat different figures, in part because much of the manufacturing workforce was in very small-scale operations rather than large factories. The figure of 9.1 percent for Bolivia is in fact misleadingly high for this reason: over eighty percent of those workers were employed outside “registered industry” (CEPAL, *Economic Survey of Latin America: 1956*, 64; CEPAL, “The Economic Policy of Bolivia in 1952-64,” 64).

The state’s weakness was partly the result of Bolivia’s historic dependence on mineral exports. Mining operations were confined to a small portion of the total territory and never led to

<sup>145</sup> Isaac Bravo C. (Jefe Sec. Gobierno y Asuntos Indígenas) a Prefecto, February 3, 1947, in ALP/PE Sub Fondo Administración, Serie Correspondencia R/E, Caja 283, Legajo 1.

the same level of secondary industrial development that other types of primary commodity exports helped produce during the liberal export era in countries like Argentina.<sup>146</sup> The tin barons did little to industrialize their operations and sent a large portion of their profits abroad. Although the mining sector was taxed at a higher rate than others even prior to 1952, the revenue was still insufficient to spur significant government reinvestment, particularly in the absence of a conscious state commitment to do so. The mineral monoculture also made the MNR heavily reliant on the United States after 1952. This dependent relationship, and particularly the 1956 stabilization plan, further constrained the MNR's ability to devote resources to diversification and industrialization.

The state's fiscal problems affected the manufacturing sector and factory workforce in several specific ways. Most Bolivian industries were dependent on the import of raw materials for production (owing to the low level of Bolivian agricultural production), and at state-subsidized rates of exchange. The stabilization plan ended the system of multiple exchange rates that had subsidized urban industry since before the revolution, contributing to a wave of factory closings, lay-offs, and unused capacity that persisted into the next decade (despite the renewed economic growth of the early 1960s). Other forms of state subsidization like industrial loans or the provision of power and other infrastructure also became more difficult under stabilization, although the state did extend "rehabilitation" loans to several factories in the late 1950s and early 1960s. Finally, factory workers were directly affected by the stabilization plan's elimination of government subsidies on consumer goods and services. Rather than making factory workers more insular, these consequences—and economic austerity more generally—may have increased

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<sup>146</sup> For discussion of different types of primary export goods and their effects on economic development see Furtado, *Economic Development of Latin America*, 47ff. On "linkages" and multiplier effects see Hirschman, *The Strategy of Economic Development*, esp. 98-132; Hirschman, "A Generalized Linkage Approach to Development."

their tendency to identify with other Bolivian workers and to confront a broad range of problems “of importance to the future of society.”<sup>147</sup>

A second, related explanation for the non-quiescence of La Paz factory workers is the small size and limited capital of Bolivia’s industrial bourgeoisie, which in turn stemmed from some of the same structural factors. The growth of a sizable consumer market was unlikely in an economy historically centered on mineral extraction for export and non-capitalist forms of agriculture, particularly given that the total population was so small. The levels of formal education and technical training were very low, while transport and electrical infrastructure were nearly non-existent. The lack of a strong and diversified agricultural economy also contributed to manufacturers’ dependence on raw material imports, while the country’s landlocked position raised the cost of foreign trade. The 5.7-percent annual growth rate from 1961 to 1964 was scarcely reflected in the manufacturing sector, which by 1963 had seen over half of its enterprises close in just the previous five years.<sup>148</sup>

Both MNR officials and factory owners were thus severely constrained in their capacity to buy off the factory workforce. State leaders and the captains of Bolivia’s fledgling industry in the 1950s and 1960s were increasingly unable to satisfy even the economic, bread-and-butter demands of their workforce. Collaborationist labor leaders found themselves less and less able to deliver material benefits to their constituencies. The capital-labor compromise of the post-World War II era, in which employers tacitly agreed to grant wage raises in exchange for labor’s

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<sup>147</sup> Note 87 above. For a sociological argument about how austerity can increase unions’ sense of solidarity—largely out of necessity and the desire for self-preservation—see Robinson, “Does Neoliberal Restructuring Promote Social Movement Unionism?”

<sup>148</sup> Mitchell, *The Legacy of Populism*, 92; *El Diario*, June 10, 1963.

collaboration in boosting production, was not nearly as feasible in Bolivia as it was in the United States, Western Europe, and more developed Latin American countries like Mexico.<sup>149</sup>

The contrast with Mexican labor is particularly illuminating given Mexico's revolutionary past. Yet unlike the MNR, the postrevolutionary state in Mexico was ultimately able to ensure the support of organized labor throughout the twentieth century through a combination of cooptation and repression of union dissidents. Kevin Middlebrook attributes particular importance to the early revolutionary regimes' conscious efforts "to increase state capacity" immediately after the revolution and to form hierarchical coalitions with the country's labor unions. He argues that "the long-term survival of many of Mexico's most prominent labor leaders cannot be explained without noting that, in many cases, they were able to use political connections to improve the living standards of their members."<sup>150</sup> These co-optative efforts were successful in part because of the relatively high level of economic development in Mexico prior to the revolution and the country's sustained economic growth throughout the middle decades of the twentieth century.<sup>151</sup> A similar trend was evident in much of the industrialized world. Elites in severely underdeveloped countries had more difficulty, however. As Charles Maier argues in a discussion of prewar Europe, "If defenders of interwar capitalism proposed a social bargain—the

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<sup>149</sup> This "historic compromise" also entailed labor's renunciation of control over production, which had been a goal of many unions and leftists in the prewar period. See Bergquist, *Labor in Latin America*, 4-7, 262, 272; Maier, "The Two Postwar Eras," esp. 338-39, 345-47; Maier, "The Politics of Productivity." In 1972 Hobart Spalding predicted, too optimistically, that the dynamics of global capitalism would increasingly prevent elites from satisfying "even the economist[ic] demands now espoused by organized labor," and that workers would therefore "become an increasingly progressive and revolutionary force" ("The Parameters of Labor," 216).

<sup>150</sup> Middlebrook, *The Paradox of Revolution*, 15, 221. Roxborough, however, highlights government intervention in major unions in the postwar years ("Mexico") and elsewhere cautions against over-emphasizing Mexican labor quiescence, stressing variation within auto unions (*Unions and Politics*).

<sup>151</sup> Middlebrook, *The Paradox of Revolution*, 213. Middlebrook does not emphasize the importance of economic development and growth per se, but does allude to it. Several scholars have argued a related point: that the ultimate "success" of a revolution—whether measured by the extent of socioeconomic change or simply the regime's ability to survive—depends to a large extent on the country's prior level of economic development. See Eckstein, "The Impact of Revolution"; Malloy, *Bolivia*, 341; Scott, "Economic Aid and Imperialism," 59; CEPAL, "The Economic Development of Bolivia," 21; Foran and Goodwin, "Revolutionary Outcomes," 210-11, 240.

increasing satisfaction of material wants in return for a restoration of industrial authority—they had to be able to pay up.”<sup>152</sup>

Rarely do structural conditions or class position fully explain political behavior, however. Ideas, ideologies, and non-class identities, all rooted in the historical experiences of Bolivian workers, were also profoundly important in shaping consciousness and action. Working-class political culture in La Paz in the MNR period reflected a variety of ideological currents that had been circulating for several decades prior to 1952: Marxism, anarchism, resource nationalism, industrial protectionism, and a mix of quasi-Keynesian and quasi-*dependentista* understandings of political economy. A quarter-century of organizing and propaganda efforts by anarchists and Marxists had contributed to the radicalization and the independent spirit of the labor movement, although neither mainstream labor leaders nor most rank-and-file workers were formally Marxist. There was also significant cross-pollination among working-class sectors; factory worker leader Germán Butrón, for one, originally came from Catavi, where he had worked in the mines.<sup>153</sup> By the 1950s revolutionary nationalism—with the imprint of Marxism and anarchism contained within it—had become so deeply embedded in the country’s political culture that it placed definite constraints on the actions and language of Bolivian officials, capitalists, and even labor leaders.

In the case of La Paz factory workers, particularly important was the collective memory of struggle and sacrifice during the *sexenio* and April revolution. This memory increased the workers’ identification with the revolution but also made them keenly sensitive to perceived “betrayal” by both MNR and union leaders. The factory workers’ increasing combativeness by

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<sup>152</sup> Maier, “The Two Postwar Eras,” 339.

<sup>153</sup> Dunkerley suggests that unlike revolutionary regimes in Mexico, Cuba, and Nicaragua, the MNR “was unable to coopt and control the labour movement largely because of the strength of its syndicalist traditions, which were established before 1952” (*Rebellion in the Veins*, 85). On Butrón see Federación Departamental de Trabajadores Fabriles de La Paz, *Los fabriles vistos por ellos mismos*, 61-62.

the late 1950s resulted partly from the widespread perception that those leaders had violated an implicit pact.

What role did ethnic identity play in shaping the political identity of the factory workers and other working-class sectors? Anthropologists have often noted how the city of La Paz, like most of Bolivia and the Andes more generally, is marked by a profound “ethnic-social duality,” shaped as much by indigenous influences as European ones.<sup>154</sup> The 1942 citywide census counted 23 percent of all residents as indigenous, but that percentage surely underestimates both the number of people of indigenous descent and the indigenous influence on the city. At least twice as many (51 percent) spoke Aymara or Quechua, alone or in addition to Spanish. Working-class neighborhoods tended to have much higher percentages of Indians and mestizos, too: in the factory worker neighborhood of Villa Victoria, 39 percent were registered as indigenous and another 51 percent as mestizo.<sup>155</sup> Moreover, the post-1952 period brought successive waves of Aymara migration to the city. Many of these migrants came from communities with long histories of struggle against *hacendados* and the state, including in the very recent past when the younger generations were coming of age. Most continued to maintain close ties to their communities of origin after going to the city.<sup>156</sup>

The experience of ethnic and cultural discrimination certainly helped shape the consciousness of indigenous migrants to La Paz. In polling conducted in 1976-77, migrants who identified themselves as members of the “lower class” often cited racial and sociocultural

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<sup>154</sup> Albó, et al., *Chukiyawu*, 1: 86. A more recent update is Barragán and Soliz, “Identidades urbanas.”

<sup>155</sup> Alcaldía Municipal de La Paz, *Censo demográfico*, 21, 100, 17. Various factors make the census figures unreliable, including the dominant culture of racism. Even in the 1970s there was a common tendency for respondents to deny that they were *indios* or *cholos*, and practices such as changing one’s last name to de-“indigenize” it were still common. Earlier censuses, as in 1950, sometimes gave the census-taker the unilateral power to define respondents’ race “based on indicators like language and dress,” which of course presents its own problems (Albó, et al., *Chukiyawu*, 3: 10-12, 19-21 [1950 census supervisor quoted, 11n6]).

<sup>156</sup> Albó, et al., *Chukiyawu*, 1: 32-57, and vol. 4.



discrimination in addition to just “class” exploitation.<sup>157</sup> This perception may also have influenced political militancy. One of the most popular sectors for recent migrants, construction work, was comprised almost entirely of Indians (61 percent) and mestizos (36 percent).<sup>158</sup> It also featured one of the most militant workforces in mid-twentieth-century Bolivia. Though difficult to measure, the experience of ethnic discrimination probably intensified class resentment in many cases. It also seems that indigenous *paceños* were less than eager to cooperate with the U.S. Information Service in La Paz. One 1962 report lamented “the difficulty in finding people who can be effectively used for voicing films” in Aymara and Quechua.<sup>159</sup>

The concrete impact of Aymara or mestizo/cholo identity is hard to measure in the case of the La Paz factory workers. Though many were of indigenous descent, prior analyses have stressed this workforce’s assimilation to dominant creole culture and language. The results of the 1976-77 polls suggested that of all Aymara migrants to La Paz, those who found work in the factories were “those who least perceived socio-cultural conflict” because of their “special effort to ignore their peasant origins.”<sup>160</sup> In the 1950s-1960s most urban unions, like the MNR government, promoted a cult of *mestizaje* that denigrated indigenous identity and made acculturation a prerequisite for leadership positions. Wálter Delgadillo notes that the indigenous migrant “had to first assimilate the forms of creole expression to be admitted to the union hierarchy.”<sup>161</sup> Thus, while ethnic identity certainly influenced many workers’ attitudes, class and national identities remained the formal bases for most political mobilization, even in the

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<sup>157</sup> Albó, et al., *Chukiyawu*, 3: 160-61. As did many urban Aymara activists in the early 2000s (Webber, *Red October*, esp. 260-68).

<sup>158</sup> Alcaldía Municipal de La Paz, *Censo demográfico*, 51-64.

<sup>159</sup> USIA, “Inspection Report: USIS/Bolivia,” May 11, 1962, p. 21, in NA 306/1045/1.

<sup>160</sup> Albó, et al., *Chukiyawu*, 2: 85.

<sup>161</sup> Delgadillo Terceros, *Fabriles en la historia nacional*, 136.

countryside.<sup>162</sup> Not until the 1970s would a self-proclaimed indigenous movement again emerge in Bolivia.

In sum, a combination of structural and sociocultural conditions impaired the development of a reliable labor aristocracy in revolution-era La Paz. Economic underdevelopment and state weakness were important, but so were the historically-constructed class, nationalist, and sectoral identities nourished by collective memories and radical political and economic thought.

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<sup>162</sup> This pattern was true not just for mid-twentieth-century Bolivia but for most of Latin American history more broadly. George Reid Andrews notes that “it is not the norm for societies to develop strong, racially defined political movements, even in the face of deeply entrenched racial inequality” (“Workers, Soldiers, Activists,” 25).

## **CHAPTER 6**

### **Blood of the Earth: Oil and Nation in Revolutionary Bolivia**

Oil and natural gas, more than any other commodities, embody both the frustrations and the hopes at the heart of Bolivian history over the past century. For successive generations of Bolivians they have symbolized the tragic history of mono-export dependence, underdevelopment, and imperialism that has plagued Bolivia since the colonial period. At the same time, Bolivians of diverse social groups have looked to hydrocarbons as the key to overcoming those problems. The struggle to achieve and maintain national control over oil and gas is a recurring theme in Bolivia's history since the 1920s. Neither tin nor any other resource has been so central to the popular nationalist imaginary. None offers a better lens for understanding the conflicting visions of economic development that helped shape the decades after 1952.

Oil drilling in Bolivia began at the tail end of the nineteenth century, but it was only in the early 1950s that the government and Bolivians of diverse social groups began to pin their hopes for development on the country's oil (the capture and production of natural gas, which is often found alongside oil, did not occur on a large scale until the 1970s). There were three reasons for this psychological shift. First, prior to 1954 Bolivia's oil production was not even sufficient to supply the small domestic market; a rapid increase from 1952 to 1956, however, seemed to bode well for the future development of the industry under the auspices of Bolivia's state oil company, YPFB. Second, a principal goal of the revolution was export diversification, and oil seemed a logical prospect. Lastly, Bolivian tin production was already in decline in 1952 and COMIBOL's earnings continued to fall thereafter, increasing the urgency of diversification.

Grand hopes were soon dashed, however, as the 1955 oil code, the 1956 monetary stabilization plan, and the MNR's own shortsightedness handcuffed YPF. Starting in 1958 hydrocarbons policy became a central focus of political tensions in Bolivia. The questions of how, by whom, and in whose interest the country's oil and gas reserves should be developed underlay much of the country's turbulent political history from then until the Ovando military regime abrogated the oil code and nationalized the U.S.-owned Bolivian Gulf Oil Company in 1969. The struggle to change the MNR's oil policy reflected a broader disenchantment with the perceived betrayals of the revolution and was a key factor in the resurgence of a revolutionary nationalist coalition in the 1960s. As in 1936-39 and 1952, a broad bloc of popular forces again coalesced around the desire to assert control over Bolivia's natural resources.

The popular campaign for a new oil policy highlights several important facets of revolutionary nationalism in Bolivia. First, the forces opposing the existing policy were remarkable for their diversity: they included urban workers, miners, students, middle-class professionals, war veterans, dissident military leaders, and some peasants. They included the left, much of the MNR, part of the right, and many with no political affiliation. As previous chapters have emphasized, revolutionary nationalism was an extremely polyvalent concept with the potential for mobilizing diverse sectors of society, often operating in synergy with other ideological currents such as Marxism, Catholicism, and patriarchy. Whatever their other differences, these disparate sectors were united by their resource nationalism and repudiation of what they perceived as the betrayal of revolutionary ideals in the oil sector.

However, the fact that different people imbued revolutionary nationalism with different meanings meant that unity among these groups was often fleeting. Nationalist mobilization did not paper over the differences for long. The public debate over oil policy and the string of

mobilizations around it in the late 1960s presents another opportunity for understanding the conflicting economic, social, and political visions present in post-revolutionary Bolivia. Soon after the Gulf nationalization the left's demands again brought it into subtle and not-so-subtle conflict with more conservative nationalist forces and, not surprisingly, with the U.S. government.

This chapter focuses principal attention on the proposals of the nationalist left, which spoke for a much larger portion of the Bolivian population than party membership figures suggest. In both their specific proposals for an alternative policy and their basic assumptions about how the capitalist economy worked, the MNR left and Marxist parties coincided with the bulk of urban society (and likely large portions of rural society as well, though the evidence is less clear). After reviewing some of their ideas, I argue for a reappraisal of Bolivian resource nationalism. Commentators then and since have often characterized resource nationalism as something irrational or pathological which derives from an atavistic xenophobia toward things foreign and, in particular, toward North Americans. But these caricatures belie the rationale behind resource nationalism and ignore important nuances in the economic ideas of its adherents.

The persistence of a left-leaning oil nationalism in Bolivia is further evidence of the limits to conservative forces' power on the ground. Although the oil companies and U.S. and MNR officials were indeed able to limit the growth of YPF, they could not destroy it.<sup>1</sup> The United States in 1960 was compelled to do something it had repeatedly sworn not to do, issuing a loan to the state enterprise. And even as Barrientos and other right-wing leaders moved away from economic nationalism and attacked workers' wages and rights, they nonetheless couched their policies in the rhetoric of economic nationalism, industrialization, and social justice. U.S.

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<sup>1</sup> At least until the 1990s, and then only temporarily. See the Epilogue.

and Bolivian leaders' freedom of action was thus circumscribed by popular demands and expectations to a greater extent than often assumed by students of the Bolivian Revolution. Although on the surface the revolution was defeated, it nonetheless left a profound imprint on both policy and political culture, and one that is still being felt today.

### **Our Last Hope**

By the time of the Chaco War oil was already a central feature of the emerging nationalist discourse in La Paz, Cochabamba, and other cities. With the expansion of oil production in the 1920s and the conspicuous entry of Standard Oil, the resource acquired substantial practical importance to Bolivia's economy and a symbolic importance many times greater. For urban nationalists it became intimately linked to the quest for national sovereignty and economic development. If those objectives had historically been frustrated, oil might be the key to achieving them.

"Bolivia's economic future is contained in its oil," wrote nationalist author Pedro López in 1929. Future prosperity as a nation required that "we learn to utilize and take advantage of the brilliant energy of [this] liquid gold." López envisioned a grand future for Bolivia as both an economic and military power in the world. Oil would enable Bolivia to overcome its "state of prostration and economic poverty" and "turn itself into a true *economic power*." It would also increase the country's military capacity to the point where it could reclaim, by force if necessary, "its inalienable rights of access to the Pacific and Atlantic." Oil was the source of the nation's life and vitality, the "blood of the earth."<sup>2</sup> Similar body metaphors, often gendered, became more popular in nationalist discussions of oil after the war.<sup>3</sup>

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<sup>2</sup> López, *Política petrolífera*, 349, 6, 400-01.

<sup>3</sup> For instance, the subtitle to Carlos Montenegro's 1938 pamphlet was "Oil, the Blood of Bolivia" (*Frente al derecho del Estado*). Body metaphors seem to have been more common in debates over oil than in discussions of

The war against Paraguay helped solidify oil's place in the nationalist imaginary. In the wake of Bolivia's devastating defeat, and even prior to the war's end, popular suspicions began to develop about the role of international oil companies in instigating the war. Standard Oil on the Bolivian side and Royal Dutch Shell on the Paraguayan were widely blamed for provoking hostilities due to their interest in the potential oilfields of the Chaco region and, in Standard's case, its interest in gaining access to waterways to facilitate its exports.<sup>4</sup> This interpretation was a significant oversimplification: it downplayed President Salamanca's own role in provoking Paraguay, perhaps as a way to increase his own popularity at home amid an economic crisis, and neglected the fact that virtually none of the fighting occurred close to known oilfields.<sup>5</sup> Yet the Chaco War entered the popular consciousness as a "war for oil," as a 1954 MNR newspaper article labeled it.<sup>6</sup> Few moments in the country's history have produced such unity of interpretation among Bolivians.

This historical understanding was widespread in the decades that followed.<sup>7</sup> For nationalists it led logically to two conclusions. First, the Chaco was a cautionary tale about the imperialist machinations of foreign governments and capitalists. Communist nationalist Sergio Almaraz would later write that Bolivia and Paraguay had been "manipulated by puppet masters

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other resources like tin, though they were not uncommon in the latter cases. I argue that oil had an even more profound symbolic importance to Bolivian nationalism than tin, in part because the tin industry was in decline and in part because of the collective memory of the Chaco War.

<sup>4</sup> For early examples of this accusation see *El País* (C), June 30, 1937; Unión Boliviana de Defensa del Petróleo, *¡Defendamos el petróleo!* Standard was also accused of obstructing the war effort once it was underway, for instance by impeding production of aviation gas (Philip, *Oil and Politics in Latin America*, 195-96).

<sup>5</sup> Klein, *Parties and Political Change in Bolivia*, 145-53. See also Chapter 1, p. 30.

<sup>6</sup> *La Nación*, November 9, 1954.

<sup>7</sup> See for instance the CUB "Programa de principios" (August 1952), in *Reforma* 1, no. 1 (1953): 76; *La Nación*, October 24, 1954 and October 19, 1955; *El Diario*, October 21, 1954; Almaraz Paz, *Petróleo en Bolivia*, 107-12; *El Petrolero* (February 1959), p. 31; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 59-65; Soliz Rada, *El gas en el destino nacional*, 18; TAHIPAMU, *Polleras libertarias*, 13-14. This interpretation is still common in Bolivia today (Webber, *Red October*, 287-88). As I stress below, it does contain important elements of truth and should not be simply dismissed as nationalist paranoia.

from New York and London.”<sup>8</sup> Second, the belief that over 56,000 Bolivians had died “for oil” made the continued “defense” of the country’s oil a dire national imperative. YPF, established just after the war, became a symbol of national dignity and promise. By contrast, those who would expose Bolivia’s virgin oil to foreign exploitation would often be cast as traitors to the nation. The MNR gained visibility in the 1940s in part by its leaders’ rhetorical defense of Bolivian oil resources and calls for strengthening YPF. Some of those same leaders, in turn, would find themselves the targets of nationalist denunciations during the MNR’s time in power.

By the late 1940s oil’s importance to the economy was also increasing, with some politicians and experts were predicting a massive takeoff for YPF. At the 1945 Constitutional Convention one politician assigned a monumental responsibility to the state oil company, arguing that it “signifies the last hope of economic redemption for Bolivia” and would be “called upon to resolve in the near future all of the country’s economic, industrial, and social problems.”<sup>9</sup> YPF analysts seemed to agree about the potential for dramatically increasing production. In 1947 an internal memo asserted “that Bolivia is now in a position to embark upon a new economic cycle which may be called the Petroleum Cycle.”<sup>10</sup> U.S. officials in Bolivia also spoke of the “brilliant prospects” for oil production and decided to make the development of Bolivia’s eastern oilfields a key focus of the 1942 Bohan Plan.<sup>11</sup>

The early years of the revolution seemed to vindicate these hopes. The MNR devoted substantial sums to YPF between 1953 and 1956, resulting in a dramatic increase in production. In just three years Bolivia went from importing over 40 percent of its oil to attaining self-

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<sup>8</sup> Almaraz Paz, *Petróleo en Bolivia*, 74.

<sup>9</sup> Deputy Bedregal in República de Bolivia, *Redactor de la Convención Nacional, 1945*, 4: 278.

<sup>10</sup> Quoted in Philip, *Oil and Politics in Latin America*, 454.

<sup>11</sup> U.S. Economic Mission to Bolivia, *Plan Bohan (Bolivia)*, 1: 9. See also U.S. Embassy to DoS, April 2, 1952, pp. 3, 20-21, in NA 59, CDF 824.00/4-252.



sufficiency by 1954.<sup>12</sup> YPFB drew widespread praise (even from U.S. officials) as a remarkably efficient enterprise and, from Bolivian nationalists, as a patriotic embodiment of national economic aspirations. As tin production dropped in the 1950s, nationalists came to recognize “the certainty of tin’s displacement by oil” and pinned even greater hopes on the development of the oil industry.<sup>13</sup>

However, the 1955 oil code and 1956 monetary stabilization plan brought YPFB’s progress to a virtual halt by the end of the decade. The oil code opened the door to private companies and confined YPFB to a small corner of land in the Bolivian Southeast, while stabilization led to drastic reductions in its operating budget. Private companies were even given large concessions within YPFB’s designated zone. To add to YPFB’s woes, MNR officials placed little priority on exploration to locate new oil reserves.<sup>14</sup> The grand hopes of the early 1950s gradually dissipated by the end of the decade, with the industry’s frustrated potential fueling an upsurge of protest starting in 1958.

For their part, U.S. policymakers were driven by a desire to protect U.S. companies’ control over Bolivian oil and, more generally, the U.S. geopolitical and economic position throughout Latin America. In 1958 the U.S. Ambassador, Philip Bonsal, wrote to Assistant Secretary of State Roy Rubottom that the “problem of maintaining the position of American oil companies in Bolivia and in other parts of South America is, as you are undoubtedly more aware than I am, one of the most important with which we are faced.”<sup>15</sup> This problem naturally led

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<sup>12</sup> U.S. Embassy to DoS, April 2, 1952, p. 20. For more detail see Chapter 3.

<sup>13</sup> Almaraz Paz, *Petróleo en Bolivia*, vii. On Bolivian hopes for oil and the MNR’s conscious prioritization of YPFB in the early 1950s see also Cote, “The Nature of Oil in Bolivia,” 251-63.

<sup>14</sup> This complaint was the main reason for the resignation of YPFB’s head engineer Enrique Mariaca in 1963 and is a recurring theme in his 1966 *Mito y realidad del petróleo boliviano* (esp. 279-80, 310, 531-34). See also Almaraz Paz, *Petróleo en Bolivia*, 162-63.

<sup>15</sup> Bonsal to Rubottom, May 20, 1958, in NA 59, CDF 824.2553/5-2058.

officials to view YPFB with suspicion. Successive U.S. administrations maintained a hostile attitude toward state oil enterprises in Argentina, Brazil, Chile, Mexico, and elsewhere, resolving in the 1940s to abstain from aiding all such companies.<sup>16</sup>

Bolivia was no exception. Although the Roosevelt administration eventually accepted the Standard nationalization and initiated a modest aid program to Bolivia, no aid went to YPFB during the 1940s and 1950s. Most officials opposed a loan to YPFB because they feared a negative impact on U.S. oil companies—with whom they frequently conferred regarding Bolivia policy—and also worried that “there would be greater danger of nationalization of the oil industry in various countries of the world” if the United States showed “a willingness to support such government operations.”<sup>17</sup> In the late 1950s certain U.S. officials, most notably Bonsal, began advocating a U.S. loan to YPFB, arguing that a prosperous YPFB would help in “getting Bolivia off the back of the American taxpayer.” Bonsal also warned that Bolivian opinion would grow even more hostile toward foreign oil companies if those companies were viewed as advancing at YPFB’s expense: “If YPFB continues unable to secure financing, I am very much afraid that the attitude toward foreign oil companies may deteriorate.” Conversely, he argued, “The continued existence of a moderate-sized, prosperous independent YPFB can do a great deal to ensure continued development of the bulk of Bolivian oil resources by private companies.”<sup>18</sup>

Bonsal’s arguments went unheeded, however, in the face of opposition from the Treasury

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<sup>16</sup> Philip, *Oil and Politics in Latin America*, 72-81; Rabe, *Eisenhower and Latin America*, 10, 17, 93-94. For one example see U.S. Embassy-Mexico City to Mexican Ministry for Foreign Affairs, January 26, 1945, in *FRUS, 1945*, 9: 1159-60.

<sup>17</sup> Prochnow to Hoover, November 19, 1955 (cited in Chapter 3, note 10).

<sup>18</sup> Bonsal to Rubottom, September 23, 1958, in NA 59, CDF 824.2553/9-2358; Bonsal to Rubottom, May 20, 1958; Bonsal to Rubottom, August 21, 1958 (cited in Chapter 3, note 30). Bonsal also predicted a positive demonstration effect, suggesting that “United States financing of YPFB might also, by its acceptance of a pragmatic mixed economy in Bolivia, have a healthy influence on other countries in the continent [e.g., Mexico, Brazil, Argentina] where predominant [sic] current trend is toward monopolistic nationalization” (May 20, 1958).

Department and other dogmatic voices.<sup>19</sup> Not until the tail end of the Eisenhower administration would the United States allow YPFB to apply for a loan, finally softening its stance in response to a Soviet loan offer to YPFB and the threat of a radical turn in the wake of the Cuban Revolution.<sup>20</sup>

### **The Crusade to Defend YPFB**

From 1958 onward, oil policy (and by the late 1960s, gas policy as well) was a recurring focus of political conflict. In that year disparate sectors of Bolivian society began to coalesce around their opposition to the MNR's "open-door" oil policy, and specifically the 1955 oil code. Leftist resistance to the code included, most notably, the Trotskyist and Communist parties centered in the mines and universities, the MNR left, and diverse working-class sectors, including the oil workers themselves. Broad segments of the working population both inside and outside the cities began to critique the government's oil policy from nationalist and progressive angles. Oil was also a lightning rod for middle-class nationalists of many stripes, including growing numbers of military officers, lawyers, and newspaper editors and journalists. Although the different players within this resurgent national-popular coalition disagreed on precisely what oil policy should look like, they were united in their condemnation of the *entreguismo* of the MNR and the Barrientos regime that followed.

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<sup>19</sup> MemoConv, February 11, 1959, in NA 59, 824.2553/2-1159; "Bolivian Policy Review," undated, in NA 59/1170/13. Significantly, some of the prominent U.S. oil executives with whom the State Department consulted did not oppose the notion of a government loan to YPFB, provided that YPFB was not permitted to "become a very large, profitable organization" (Tennessee Gas Transmission Co. representatives quoted in MemoConv, February 17, 1959, in NA 59, 824.2553/2-1759). In other words, U.S. policy toward YPFB was not simply imposed by the powerful oil companies on an obedient State Department, but was the result of frequent consultations between the companies and state policymakers. Some of the latter had personal connections to the companies, but many simply had ideological or political reasons for acting as they did. Sometimes the policymakers even dictated policy to the oil companies, as may have been the case when U.S. companies refused to refine Soviet oil in Cuba (Philip, *Oil and Politics in Latin America*, 104).

<sup>20</sup> Philip, *Oil and Politics in Latin America*, 103.

Most criticisms of the oil code revolved around its generous provisions for foreign investors and the detrimental impact on YPF. Critics deemed the taxation rate far too low and pointed to other oil-producing countries that reaped up to six times more money per barrel than Bolivia.<sup>21</sup> They condemned additional hidden tax breaks like the infamous “depletion allowance” that compensated foreign companies for the exhaustion of reserves and effectively exempted 27.5 percent of total production from taxation.<sup>22</sup> And they pointed to myriad other ways in which the code and the MNR’s broader oil policy seemed to privilege foreign oil companies at the nation’s expense: the failure to compel companies to refine the oil within Bolivia or to reinvest profits in the domestic economy, the tailoring of pipeline infrastructure to the needs of companies exporting through Chile to the western United States rather than to neighboring markets to the east, and the generous time window before companies had to begin drilling (one common critique was that foreign oil companies were less interested in production than in accumulating reserves in order to drive up global prices).<sup>23</sup>

Denunciations of the oil code and ensuing contracts channeled longstanding popular suspicions of foreign capital in general. Foreign companies were accused of repatriating most of their profits and contributing little to Bolivia’s industrialization while draining the country of precious natural resources. Those resources, in turn, were exported to markets in the developed world rather than benefiting Bolivian consumers. Because of their economic leverage and political alliance with the U.S. government and Bolivian officials, they paid low tax rates and were given other forms of public subsidies such as taxpayer-funded transport infrastructure.

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<sup>21</sup> Mariaca, *Mito y realidad del petróleo boliviano*, 414-36; Almaraz Paz, *Petróleo en Bolivia*, 188.

<sup>22</sup> Almaraz Paz, *Petróleo en Bolivia*, 191-95; Canelas, *Petróleo*, 152-55; Mariaca, *Mito y realidad del petróleo boliviano*, 160-70.

<sup>23</sup> Almaraz Paz, *Petróleo en Bolivia*, 213, 229, 97-98, 226, 255; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 223-36; *El Petrolero* (February 1959), 3; Senator Ciro Humboldt, September 19, 1958, in República de Bolivia, Legislatura Ordinaria de 1958, *Redactor del H. Senado Nacional*, 1: 189.

Their presence deformed the domestic economy while impeding the development of manufacturing industries, thus keeping countries like Bolivia dependent on low-value-added raw material exports. These quasi-structuralist or *dependentista* arguments were common among Bolivian nationalists and leftists in the 1950s.<sup>24</sup>

Extractive industry was deemed particularly suspect, as it was in many other countries of Latin America.<sup>25</sup> For instance, one YPFB chief engineer who became a prominent critic of the government's oil policy in the 1960s differentiated “between investments dedicated to transformative industry and investments dedicated to the extraction of a national treasure [*una riqueza nacional*].” Oil extraction had a particularly low multiplier effect, meaning that its ripple effects on economic growth in the country were minimal.<sup>26</sup>

Many Bolivians felt that YPFB, meanwhile, was being systematically deprived of potentially lucrative oil reserves by the code's provisions, and of funding by the so-called stabilization plan and the U.S. refusal to loan it money.<sup>27</sup> The widely accepted explanation for this pattern was a behind-the-scenes imperialist alliance between foreign oil corporations and the U.S. government that worked to advance the companies' interests and weaken YPFB. Reporting on widespread rumors in Bolivia in 1959, officials wrote that Bolivians thought “that the refusal of the U.S. Government to help YPFB demonstrates a conspiracy between the Government and the foreign oil companies to monopolize petroleum production in Bolivia.” Bolivians perceived a “desire to strangle YPFB by preventing it from obtaining needed financing abroad,” for instance

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<sup>24</sup> For instance, see Almaraz Paz's critique of the Bohan Plan in *Petróleo en Bolivia*, 140-48.

<sup>25</sup> On positive Brazilian views of foreign manufacturers, as opposed to raw material exporters, in the 1950s see Wolfe, *Autos and Progress*, 115, 133, 142.

<sup>26</sup> Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 263-64; cf. Canelas, *Petróleo*, 33, 81.

<sup>27</sup> Almaraz Paz, *Petróleo en Bolivia*, 169-71, 173ff; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 183-98, 256-57. Similar accusations were made in the 1940s: see Chapter 1 and Unión Boliviana de Defensa del Petróleo, *¡Defendamos el petróleo!*, 6.

through a U.S. loan. In one public speech the General Manager of YPFB “bitterly blamed foreign private oil interests for YPFB’s inability to obtain development capital.”<sup>28</sup>

A main source of opposition to the code was the oil workers themselves. By 1958 the Bolivian Oil Workers’ Federation (FSTPB) was calling for major modifications to the code and condemning the effort to starve YPFB of resources. In July it threatened to strike if taxes on foreign oil companies were not raised.<sup>29</sup> In October of that year, just prior to the FSTPB’s Fifth National Congress, the federation and La Paz union leaders issued a public statement arguing “that the Stabilization Council and the International Monetary Fund have refused any financial aid for the development of the only state entity which offers promise to the country in order that the entity not prosper.” They warned the “people of Bolivia” to “be on the alert” to “preserve the life of the petroleum industry of Bolivia which you have defended with your blood in the Chaco war.”<sup>30</sup>

The FSTPB Congress in December typified the rhetorical balancing act of urban workers’ organizations in the 1950s, simultaneously declaring its support for the Siles government and making strong criticisms of policy. It pledged support for the government “as long as it stays loyal to the principles of April and acts upon the needs and aspirations of the working class and the Bolivian people.” In a subtle jab at the Siles administration, it also reiterated its support for the COB, which it called “today the only guarantee for defending the gains achieved and obtaining additional gains in the future.” The oil code was the focus of attention. Its “liberal structure threatened the future of the nation,” said an official resolution. Although delegates

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<sup>28</sup> Ambassador Bonsal paraphrased in MemoConv, February 11, 1959, in NA 59, 824.2553/2-1159, and speaking in MemoConv, February 17, 1959, in NA 59, 824.2553/2-1759; Despatch 553, December 29, 1958, in NA 59, CDF 824.2553/12-2958.

<sup>29</sup> Despatch 69, July 18, 1958, in NA 59, CDF 824.2553/7-1858.

<sup>30</sup> Quoted in Despatch 288, October 15, 1958, in NA 59, CDF 824.2553/10-1558.

emphasized their support for foreign investment in the oil industry, they specified a number of major changes to the code and oil policy more generally. The Cochabamba refinery workers proposed a substitute code that would stop concessions within YPF's zone, force companies to drill quickly rather than sit on their reserves, compel them to refine more of their oil in Bolivia, eliminate the "depletion allowance" and other tax loopholes, and give YPF control over all pipelines. In addition, they advocated three policy changes that would become central to left and nationalist demands: that the government expand exploration activities in order to boost YPF's reserves, that it accept loans and investments from anywhere (a reference to the January 1958 Soviet offer of a loan to YPF worth \$60-80 million), and that it expand cooperation and solidarity with other primary-commodity-exporting nations.<sup>31</sup> The proposal passed and marked a major turning point in popular resistance to the government's oil policy.

Much like the miners and factory workers, oil workers cast themselves as the guardians of nation and revolution. FSTPB leaders proclaimed their constituency's "most renowned patriotic zeal and love for [YPF]."<sup>32</sup> Oil still held the key to remaking the nation, as it had for earlier dreamers, but that promise was now under grave threat. The death of YPF would mean "the defeat of the Bolivian people," argued the Cochabamba refinery workers' newspaper, for the state enterprise was "the last chance that our country has to be Great, truly Free, and genuinely Just." Protecting the country's "virgin wealth" and avoiding the "fateful cycle of tin" was a crucial national imperative.<sup>33</sup> In the various strikes and strike threats by oil workers that

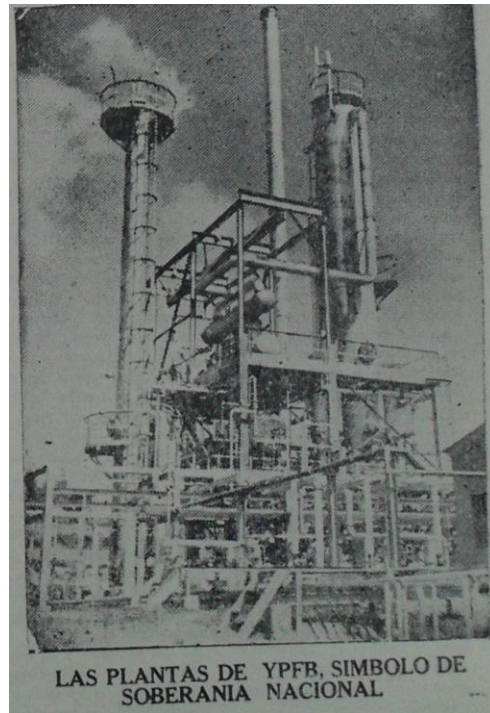
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<sup>31</sup> *El Diario*, December 25, 1958; Despatch 527, December 17, 1958, in NA CDF, 824.2553/12-1758. See also Canelas, *Petróleo*, 212-15. On the Soviet loan offer see Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 346-56.

<sup>32</sup> *El Diario*, March 27, 1959.

<sup>33</sup> *El Petrolero* (February 1959), 14, 30, 3.

began in 1958, the tightening of the oil code's lax provisions and the patriotic defense of YPFB were often key themes alongside more traditional wage demands.<sup>34</sup>



**Figure 6.1: “YPFB [refinery] plants, symbol of national sovereignty.”** *El Petrolero* (February 1959), 11. Used with permission of the Biblioteca Arturo Costa de la Torre (ACT).

Other unions soon came out in defense of YPFB and began calling for new oil legislation. In mid-1959 the U.S. Embassy reported on a “crusade to defend YPFB” involving the factory workers’ confederation, the national peasant confederation, and the COB. The factory workers officially condemned the “machinations of Yankee imperialism” to “destroy YPFB to benefit U.S. firms which only seek [to] preserve concessions as reserves in order [to] control international prices.” The resolution also called upon the Siles administration to accept the Soviet loan offer and modify the existing oil code “to reflect [the] nationalist sentiment of our people.”<sup>35</sup>

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<sup>34</sup> On strikes see *El Diario*, April 11-12, 1959; *El Mundo*, April 15-16, 21, and 23, 1961; *El Diario*, March 31, 1965.

<sup>35</sup> U.S. Embassy to Secretary of State, August 28, 1959, in NA 59, CDF 824.2553/8-2859; Embassy to DoS, August 27, 1959, in NA 59, CDF, 824.2553/8-2759.



Within the national legislature the representatives of the Marxist parties and MNR left also began “raking the [government] over the coals on oil policy” in 1958, in the words of a frustrated U.S. official.<sup>36</sup> Senators Oscar Donoso, Ciro Humboldt, Juan Lechín, and Mario Torres led the Congressional opposition to the MNR’s oil policy. They demanded that the government revamp the oil code to increase taxes and ensure YPF’s access to capital reserves. Specific contracts that had followed the code also came under fire, particularly in the case of the concession to the U.S. company Fish for exploration and drilling in the Madrejones region within YPF’s own zone.<sup>37</sup> Other Congressional criticisms focused on the plan to construct a pipeline from Sicasica in La Paz department to Arica on the Chilean coast, questioning why the government planned to construct a pipeline that would primarily benefit Gulf and other foreign companies.<sup>38</sup> Some, like Humboldt, argued that the Siles administration should explore the option of the Soviet loan given the refusal of the United States and Export-Import Bank.<sup>39</sup>

Middle-class intellectuals played an important role in the opposition to MNR oil policy. The “crusade to defend YPF” found support in the university circles of La Paz, Cochabamba, and other cities, where the Marxist parties had a firm base among students and professors. Communist and Trotskyist Party leaders, some of whom held high-ranking faculty positions, had been among the first to publicly denounce the oil code in 1956 and 1957 and helped organize public forums on campus to discuss the economy.<sup>40</sup> One U.S. memo alleged that opposition to

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<sup>36</sup> Williams to Pitts, September 24, 1959, in NA 59/1162/27.

<sup>37</sup> *El Diario*, November 11, 1958; Despatch 1045, May 23, 1958, in NA 59, CDF 824.2553/5-2358. For contemporary critiques of the Madrejones contract see Almaraz Paz, *Petróleo en Bolivia*, 163-68; Canelas, *Petróleo*, 185-204; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 210-22.

<sup>38</sup> E.g., Torres speaking October 3, 1958, in República de Bolivia, Legislatura Ordinaria de 1958, *Redactor*, 1: 235-38.

<sup>39</sup> September 19, 1958, in *ibid.*, 190.

<sup>40</sup> For one of the POR’s early critiques see *Masas* (April 1956). On the PCB see Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 290-91, 293-94; Despatch 527, December 17, 1958.

the oil code “began in the halls of the University of Cochabamba” and spread from there to other campuses and into the FSTPB and other unions.<sup>41</sup> Some left intellectuals did have close ties to the FSTPB, but the characterization grossly oversimplified reality by implying that the oil workers were duped by a handful of Marxist professors. Moreover, as the Congressional furor suggested, the campaign also included many non-Marxists on the MNR left, making it more difficult for the government to ignore. Among the most prominent was Gustavo Chacón, who had helped develop oil policy for the Busch and Villarroel governments. In the 1960s Chacón critiqued the MNR and Barrientos governments in nationalist terms, accusing them of betraying “the sacrifice of the 50,000 Chaco martyrs, whose blood had paid for YPFB’s creation and later the expiration of Standard Oil’s concessions.”<sup>42</sup>

Three popular books reflected this disillusion and in turn helped galvanize urban resistance to the oil code. The 1958 *Petróleo en Bolivia* by prominent Communist writer Sergio Almaraz included the most detailed repudiation of the MNR’s oil policy to date. Almaraz condemned the historic domination of the Bolivian oil industry by foreign companies, which he characterized as an oligopoly determined to accumulate reserves while impeding industrial development in the country. MNR leaders, he said, had done a 180-degree turn from the time in the early 1940s when they had defended the country’s oil as part of the Unión Defensora del Petróleo.<sup>43</sup> He detailed YPFB’s success and argued that it should again be given full control over oil production. The book’s popularity worried U.S. officials in La Paz, who sent a lengthy critique of its arguments back to Washington.<sup>44</sup>

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<sup>41</sup> Despatch 527, December 17, 1958.

<sup>42</sup> Chacón, “Prólogo,” 7. See also Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 205-06, 292-93; Canelas, *Petróleo*, 172, 294-310; Philip, *Oil and Politics in Latin America*, 264.

<sup>43</sup> Almaraz Paz, *Petróleo en Bolivia*, 132.

<sup>44</sup> Ortiz to Pitts, February 2, 1959, in NA 59/1162/27.

Amado Canelas's 1963 *Petróleo: Imperialismo y nacionalismo* built on Almaraz's arguments. Canelas was a Cochabamba newspaper editor and well-known nationalist voice within the legislature. The book was a classic statement of Bolivian *dependentista* thought, emphasizing how foreign investment had not developed the country's economy but rather kept it "dependent and backward." Canelas argued that foreign investment sometimes brought growth, but a highly distorted and inequitable growth characterized by "the prosperity of a few" and "an artificial civilization." He insisted that foreign investment should be limited to non-key industries, and that the state must play "the guiding role in the economic development of dependent and backward countries."<sup>45</sup> Both Canelas and Almaraz served as advisers to the Cochabamba oil workers' union and played an active role in the growing resistance to the oil code.<sup>46</sup>

A third book, published in 1966 by former YPF head engineer Enrique Mariaca, offered a disaffected insider's perspective. Mariaca was one of a group of YPF engineers and geologists who had watched "the gradual abandonment of the state enterprise" by the government. In 1963 they presented a series of requests to the Paz administration calling for a large increase in government funding to allow the discovery of new reserves, the return of lands in YPF's zone, the acceptance of the Soviet loan, and assurance that YPF would have a monopoly over the domestic market. The lack of response prompted Mariaca to resign in protest later that year. His book revealed new details about the government's "abandonment" of YPF and presented a damning comparative analysis of oil concessions in other oil-producing

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<sup>45</sup> Canelas, *Petróleo*, 13-17, 74, 34. For more on Canelas's economic thought, particularly his championing of Bolivian capitalists, see his 1966 *Mito y realidad de la industrialización boliviana*.

<sup>46</sup> Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 296.

countries.<sup>47</sup> The three books by Mariaca, Almaraz, and Canelas gained many fans in university circles and even within parts of the military, with Mariaca's book reportedly having an important influence on General Ovando, who would preside over the Gulf nationalization in 1969.<sup>48</sup>

Very few of these critics had been formally trained as economists. Prior to the 1950s there was both little opportunity for most Bolivians to acquire such training and little market for economists. The majority of middle-class critics were lawyers, journalists, or engineers who took an interest in economic policy for ideological, moral, or personal reasons.<sup>49</sup> For Mariaca, YPF's troubles "demanded that technicians abandon" the tradition of "dedicating themselves exclusively to the technical aspects of their profession" and dedicate themselves "to the struggle in defense of oil."<sup>50</sup> Some, like Communist leader Ricardo Anaya in Cochabamba, did have some training in economics, but they were the exceptions.<sup>51</sup> Most working-class Bolivians, meanwhile, had at most a primary school education.

But despite their lack of formal training, many of these voices advocated plausible alternatives to the reigning oil policy.<sup>52</sup> Most critics, like Sergio Almaraz, advocated the use of oil as a "lever" to "develop a more solid and independent economy." The Cochabamba refinery workers' newspaper argued that "oil can and should constitute one of the firmest pillars for a

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<sup>47</sup> Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 305 (quote), 414-36 (other countries), 279-80, 299-302, 310, 531-34.

<sup>48</sup> Philip, *Oil and Politics in Latin America*, 260-61.

<sup>49</sup> Canelas, like many other prominent figures of the period (Víctor Paz, Hernán Siles, Wálter Guevara), was trained as a lawyer. Journalists included Almaraz and others like Marcelo Quiroga and Alberto Bailey (see Appendix).

<sup>50</sup> Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 302.

<sup>51</sup> For more on the backgrounds of Bolivian intellectuals see the Appendix. On Anaya's proposal for an alternative oil policy, which was similar to Chacón's, see *El Diario*, December 7, 1958, cited in Canelas, *Petróleo*, 216-17.

<sup>52</sup> Some visions of the future were, of course, a bit fantastical. In 1938 Carlos Montenegro argued that if the Standard nationalization had occurred just fifteen years before, "Bolivia today would be industrialized in a large portion of its territory, or in all of it, thanks to the fruitful and miraculous impact of oil" (*Frente al derecho del Estado*, 72). Cf. Pedro López's vision, note 2 above. Writing of nineteenth-century Peru, Paul Gootenberg suggests that export structures characterized by "stark simplicity and dependency" may be especially apt to generate utopian visions of development (*Imagining Development*, 207).

new type of Bolivian economy.” During a debate over oil policy Ciro Humboldt told the Senate that “the April Revolution was not made with the goal of simply altering the export commodity” but in order “to build a new type of national economy for the benefit of Bolivians.”<sup>53</sup> These statements implied the need for fundamental changes in the nation’s economic structure, and two things in particular: diversification of exports and the “industrialization” of export industries. Oil was not a panacea in itself, but a potential generator of economic surplus that could be plowed back into industrial development. Bolivia could “sow the oil,” as some other resource-dependent countries have sought to do.<sup>54</sup>

This goal was impossible to achieve, maintained most critics, without a reassertion of national control over production and export by YPF. National control would not only return more of the surplus wealth to Bolivia but would also permit a greater degree of economic planning.<sup>55</sup> The surplus product could be reinvested in accordance with short- and long-term national needs. Bolivia would also benefit from the power to decide its export partners. Rather than prioritizing the far-away U.S. market and the extra infrastructure it required, it could build closer ties to nearby markets like Argentina and Brazil and specifically the state oil enterprises in those countries. The focus on neighboring export markets was a key part of critics’ alternative proposals for regional integration and cooperation among underdeveloped nations.<sup>56</sup> More ambitious critics like the Trotskyist POR also advocated specific institutions like “a Latin-

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<sup>53</sup> Almaraz Paz, *Petróleo en Bolivia*, 287; *El Petrolero* (February 1959), 3; Humboldt, September 19, 1958, in República de Bolivia, Legislatura Ordinaria de 1958, *Redactor*, 1: 188. See also Canelas, *Petróleo*, 90; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 377.

<sup>54</sup> Auty, *Resource-Based Industrialization*; Coronil, *The Magical State*, 237-363.

<sup>55</sup> Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 373-74.

<sup>56</sup> *El Petrolero* (February 1959), 14; Torres, October 3, 1958, in República de Bolivia, Legislatura Ordinaria de 1958, *Redactor*, 1: 235-38; Humboldt in *ibid.*, 243; Almaraz Paz, *Petróleo en Bolivia*, 260, 272.

American petroleum pool controlled by the workers” that would include state oil companies in Bolivia, Argentina, Mexico, Brazil, and Chile.<sup>57</sup>

Most left and nationalist critics agreed on the need to strengthen YPF and its control over oil production, but there was a range of views about what “national control” meant and how far it should go. More radical voices condemned the very presence of foreign oil companies, insisting that all production and sale should be under YPF’s control. They called for the revocation of oil concessions—in YPF’s zone in the Southeast and/or the entire country—and the re-nationalization of all oil infrastructure. By the mid-1960s the campaign for nationalization was gaining steam.<sup>58</sup> Others stopped short of advocating full nationalization, however, arguing that foreign oil companies might still play a constructive role in the industry’s development. The 1958 oil workers’ congress emphasized its openness to foreign capital provided that it abide by certain limitations. Only “mixed ventures” (*sociedades mixtas*) were to be allowed in YPF’s zone, in accordance with a proposal by Gustavo Chacón.<sup>59</sup>

Advocates of nationalization pointed to YPF’s impressive growth in the early 1950s, insisting that foreign investment in the oil sector was not necessary and would inevitably work to undermine YPF.<sup>60</sup> If YPF needed extra capital it could be obtained from the USSR in the form of a low-interest loan, as advocated by diverse critics of the MNR oil policy, or from European countries. After that substantial initial capital investment, they said, the company

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<sup>57</sup> Despatch 1009, May 13, 1958, in NA 59, CDF 824.2553/5-1358. On the need for Latin American cooperation see also the FSTPB Congress resolution in *El Diario*, December 25, 1958.

<sup>58</sup> These voices could invoke Constitutional provisions on the subordination of private property rights to the collective good and appeal to the anti-colonialist sentiment then spreading around the globe and reflected, for instance, in UN General Assembly resolutions. For one example see Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 19, 384, 387, 392.

<sup>59</sup> *El Petrolero* (February 1959), 4, 22; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 205-06; Canelas, *Petróleo*, 172, 215-28. Chacón later wrote that Bolivians should not be “enemies of private foreign investment—as long as it is subordinate to national needs and aspirations” (Chacón, “Prólogo,” 3).

<sup>60</sup> Almaraz Paz, *Petróleo en Bolivia*, 244-52, 269; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 13, 384-436; Canelas, *Petróleo*, 104-07, 163-75, 222-28.

would be self-sustaining.<sup>61</sup> These more radical voices were not advocating autarky: Mariaca and Almaraz favored the judicious use of “foreign experience,” for instance, and they and others suggested that foreign investment in sectors other than oil might be permissible.<sup>62</sup> Even the POR spoke of the need for foreign imports of technology and capital, though cautioned that any foreign investment must “establish real worker control over exploitation.”<sup>63</sup> Few argued that Bolivia should entirely stop trading with foreigners, even North Americans.

Underlying critics’ agreement on the need to strengthen YPF was another more fundamental point of agreement: the notion that the average Bolivian and the foreign power (government or company) had opposing interests. This perception guided popular views on the oil industry just as it guided views on other aspects of the economy. Most Bolivians probably agreed with Senator Humboldt that “foreign companies, by definition, do not work for the benefit of the Nation.”<sup>64</sup> Many left and nationalist commentators argued that Bolivia’s small domestic market made “the monopolistic consortia” even less interested “in promoting the development of our transformative industries.”<sup>65</sup> Even most of those who welcomed foreign investment in oil seemed to be under no illusions about this antagonism of interests. The oil workers’ 1958 support for foreign investment, for example, was conditioned upon a list of strict rules that implied deep suspicion of the companies’ motives and scruples.<sup>66</sup> Commenting on U.S. oil companies’ efforts to secure contracts in the late 1950s, the U.S. ambassador complained

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<sup>61</sup> See above plus Despatch 1009, May 13, 1958; *El Diario*, December 25, 1958; *El Petrolero* (February 1959), 14; Despatch 36, August 3, 1959, in NA 59, CDF 824.2553/8-359; Almaraz Paz, *Petróleo en Bolivia*, 260; Canelas, *Petróleo*, 104-07, 230-36.

<sup>62</sup> Almaraz Paz, *Petróleo en Bolivia*, 261 (quote), 257; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 263-64, 293-94; Canelas, *Petróleo*, 34, 81.

<sup>63</sup> Despatch 1009, May 13, 1958, in NA 59, CDF 824.2553/5-1358 (quote); *Masas*, April 22, 1958 and May 1, 1958.

<sup>64</sup> Humboldt, September 19, 1958, in República de Bolivia, Legislatura Ordinaria de 1958, *Redactor*, 1: 189.

<sup>65</sup> Canelas, *Petróleo*, 33-34.

<sup>66</sup> *El Diario*, December 25, 1958.

about the widespread belief “that in the exploitation of Bolivia’s oil resources [by U.S. companies], Bolivian national interest would be neglected or, at least, be placed in a subordinate position.”<sup>67</sup>

By the end of the 1950s popular and Congressional resistance to the oil code began to have some effect on both the MNR and U.S. governments. In January 1959 the Bolivian Vice President and Minister of Government, Federico Alvarez Plata and Wálter Guevara Arze, proposed a set of “moderate” changes to the code, including higher royalties, that stopped short of most popular demands but reflected their impact.<sup>68</sup> The Eisenhower administration finally agreed to loan money to YPF, tacitly acknowledging that Bolivians’ tolerance of private oil companies would last only as long as YPF and conceding “that the co-existence of private and public enterprise in the petroleum industry is the maximum which can be expected in Bolivia (at the present time).”<sup>69</sup> The loan resulted partly from MNR leaders’ astute leveraging of the Soviet loan offer and the Cuban Revolution to wrest money from the United States, as several observers have noted.<sup>70</sup> But those MNR leaders were also under heavy pressure from workers and from left-nationalist voices in Congress and the universities.

### **The Slippery Contours of Oil Nationalism**

The culmination of the struggle against the oil code came in September-October 1969, when General Ovando staged a successful coup against Barrientos’s successor, Luis Siles Salinas, and proceeded to abrogate the oil code and then nationalize the holdings of Gulf Oil. These acts drew celebration from diverse sectors and political tendencies within Bolivian

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<sup>67</sup> Bonsal to Rubottom, May 20, 1958 (cited in Chapter 4, note 65).

<sup>68</sup> Despatch 603, January 15, 1959, in NA 59, CDF 824.2553/1-1559.

<sup>69</sup> Siracusa to Rubottom (quoting USOM report), May 14, 1959, in NA 59/1162/27.

<sup>70</sup> Siekmeier, *The Bolivian Revolution and the United States*, 79-98; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 350-51.



society, not only in the cities but also in many parts of the countryside (and, predictably, hostility from the U.S. government and a boycott from foreign oil companies).<sup>71</sup> Gulf had become increasingly unpopular over the past decade as a result of left-nationalist agitation and the widespread perception that it was profiting at YPF's expense. In the wake of the oil code the government had signed an extremely generous contract with the company, allowing it to repatriate 79 percent of its profits. Gulf was the only foreign company to find oil and in December 1966 began exporting to California. Thanks to its massive investment in exploration—over three times the total YPF budget—Gulf had soon accumulated six times the reserves of the state company and by 1967 was producing four times as much oil.<sup>72</sup> It was a logical lightning rod for disillusion with the prior regimes' economic policies.

The attacks came from two principal sources: military nationalists and a loose coalition of urban workers, students, and the left. Military nationalism, including a left-leaning variant emphasizing social justice, had a long history in Bolivia dating back to Toro, Busch, and Villarroel. By the late 1960s it was also on the rise in a number of Latin American countries, including neighboring Peru.<sup>73</sup> Soon after the November 1964 coup, Ovando began clandestinely organizing nationalists opposed to Barrientos, including military men and intellectuals like newspaper editor Alberto Bailey and writer Marcelo Quiroga Santa Cruz. In 1968 he published an "open letter to other senior officers":

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<sup>71</sup> The Ovando regime had signaled its intention to compensate Gulf a few days after the nationalization (*El Diario*, October 23, 1969), but the next year the United States reduced aid to Bolivia by 63 percent, while foreign oil corporations boycotted Bolivia's oil on the world market. In 1970-71 the government agreed to an extremely generous \$78 million compensation settlement, though the deal was not finalized until after Banzer seized power in August 1971. See Dunkerley, *Rebellion in the Veins*, 166; Mitchell, *The Legacy of Populism*, 112-13, 119n21; Philip, *Oil and Politics in Latin America*, 110-12; Siekmeier, *The Bolivian Revolution and the United States*, 126-28.

<sup>72</sup> Dunkerley, *Rebellion in the Veins*, 128.

<sup>73</sup> Ovando was inspired by Peru's Velasco regime, which took power in 1968 and which Ovando "had been quietly studying" since (Dunkerley, *Rebellion in the Veins*, 157). The tradition of oil nationalism within Latin American militaries extended back at least several decades, however.

[I]n order that the country be ours, basic industries must belong to the state...National resources, and the terms of their exploitation, also constitute an inseparable part of national sovereignty. The country must move towards control of their full exploitation through its own resources and entities...[W]ith reference to petroleum, the Davenport Code must be annulled as soon as possible, and a tax established that reaches 50% of gross production, special regulations for gas must be established and control for the state obtained over its refining, transport, marketing and industrialization through YPF. <sup>74</sup>

The letter advocated a radical change in oil policy (and gas policy, which became a topic of much public debate starting in 1965).<sup>75</sup> Military nationalists also denounced the regime's mineral policy, including its perceived give-away of the Mutún iron mine to foreign interests.<sup>76</sup>

Inside and outside the military command, widespread suspicions about Barrientos's close collaboration with Gulf and the U.S. government undermined his nationalist posturing. Despite the regime's public denials, rumors about its cozy relationship with Gulf and the CIA began to circulate around the country. Barrientos received at least \$460,000 from Gulf between 1966 and 1968, and although the amount did not surface until later, the exchange was widely suspected by the public and by the Ovandistas in the military. In early 1969 *Presencia*, under the editorship of Alberto Bailey, published a wave of articles drawing attention to Barrientos's relationship with the CIA.<sup>77</sup> Although he died in a helicopter crash a few months later (officially ruled an accident), Barrientos's legitimacy had already suffered a blow—the result of the contradiction between nationalist rhetoric and anti-nationalist policy that has undermined many right-wing military regimes around Latin America.<sup>78</sup>

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<sup>74</sup> Philip, *Oil and Politics in Latin America*, 264-65 (letter quoted on p. 265).

<sup>75</sup> Philip dates the controversy over gas to January 1965, when the newspaper *Jornada* first raised the question of whether the 1955 code also applied to natural gas (*Oil and Politics in Latin America*, 262). See also Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 437-44.

<sup>76</sup> *Extra*, May 19, 1968.

<sup>77</sup> Philip, *Oil and Politics in Latin America*, 268-69, 264-65.

<sup>78</sup> Guillermo O'Donnell comments on this contradiction in "Tensions in the Bureaucratic-Authoritarian State," 301-04, noting many Latin American military figures' ambivalence about economic neoliberalization.

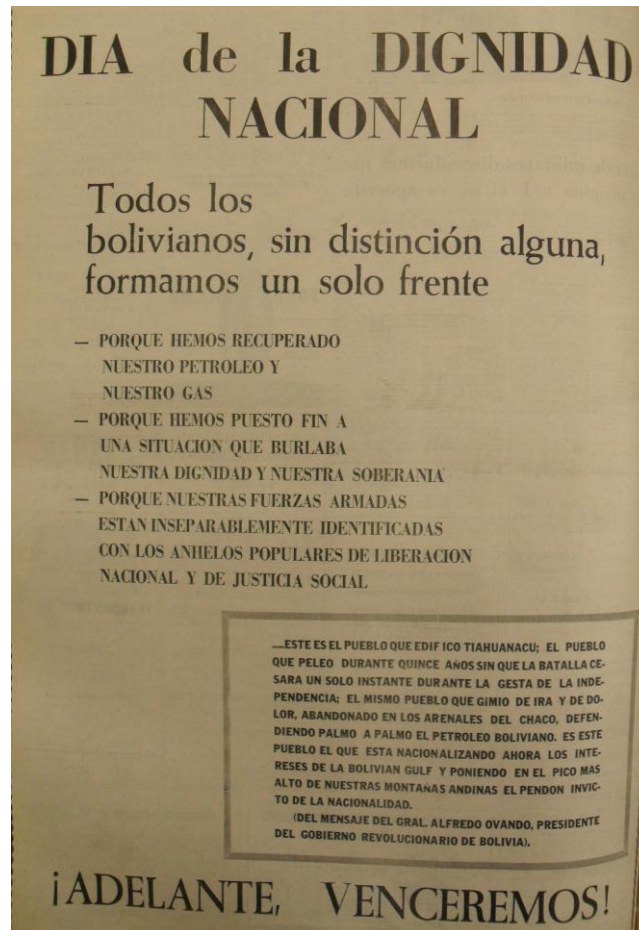
The Ovando coup of September 26, 1969, brought to power the military-intellectual coalition that Ovando had been cultivating since 1965. A manifesto issued the same day, written primarily by General Juan José Torres, called for a mixed economic model in which the state would reassume control over key export sectors and subsidize private national industry while also welcoming private foreign enterprise as long as it “truly and effectively contributes to the development of the national economy.” Given the “misery and dependency” of Bolivia’s economy, development “cannot be based on an exclusively capitalist system nor on an exclusively socialist system, but rather on the revolutionary nationalist model, in which state ownership [and] social, cooperative, and communal ownership of the means of production coexist with private ownership.”<sup>79</sup> Though there was some disagreement within the new government over whether Gulf should be nationalized, Torres, Quiroga, and the other proponents of nationalization won out and Gulf properties were expropriated a few weeks later.<sup>80</sup>



**Figure 6.2: General Ovando, flanked by General Torres (far left), appears on the balcony overlooking the Plaza Murillo in La Paz on the Day of National Dignity, October 20, 1969.** In addition to the COB banner in the crowd, another sign features the slogan “Death before slavery,” while another references Colombian priest Camilo Torres, killed in 1966 after joining the Colombian guerrilla forces. From *El Diario*, October 21, 1969. Archivo Hemerográfico, Biblioteca y Archivo Histórico de la Asamblea Legislativa Plurinacional, Bolivia.

<sup>79</sup> *El Diario*, September 26, 1969. See also Dunkerley, *Rebellion in the Veins*, 161-63.

<sup>80</sup> Quiroga was the foremost proponent of nationalization within the new administration, according to Dunkerley (*Rebellion in the Veins*, 164).



**Figure 6.3: “Day of National Dignity.”** This full-page newspaper ad celebrating the October 1969 Gulf nationalization is typical of military nationalism’s corporatist discourse, declaring that “all Bolivians, without distinction, form a single front” and that “our Armed Forces are inseparably identified with the popular yearnings for national liberation and social justice.” The excerpt from General Ovando’s public declaration situates the nationalization in a long tradition of nationalist and (allegedly) proto-nationalist movements, from the pre-Colombian society of Tiwanaku to the Chaco War. From *El Diario*, October 20, 1969. Archivo Hemerográfico, Biblioteca y Archivo Histórico de la Asamblea Legislativa Plurinacional, Bolivia.

While the Ovando regime embodied a longstanding Bolivian tradition of military-civilian economic nationalism, its rhetoric and actions also reflected the mounting political pressure from diverse sectors of society, including from important parts of the military’s support base in the peasant and veteran populations. Barrientos had staked his legitimacy on a vague nationalist populism, and the failure to live up to that nationalism in any substantive sense had partly eroded support among his base just as it had within the military officialdom. Ovando’s promises to

reinvigorate revolutionary nationalism were greeted with enthusiasm by many peasants and veterans—demographics with significant overlap—across the country.

Chaco vets had long been identified with the defense of Bolivian oil. Nationalists often spoke of the mutilation of the veterans' bodies as a metaphor for the mutilation of the Bolivian nation. Many veterans embraced this characterization in order to justify demands for employment and pension benefits. In February 1969 one group of veterans in the Distinguished Ex-Combatants national organization referred to themselves as the “defenders of oil” and claimed that they had “protected the rich hydrocarbons that can now be industrialized.” They criticized the government's delay in releasing their pension payments, contrasting their economic deprivation with Gulf's massive profits.<sup>81</sup> In June of that year they successfully pressured the government to grant them administrative control of all the country's gas stations.<sup>82</sup> Although immediate material needs were the primary concern of this and other veterans' groups, veterans did not totally avoid larger political and economic questions. As the primary veterans' organizations had supported the economic nationalism of Toro and Busch thirty years earlier, so too they supported the Ovando and Torres regimes and the Gulf nationalization.<sup>83</sup>

Most peasant unions also expressed support for Ovando.<sup>84</sup> Many peasant leaders also specifically praised the Gulf nationalization. The national peasant confederation issued a statement celebrating the nationalization and, interestingly, denouncing MNR leaders Paz, Siles,

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<sup>81</sup> *Prensa Libre*, February 28, 1969. Interestingly, some veteran statements contained harsh evaluations of the Chaco War; one 1969 message demanded that “oil should be used to pay for the life pensions of the veterans,” but also called the Chaco an “unjust war” (*Prensa Libre*, May 21, 1969).

<sup>82</sup> *El Diario*, June 15, 1969. Ovando was apparently the one to agree to this arrangement, which may have won him some extra points with the country's organized veterans prior to his October coup. The agreement followed the veterans' physical occupation of at least one gas station, in the Quillacollo province of Cochabamba (*Prensa Libre*, June 3, July 2, and July 5, 1969).

<sup>83</sup> *El Diario*, September 27, 1969; *Prensa Libre*, January 11, 1971.

<sup>84</sup> Though a “Barrientista” peasant faction persisted for a time after Barrientos's death (e.g., *El Diario*, October 5, 1969).

and Lechín for having “allowed the most shameful pillaging of hydrocarbons” from the country by way of the 1955 oil code.<sup>85</sup> The statement suggests that the infamous Military-Peasant Pact (PMC) that helped consolidate military rule after 1964 was not based merely on peasant ignorance or the cooptation of peasant leaders. Rather, continued peasant support for the military depended in part on military leaders’ ability to maintain at least an outward appearance of loyalty to revolutionary nationalist ideals like agrarian reform and resource nationalism (and peasant leaders probably felt a similar pressure from their bases). Peasant political action generally focused much less on minerals and hydrocarbons policies than urban groups did, but peasant activists were not oblivious to these issues.

As in earlier years, however, the most sustained pressure for economic nationalist policies came from the urban working classes and student population. The nationalization was in large part an effort to shore up support among these crowds. Worker discontent with the oil code only increased during the 1960s, particularly after Gulf started exporting oil to the United States in 1966. Several local branches of the university students’ federation, particularly in La Paz and Cochabamba, remained outspoken opponents of the regimes’ oil policy throughout the 1960s. Their activities included a number of public forums on the economy that were covered prominently in the media and even attended by high-level officials including presidents.<sup>86</sup>

Paralleling developments elsewhere in Latin America, the late 1960s also witnessed a split in the Church between the traditional hierarchy and a new crop of more progressive voices.

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<sup>85</sup> *El Diario*, October 20, 23, and 26, 1969. The question of local responses to the nationalization—and oil extraction in general—from indigenous communities near the drilling sites in the Southeast remains largely unresearched, though some studies have addressed local responses to oil/gas extraction in the more recent past (e.g., Humphreys Bebbington and Bebbington, “Anatomy of a Regional Conflict”; Hindery, *From Enron to Evo*). I have encountered mention of one instance (ca. 1960) of indigenous residents reportedly throwing spears at a Gulf truck (*Embajada de Bolivia—Washington a Ministerio de Relaciones Exteriores, 1960*, pp. 157-58, located in RREE).

<sup>86</sup> Mariaca, *Mito y realidad del petróleo boliviano*, 292-93; *Extra*, January 3, 1968; *Prensa Libre*, April 4, April 13, and June 17-20, 1969.

While Bolivian leftists had long regarded Church leaders with suspicion, their attitudes soon began to change. Some priests openly allied themselves with the urban student movement and the left, prompting the Barrientos and Siles Salinas regimes to warn “political priests” against “interfering” in social conflicts.<sup>87</sup> In response students at one rally in La Paz declared their “solidarity with our revolutionary religious leaders” and argued that “to be Christian is to be on the left.” Many urban students mourned the death in combat of Colombian priest Camilo Torres, who had joined the guerrilla struggle in his country (Figures 6.2 and 6.4).<sup>88</sup> Other Church figures avoided open involvement in activism but did start to criticize poverty, working conditions, and government repression, particularly in the mines. Their public critiques had an important legitimizing effect for the left and helped undermine the regimes’ accusations of subversion and conspiracy. Opposition leaders in Congress could proclaim that “if to critique is to conspire, the Church too conspires.” A new Christian Democratic Party (PDC) also spoke in defense of economic nationalism and attacked U.S. intervention.<sup>89</sup>



**Figure 6.4:** “To be Christian is to be on the left.” Student demonstration in support of progressive priests, June 1969. From *El Diario*, June 7, 1969. Archivo Hemerográfico, Biblioteca y Archivo Histórico de la Asamblea Legislativa Plurinacional, Bolivia.

<sup>87</sup> *El Diario*, June 3 and 5, 1969.

<sup>88</sup> *El Diario*, June 7, 1969; *Prensa Libre*, February 16, 1969. For similar statements by Church personnel see *Extra*, August 10, August 30, and September 6, 1968. See also Communist (PCB) mine union leader Federico Escóbar’s proud statement that he was “100 percent Catholic” and “100 percent Communist” (quoted in López Vigil, *Una mina de coraje*, 119, and Field, “Ideology as Strategy,” 172n121).

<sup>89</sup> *Extra*, March 6-8 and 12 (quote), 1968. On the PDC see *Extra*, February 21, May 19, November 22 and 26, 1968.

The multiple sectors, identities, and affiliations represented in the campaign for a different oil policy recall René Zavaleta's famous characterization of Bolivia as *abigarrada*—roughly, a society in which diverse identities and loyalties overlap and create a complex web of social and political relationships. The class, ethnic, gender, religious, regional, and cultural identities of the population at large are obliquely related to one another, sometimes synergistic and sometimes conflicting. An individual may emphasize or identify with one category of identity at certain moments and other categories at other moments. Moreover, there tend to be hierarchies and tensions within each category which a façade of unity does not erase.<sup>90</sup>

Class and national identities were the two most prominent categories around which political mobilization occurred in mid-twentieth-century Bolivia, particularly in the cities. Very often these identities were mutually reinforcing. Marxism, for instance, coexisted and overlapped with popular nationalism. Though some Marxists condemned nationalism as a retrograde form of false consciousness, and many left-wing MNR nationalists officially repudiated the Marxist parties, the two groups were united in their basic demands for economic nationalism, political independence, and a major redistribution of wealth and power within Bolivia. They differed more in their stances toward the MNR government than in their beliefs about what economic policy the government should pursue. At the level of the streets and factories, nationalism was mostly about anti-imperialism and less about the exclusionary and chauvinistic impulses that have animated so many nationalist visions (though it was never *free* of those impulses, which remained present in both subtle and blatant ways). In practice the ideologies of anti-imperialism and Marxism often reinforced one another. Rueful recognition of this fact sometimes came from U.S. government and intellectual sources. In 1966 two Cold Warriors, Arthur Whitaker and

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<sup>90</sup> Zavaleta, *50 años de historia*, 33; see also Zavaleta, *Lo nacional-popular en Bolivia*. For a similar point about race and class identities in twenty-first-century Bolivia see Webber, *Red October*, 26.



David Jordan, reflected pessimistically on the “fusion of nationalism with communism” in Latin America. Contrary to Lenin’s view that “Marxism is irreconcilable with nationalism”—and the typical Cold War rhetoric that painted communism as wholly separate from nationalism—Whitaker and Jordan lamented that nationalism and Marxism coexisted and were often mutually-reinforcing in Bolivia, Cuba, and other countries.<sup>91</sup>

However, nationalists were a very diverse group, and some were explicitly anti-Marxist. The neo-fascist Falange (FSB) party, for instance, was among those calling for Gulf’s nationalization during the 1960s.<sup>92</sup> Ovando himself had presided over the anti-guerrilla campaigns of the mid-1960s as well as the notorious 1967 San Juan Massacre that killed scores of people at the Siglo XX mining camp. Although after taking power he claimed some affinity with the left, Ovando’s brand of nationalism was like most conservative nationalisms in that it sought to gloss over opposing interests within the nation. The nationalization was intended in large part to attract working-class support for a weak regime facing a divided military and a skeptical U.S. government.<sup>93</sup> Popular hopes of the regime turning further left were somewhat dashed just a week after the official “National Dignity Day” in celebration of the nationalization, when Ovando announced wage freezes for workers.<sup>94</sup> Substantive redistributive reforms were absent from the rest of Ovando’s tenure in power. Ovando explicitly proclaimed that “we do not want socialism.”<sup>95</sup>

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<sup>91</sup> Whitaker and Jordan, *Nationalism in Contemporary Latin America*, 160, 8 (Lenin quote).

<sup>92</sup> *Extra*, April 6 and June 26, 1968; Canelas, *Petróleo*, 136-37. The FSB’s right-wing brand of resource nationalism applied to tin and other resources as well (e.g., *Extra*, July 28, 1966).

<sup>93</sup> Siekmeier arrives at a similar conclusion (*The Bolivian Revolution and the United States*, 127).

<sup>94</sup> *El Diario*, October 27, 1969.

<sup>95</sup> Dunkerley, *Rebellion in the Veins*, 163, 166-67.

The new regime's economic policy positions overlapped with both the Communist Party position and that of the structuralist school associated with CEPAL. Like Stalinist parties around the world, Ovando emphasized the need to foster the growth of a national bourgeoisie.<sup>96</sup> At the same time he favored a strong state presence in the economy, in the form of both state enterprises in strategic sectors and assistance to national private industry. His government promised to "reform the structures" that impeded national development. In that spirit it sought to limit the repatriation of profits by foreign companies, established commercial and diplomatic relations with the Soviet bloc, and pursued regional economic integration by signing onto the newly-formed Andean Pact.<sup>97</sup>

These moves met with ambivalence from the left throughout Ovando's time in power (September 1969-October 1970). A minority within the left advocated a coalition with relatively progressive elements within the military and middle classes, while an opposing minority saw the Ovando regime as reactionary and advocated active struggle (including armed struggle) against it. The major current, however, chose to express cautious and limited support for positive government actions while still pursuing independent mobilization and forcefully criticizing when appropriate; the POR and most urban and miners' unions fell into this group. The May 1970 COB Congress was divided over the proper stance toward Ovando. More important than the resolution it passed, though, was the Congress's formation of a new independent Comando Político coalition comprised of the COB leadership, many big unions, and the major left parties.<sup>98</sup>

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<sup>96</sup> Dunkerley, *Rebellion in the Veins*, 163.

<sup>97</sup> *El Diario*, September 27, 1969 (section 2); Dunkerley, *Rebellion in the Veins*, 166-67.

<sup>98</sup> Dunkerley, *Rebellion in the Veins*, 167-70.

The massive street celebrations that followed the Gulf nationalization could not hide the mutual suspicions between these sectors and the new regime. The La Paz press reported on a heated confrontation between a government cabinet member and “a huge group” of students and workers from the La Paz Workers’ Central (COD) during the local march accompanying National Dignity Day. The group approached a government building in the Plaza Murillo and began chanting “Workers to Power” (*Los obreros al poder*). When the official approached they began shouting insults until the police intervened. In his speech to the crowds that day, COB leader Orlando Capriles cautiously praised the nationalization but expressed a similar skepticism of the new government, warning about state bureaucracy and the danger of a “new *rosca*” emerging. He also advocated an economic development policy that prioritized basic needs over expensive consumer goods, saying that “we don’t need tax-free luxury cars, or Persian rugs, or fine liquors. We need tractors, machines, tools, and laboratories.” He emphasized in particular the importance of achieving food sovereignty to overcome dependence on U.S. wheat and flour imports. In closing he repeated that Bolivians would rather “die than live as slaves,” a slogan that was common on that day of nationalist fervor but which acquired a distinctive class content in the hands of the COB, students, and the left (see Figure 6.2). In other cities and towns popular sectors combined praise for the regime’s nationalization with demands for further policy changes, as in Sucre where the departmental Workers’ Central called for the nationalization of the Matilde mine.<sup>99</sup>

Ovando’s successor, General Juan José Torres (October 1970-August 1971), was more radical than Ovando in both tone and policy. He nationalized several foreign holdings including the Matilde mine. Although he was no socialist, he sometimes used the word and did not openly

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<sup>99</sup> *El Diario*, October 21, 1969.

disavow it. But the difference between Ovando and Torres probably owed less to personal ideology than to the political contexts in which they came to power. The primary reason for Torres's rise to power was the threat of a general strike that prevented an October 1970 right-wing military coup attempt from succeeding. In January 1971 a similar coup attempt was defeated for similar reasons. As a result Torres felt more beholden to labor and the left, which pulled him leftward and led him to concede more power to popular forces than he would have preferred. He was compelled to condone the Comando Político's 1971 "Popular Assembly" experiment that threatened a radical democratization of society as well as his own regime's control over the working class. Torres's fear of unleashing popular radicalism may have doomed him when he refused to distribute arms to urban workers and students in the face of the August 1971 right-wing military coup.<sup>100</sup>

Torres was the most progressive military leader in Bolivia's history, but for many on the left his regime still reflected the dangers of a cross-class nationalist coalition. Though dependency theory, resource nationalism, and a vague notion of "social justice" were widely endorsed, the terms themselves specified little preference about the ideal distribution of wealth and power within Bolivian society. Not all nationalists wanted redistribution, let alone socialism. Marxist critiques often accused nationalist coalitions and dependency theory of obscuring "the fundamental importance of class struggle" within the nation.<sup>101</sup>

Similar points could be raised about Bolivian nationalism's elision of ethnic, cultural, gender, and sexual hierarchies. As previous chapters have argued, most urban variants of nationalism (and Marxism) were ethnocidal and chauvinistic, reinforcing certain hierarchies at

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<sup>100</sup> Dunkerley, *Rebellion in the Veins*, 177-200; Mitchell, *The Legacy of Populism*, 118.

<sup>101</sup> Zavaleta, "El proletariado minero en Bolivia" (1974), in *Clases sociales y conocimiento*, 116. Zavaleta had been active in the Movimiento de la Izquierda Revolucionaria (Revolutionary Left Movement, MIR), which was established in 1971 and espoused this same line (Dunkerley, *Rebellion in the Veins*, 189-90).

the same time that they attacked class and national ones. Indigenous workers typically had to adopt “mestizo” forms of speaking and acting in order to ascend the union or party hierarchy, while women were almost entirely excluded from formal leadership positions. Dissident currents and ideas did exist within the urban left, but were much weaker in the period after 1952 than in the previous quarter-century. Not until the late 1970s would less hierarchical organizing models resurface, and even those would fall short in some of the same ways.

Oil more than any other commodity highlights the complex, contradictory nature of Bolivian nationalism. On one hand, during the 1960s the goal of regaining national control over the country’s oil and gas resources united disparate sectors of society. Marxists and military officers both came to play vital roles in the campaign for an alternative oil policy, reflecting the internal diversity of the campaign. The “Oil War,” wrote Amado Canelas in 1963, was becoming a “powerful amalgamating factor.”<sup>102</sup> Precious natural resources do not always become “conflict goods” in the sense of dividing a society; they can also serve as unifying symbols for diverse domestic groups in opposition to foreigners (including domestic “foreigners”).<sup>103</sup> At the same time, conflicts almost inevitably lurk just beneath the surface, often emerging in full force after the expulsion of the foreigners, when the time comes to decide with more precision what path the country will follow.

### **Protest, Myth, and Pathology**

The conflict over Bolivian oil in the 1950s and 1960s highlights once again the failure of the U.S. government and MNR mainstream to achieve hegemony, particularly with regard to the

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<sup>102</sup> Canelas, *Petróleo*, 363.

<sup>103</sup> On links between natural resource wealth and violent conflict see the essays in Bannon and Collier, eds., *Natural Resources and Violent Conflict*, esp. Ross, “The Natural Resource Curse.” The general argument, summarized by Ross, is that abundant natural resources increase the likelihood of civil war by producing low and volatile economic growth rates, official corruption, and state weakness, and by increasing both the incentives and the funding sources for armed rebel groups.

urban working population. They were never able to convince most average Bolivians that they shared a common interest with foreign oil companies, nor disabuse them of the notion that “Bolivian national interest would be neglected” were those companies to displace YPF. <sup>104</sup>

Faced with this failure, one response from U.S. and MNR officials was to bemoan the irrationality of popular economic attitudes. Attributing protest to some sort of pathology had a long tradition in Western intellectual thought and was on the rise in U.S. academia in the late 1950s and 1960s, partly in response to the upsurge in U.S. protest activity. In 1962 sociologist Neil Smelser analyzed the “generalized beliefs” that animated popular mobilization, arguing that

collective behavior is guided by various kinds of beliefs—assessments of the situation, wishes, and expectations. These beliefs differ, however, from those which guided many other types of behavior. They involve a belief in the existence of extraordinary forces—threats, conspiracies, etc.—which are at work in the universe. They also involve an assessment of the extraordinary consequences which will follow if the collective attempt to reconstitute social action is successful. The beliefs on which collective behavior is based (we shall call them *generalized beliefs*) are thus akin to magical beliefs. <sup>105</sup>

Smelser and others also argued, in Freudian fashion, that the participants in collective action were often unaware of the true reasons for their participation. “The striking feature of the protest movement,” Smelser later wrote, “is what Freud observed: it permits the expression of impulses that are normally repressed.” <sup>106</sup>

U.S. officials in Bolivia similarly implied leftist and nationalist protest to be irrational. Since structural obstacles to economic development were non-existent, “they [Bolivians] alone were to blame for Bolivia’s present troubles” (George Eder); and since Bolivians alone were to

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<sup>104</sup> Bonsal to Rubottom, May 20, 1958.

<sup>105</sup> Smelser, *Theory of Collective Behavior*, 8.

<sup>106</sup> For a critique of Smelser and this tradition see McAdam, *Political Process and the Development of Black Insurgency*, 5-19 (Smelser quoted, p. 18).

blame, blaming others was irrational. A 1959 U.S. memo made generous use of irony quotes when describing the campaign against the oil code:

An emotional campaign is under way by the [anti-]Siles opposition and leftists to the effect that Bolivia is being “drained of her natural resources”, with the implication that the “draining” is being done by the private “capitalistic” oil companies and the “Tin Barons” through the “connivance” of the Department of State.<sup>107</sup>

Other officials sympathized with the economic plight of ordinary Bolivians but claimed that poverty itself led to irrationality: “As long as the average Bolivian lives on the verge of economic disaster, we can expect emotional reactions to developments which might be passed over without notice by people in more comfortable circumstances.”<sup>108</sup> U.S. press commentary on Bolivia often characterized protests as “riots” and used metaphors of contagion and wildfire to describe their spread.<sup>109</sup>

The labeling of Bolivian protest as “anti-American” was another common rhetorical technique for discrediting it. Left and nationalist protesters, it was said, were driven by a visceral hostility toward all things North American. Like the Luddites or the Bolivian miners who were allegedly opposed to all modern technology, resource nationalism and opposition to U.S. intervention were said to be animated by an atavistic and indiscriminating xenophobia rather than rational assessment of policy alternatives.<sup>110</sup>

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<sup>107</sup> Williams to Pitts, September 24, 1959.

<sup>108</sup> Silberstein to Eaton, et al., March 11, 1959, in NA 59/1170/13.

<sup>109</sup> “The Fanned Spark,” *Time* (March 16, 1959), 40-41. On the use of such metaphors in elite characterizations of revolt in colonial India, and the implications of popular irrationality, see Guha, *Elementary Aspects of Peasant Insurgency*, 220-26.

<sup>110</sup> On the Luddite movement’s selective anger toward technologies that would reduce their control over their labor, in contrast with the standard depiction, see Schiller, *Communication and Cultural Domination*, 56; on the miners see Nash, *We Eat the Mines*, 196-97. Analyses of “anti-Americanism” have become their own cottage industry among intellectuals committed to defending and increasing U.S. power abroad (e.g., Hollander, *Anti-Americanism*). More sophisticated academic treatments do exist but nonetheless cling to a concept that is, in my view, too sloppy and nebulous to be analytically helpful (e.g., McPherson, *Yankee No!*; Sweig, *Friendly Fire*; Brands, *Latin America’s Cold War*; Baker and Cupery, “Anti-Americanism in Latin America”).

The record of Bolivian popular resistance in this era reveals a much more nuanced perspective, however—one characterized more by “conscious hostility” toward specific targets like oil companies, the State Department, or imperialism than by indiscriminate rage toward the United States as a country or all the people who lived there.<sup>111</sup> As noted above, most Bolivian nationalists did not seek the total exclusion of North Americans from the country or from trade partnerships, provided that the arrangements were fair and equitable. Even those who advocated barring U.S. companies from economic activity inside Bolivia were seldom guided by xenophobia or blanket “anti-American” sentiment. If popular nationalist sentiment sometimes carried a crude or indiscriminating tone, it was more often measured and specific.

Interestingly, Bolivian nationalists and leftists often invoked U.S. citizens, leaders, and history to bolster their arguments. May Day celebrations often included “workers’ homage to the Chicago martyrs,” a reference to the workers executed in 1886 for their involvement in the movement for the eight-hour day.<sup>112</sup> Soon after the Cuban Revolution a group of Bolivians formed an “Abraham Lincoln Committee of Friendship and Solidarity with the Cuban People,” giving Lincoln a very different significance than the one intended by the U.S. Information Service in its periodic propaganda on the former president.<sup>113</sup> In his 1966 critique of the oil code, former YPFB chief engineer Enrique Mariaca quoted former U.S. Marine Smedley Butler, who

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<sup>111</sup> The phrase “conscious hostility” comes from Rodney Hilton’s discussion of European peasant revolts (*Bond Men Made Free*, 131), cited in Guha, *Elementary Aspects of Peasant Insurgency*, 20-28. Weismantel makes a similar point about *pishtaco* myths in the Andes (cf. below, note 118): “actual pishtaco stories do not make all whites or all males culpable, nor do they exculpate Indians and women. Rather, each version names a specific person as the agent of the crime” (*Cholas and Pishtacos*, 168). Moreover, the *pishtaco* label is acquired as a result of people’s alleged actions, rather than inhering in their physical bodies in an essentialized way (ibid., 169).

<sup>112</sup> *El País* (LP), May 1, 1927. See also *F.O.L.*, May 1, 1948; *Rebelión*, May 1, 1952.

<sup>113</sup> Unsigned, “Cuban Solidarity Movements in Latin America,” March 15, 1961, in NA 306/1032/2/RO/LA 1961 41-79. On USIS exhibits featuring Lincoln see Bolivian Newsreel No. 48 (n.d.), in NA 306/1098/51; USIA, “Inspection Report: USIS/Bolivia,” May 11, 1962, pp. 30-31 (cited in Chapter 4, note 26). The invocation of Lincoln seems to have been fairly common in twentieth-century revolutionary movements; in Cuba, for instance, there are schools named after him, state songs that laud him, and a Lincoln bust in the Museo de la Revolución in Havana. On more general appeals to the “American dream” by workers and nationalists elsewhere in twentieth-century Latin America see Gobat, *Confronting the American Dream*; Bachelor, “Miracle on Ice.”



had participated in numerous Latin American occupations and later declared scornfully that “war is a racket.” Mariaca and other intellectual critics of the oil code in the 1950s and 1960s also made frequent use of the work of North American leftists like C. Wright Mills, Paul Baran, and especially Harvey O’Connor, whose writings on oil imperialism provided much fodder for Bolivian critiques.<sup>114</sup>

Bolivian critics who have attacked resource nationalism from the right have also accused resource nationalists of a simplistic focus on nationalization as “a panacea for the country.” Economic nationalists, they claim, have naively believed that “all can be fixed with the discovery and exploitation of natural resources” under state control while downplaying the need for industrialization, diversification, and productivity growth.<sup>115</sup> Intellectual historian Guillermo Francovich, for instance, accuses the MNR of viewing the nationalization of the mines as a solution to the problems of the mining industry. He argues that this irrational faith in nationalization as a panacea constitutes one of the “deep myths” of Bolivian history.<sup>116</sup> But such arguments oversimplify the economic visions of mid-century leftists and nationalists. As previous chapters have shown, there were many Bolivians—especially on the left—who realized all along that the nationalization in itself was only one step toward building a stronger economy. And as this chapter has argued, the same was true of oil. There were certainly some who placed too much emphasis on nationalization to the neglect of other problems, or who overestimated the potential for rapid economic development in Bolivia, but they were hardly representative of the full spectrum of left-nationalist economic thought.

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<sup>114</sup> Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, 13, 377; Almaraz Paz, *El poder y la caída*, 60, 97.

<sup>115</sup> Molina, *El pensamiento boliviano*, 77, 117.

<sup>116</sup> Francovich, *Mitos profundos*, 117-19.

The pathologizing of Bolivian popular “myths” misunderstands the roots of those sentiments. In the past two decades historians and anthropologists have started to take popular myths and rumors more seriously, emphasizing how they reflect collective anxieties that are often quite legitimate. Lauren Derby argues that the Dominican fear of “gringo chickens with worms” in the early 1990s was a product of the neocolonial relationship between the United States and Dominican Republic. The scare channeled longstanding fears about the unhealthy, mass-produced food that was widely viewed as a symbol of cultural and economic invasion, and it harkened back to fears about the U.S.-dominated sugar economy a century earlier. “If the portrayal of U.S. corporate capitalism as a rapacious force quite literally devouring Dominicans and their humanity seems overblown,” Derby writes, the exploitative relationship “was not entirely in their imaginations.”<sup>117</sup>

Many homologous examples exist in the Andes, where the popular mind has often associated U.S. imperialism with literal bodily incursions. One legend common in the rural Andes accuses foreigners of trying to steal people’s fat, blood, eyes, and other body parts. The *pishtaco* or *kharisiri*, as the foreign thief is often known, is usually racialized and sexualized as a white male who violates local communities and their residents and sells their products for pecuniary gain.<sup>118</sup> Another rumor, which led to the expulsion of the Peace Corps from Bolivia in 1971, held that the Peace Corps’ birth control programs involved the sterilization of Bolivian

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<sup>117</sup> Derby, “Gringo Chickens with Worms,” 466. For myths and rumors in colonial Africa see White, *Speaking with Vampires*. For additional global context see Scheper-Hughes, “Theft of Life.”

<sup>118</sup> Weismantel, *Cholas and Pishtacos*, esp. 136ff. Weismantel notes that the precise form of the *pishtaco* tends to reflect its historical context: in the immediate post-Conquest period he was a priest, later an *hacendado*, and more recently a foreign engineer or medical technician who steals eyes. She shows that the *pishtaco* is often a metaphor for economic exploitation, though the myth can derive from other anxieties as well (ibid., 3, 16, 136-52, 199-217). Similar figures go by different names in different locales: *pishtaco*, *kharisiri*, *ñakaq*, and *kharikhari* are the most common.

women.<sup>119</sup> Bolivians' resource nationalism, too, has often employed corporeal imagery, with foreign resource exploitation understood as the theft of Bolivian blood or other bodily matter (often in sexualized terms, as the non-consensual penetration of the virgin Bolivian nation). Like *pishtaco* stories or fears of sterilization, resource nationalism has sometimes involved questionable assertions and rumors. But those who pathologize such beliefs tend to ignore the exploitative relationships that give rise to them. If resource myths and rumors were sometimes liberal with the historical facts, they gained acceptance because they resonated with deeply-felt grievances and goals.

Moreover, the “myths” animating Bolivian resource nationalism were themselves often much more historically accurate than their critics allege. The U.S.-MNR effort to overcome Bolivian resistance to private mining and oil investment was especially difficult because popular conceptions of capitalist extraction and U.S. foreign policy had such a strong basis in reality. The Tin Barons did in fact make obscene profits at the expense of ordinary Bolivians prior to their expropriation. Mineworkers themselves lived short, hard lives, and often faced massive violence when they demanded a better living. Only a small fraction of Bolivians reaped much direct benefit from the exploitation of the country's minerals prior to 1952. According to René Zavaleta, “The capital from a single mine (La Salvadora) equaled in one year (1920) 70 times the total income of the Bolivian state in twenty years.”<sup>120</sup> University students' allegation in 1953 that “Yankee imperialism” was interested in maintaining Bolivia as a “source of raw materials” and “secure market for its products,” and that the U.S. government often used intervention as a

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<sup>119</sup> Siekmeier, *The Bolivian Revolution and the United States*, 140-46.

<sup>120</sup> Zavaleta Mercado, *Lo nacional-popular*, 233.

means to those ends, is today hardly disputable.<sup>121</sup> But it was not only leftists and nationalists who made such observations; foreign sources like the Magruder Commission, the 1956 Ford, Bacon & Davis report, and CEPAL economists raised many of the same points, and were in turn cited by Bolivians.<sup>122</sup>

Many of the widespread perceptions about foreign oil companies were likewise quite accurate. Even if Standard Oil and Royal Dutch Shell were not simply the “puppet masters” behind the Chaco War, Standard did exercise a great deal of power in the country and had not cooperated with the Bolivian military in the war.<sup>123</sup> More generally, the big companies did form cartel-like arrangements, did harvest Bolivian oil on terms very generous to foreign investors, and did make little direct contribution to the country’s industrial development. And they did seek—and usually receive—the cooperation of the State Department and other branches of U.S. government. The related argument that the Chaco War involved the defense of Bolivian oil was not totally without merit, since in early 1935 Paraguay had indeed seized several Bolivian oilfields.<sup>124</sup> Though often derided as paranoid conspiracy theories, popular perceptions were often rooted in fact.<sup>125</sup>

The dogged persistence of the resource nationalist tradition in the country’s political culture remains a testament to the limited success of the joint U.S. and mainstream-MNR hegemonic project in mid-century Bolivia. Despite all the internal contradictions, hierarchies,

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<sup>121</sup> For a quantitative study showing the positive effects of U.S. intervention on U.S. exports to intervened countries for the period 1947-1989, see Berger, et al., “Commercial Imperialism?” Quotes from CUB “Programa de principios” (August 1952), in *Reforma* 1, no. 1 (1953): 75.

<sup>122</sup> E.g., Almaraz Paz, *El poder y la caída*, 106-07n1 (citing the Magruder report); see also Chapter 1, note 69.

<sup>123</sup> Philip, *Oil and Politics in Latin America*, 194-96.

<sup>124</sup> Klein, *Parties and Political Change in Bolivia*, 182-83, 186.

<sup>125</sup> A similar argument could be made about dependency and world-systems theories. Though widely assailed (sometimes with good reason) for ignoring complexity and the importance of Third World actors, these theories’ basic arguments about the unequal relationships characteristic of global capitalism are hard to dispute.

and opposing interests it incorporated, resource nationalism set the outer parameters of Bolivian political discourse and, at least until the 1980s, constrained policymakers' ability to privatize key sectors of the economy. Events in the early twenty-first century would show that resource nationalism had never fizzled out, as it once again became a point of coalescence for popular struggle and a key determinant of political outcomes.

## EPILOGUE

### **Natural Resources and Revolutionary Nationalism in the Twenty-First Century**

By the turn of this century the 1952 Bolivian Revolution had largely faded from both official and popular memory in the country. One reason, no doubt, is that it appeared to have failed on so many levels. The MNR made only very limited progress toward the goals of diversifying and industrializing the economy: in 1970 minerals continued to constitute 91 percent of exports, and in following decades were gradually displaced by gas exports.<sup>1</sup> Declining real wages and heightening inequality characterized the decades after 1964.<sup>2</sup> In the countryside, MNR policies helped create a new landholding elite in the East that would come to play a highly reactionary role in the country's politics.

In other ways, however, the revolution—or more specifically, revolutionary mobilization at the base level—had an impact far beyond 1964. Working-class power was slow to be crushed, even as the military regimes of the 1960s and 1970s deployed massive violence in the mines.<sup>3</sup> The MNR's land reform, however inadequate, left enduring changes in the structure of rural property. Despite the privatization measures of the MNR and subsequent regimes, in the late 1970s as much as 70 percent of Bolivia's non-agricultural economy remained in state hands. Education spending in the early 1980s was still much higher as a percentage of all federal expenditures than in most Latin American countries.<sup>4</sup>

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<sup>1</sup> CEPAL, *Economic Survey of Latin America: 1979*, 103. In 2011 gas was 42 percent of total exports, and along with minerals continued to comprise the vast majority of exports. However, even gas did not dominate the export base to quite the extent that tin had a half-century earlier (CEPAL, *Anuario estadístico 2012*, electronic supplement).

<sup>2</sup> Conaghan, "Reconsidering Jeffrey Sachs," 245; Wilkie and Reich, eds., *Statistical Abstract of Latin America*, 173; Kelley and Klein, *Revolution and the Rebirth of Inequality*, 140, 230-31.

<sup>3</sup> Webber, *Red October*, 95-97; Malloy and Gamarra, *Revolution and Reaction*, 94.

<sup>4</sup> Malloy and Gamarra, *Revolution and Reaction*, 100; Introduction, note 14.

Full-scale economic restructuring would not come until after 1985, when the imposition of a “shock therapy” program once again made Bolivia a laboratory for regressive economic reform. This time the foreign doctor was Harvard economist Jeffrey Sachs, who presided over an austerity program even more extreme than George Eder’s. The program was not just imposed from outside, however: as in the 1950s, the MNR’s own leaders—including the newly-reelected Víctor Paz Estenssoro—helped lead the charge. Those leaders, not Sachs, formulated the original outlines of the “New Economic Policy.”<sup>5</sup> Paz’s Supreme Decree 21060 of 1985 slashed social spending, devalued the currency, eliminated price controls and subsidies, and lowered tariffs on foreign imports. Going far beyond what Eder had even dared to attempt, it essentially dismantled the state mining company and fired 90 percent of COMIBOL mineworkers while making little or no provision for alternative employment. Over the next two decades large portions of the public sector, from utilities to the state hydrocarbons industry, were sold off to private interests despite vehement popular protests.<sup>6</sup> Scores of factories were closed. Peasant agriculture took a heavy blow, sending thousands of small farmers into the coca-growing business and increasing cocaine’s importance to the Bolivian economy.<sup>7</sup> Familiar rhetoric about “modernity” and

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<sup>5</sup> See especially Conaghan, “Reconsidering Jeffrey Sachs,” and Conaghan and Malloy, *Unsettling Statecraft*, who emphasize the role of Bolivian government and business leaders, particularly the Confederación de Empresarios Privados (CEPB), in designing the program. These policies were not a reflection of mass sentiment. Paz Estenssoro in 1985 had campaigned on an economic nationalist platform, only to issue Decree 21060 after taking office.

<sup>6</sup> In a highly symbolic manifestation of enduring resource nationalism, some of the elderly Chaco War veterans who had played such a powerful political role in earlier decades organized against the partial re-privatization of YPFB in 1996. They accused the government of trampling on “50,000 dead bodies of Bolivians who died in the Chaco in defense of oil wealth” (*Los Tiempos*, April 2, 1996, quoted in Guimarães, “La capitalización de los hidrocarburos,” 93). For details on hydrocarbons policy in the 1990s and early 2000s see Hindery, *From Enron to Evo*, 27-62; Molina, “Explotación de los hidrocarburos,” 73-78.

<sup>7</sup> Cocaine became a major growth industry in the 1970s, with backing from the country’s military regimes. The industry was dominated by the eastern bourgeoisie, though peasant coca growers came to play an important role.

objective economic rationality accompanied these reforms, just as it had under the MNR in the 1950s and 1960s.<sup>8</sup>

Bolivia's undeniable economic problems may have lent this rhetoric an air of plausibility. As in 1956, the program was in part an emergency response to a very real crisis of hyperinflation in the country. Many of the factories and mines that were closed were already in poor economic condition. But both the diagnosis and the "solution" reflected political choices by Bolivian leaders and their international backers. The diagnosis blamed inflation on workers' wages and the public sector, neglecting an array of other causes like the cost of indemnification to Gulf Oil (estimated at \$58 million), the mountain of odious debt accrued by the Banzer dictatorship (1971-1978), and high interest rates charged by foreign creditors.<sup>9</sup> The restructuring plan also consciously chose to shoulder the working class with the burdens. The plan's lead architect, mine owner and future president Gonzalo Sánchez de Lozada, acknowledged the program's political inspiration, calling it "more than strictly an economic plan."<sup>10</sup>

Privatization and austerity were unable to extinguish the country's long traditions of popular organizing, however. Though greatly weakened since mid-century, organizations like the COB, the FSTMB, the YPFB workers' union, and the national body of Chaco War veterans (some of whom were still alive in the 1990s and early 2000s) continued to serve as organizational transmitters of resource nationalism and egalitarian, democratic ideals. YPFB workers, who had a clear material interest in resource nationalism, and Chaco vets were among

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<sup>8</sup> On the 1985-2005 period see Kohl and Farthing, *Impasse in Bolivia*, 65-124; Webber, *Red October*, 113-46; Conaghan, "Reconsidering Jeffrey Sachs"; Conaghan and Malloy, *Unsettling Statecraft*, esp. 185-202; Dunkerley, "Political Transition and Economic Stabilization"; Gill, *Teetering on the Rim*; Fernández Terán, *FMI, Banco Mundial y Estado neocolonial*. On the language of modernity in this context see Guimarães, "La capitalización de los hidrocarburos."

<sup>9</sup> For indemnification, debt, and interest rate figures see Molina, "Explotación de hidrocarburos," 72; Bailey and Knutsen, "Surgery without Anaesthesia," 48; Hindery, *From Enron to Evo*, 25.

<sup>10</sup> Quoted in Conaghan, "Reconsidering Jeffrey Sachs," 250.



the most vocal opposition to hydrocarbons privatization in the mid-1990s.<sup>11</sup> Resource nationalism and egalitarianism were never limited to just these organizations, though, for these sentiments were deeply rooted in popular political culture. A variety of other grassroots groups, like El Alto's Federación de Juntas Vecinales (FEJUVE), would also assume a central role in popular resource struggles despite having no direct connection to the minerals or hydrocarbons industries (though some of their organizers drew upon past experience in mine unions).

From 2000 through 2005 a series of massive mobilizations against government economic policies shook Bolivia. The continued centrality of resource nationalism was evident in October 2003 when protest erupted across the Altiplano in response to the government's plan to export unrefined natural gas to the United States at cheap prices. This mobilization brought down the administration of Gonzalo Sánchez de Lozada, who had responded to the protests with vicious but insufficient violence, and another mass protest ousted his successor Carlos Mesa in June 2005. The popular upsurge helped pave the way for the December 2005 election of Bolivia's first indigenous president, coca-growers' union leader Evo Morales of the Movimiento al Socialismo (MAS) party.

### **The MNR and the MAS**

The rise of the MAS and Evo Morales has elicited great interest from both academics and activists. A substantial body of research and commentary has already explored Morales's presidency (2006-present) and debated its successes and shortcomings.<sup>12</sup> Some observers have also considered the MAS in light of the MNR experience a half-century earlier.<sup>13</sup>

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<sup>11</sup> On YPF workers see Hindery, *From Enron to Evo*, 43. On Chaco vets see note 6 above.

<sup>12</sup> See Crabtree and Chaplin, *Bolivia*; Crabtree and Whitehead, eds., *Unresolved Tensions*; Webber, *From Rebellion to Reform*; Kohl and Farthing, "Material Constraints to Popular Imaginaries"; Hindery, *From Enron to Evo*.

<sup>13</sup> Hylton and Thomson, *Revolutionary Horizons*; Crabtree, "From the MNR to the MAS"; Dunkerley, "The Bolivian Revolution at 60"; Regalsky, "Political Processes."

The two historical contexts are certainly different in many ways. The politicization of indigenous identity since the 1970s marks a major break with the MNR era, during which class and nationalism were the main bases for political mobilization. Though *campesino* identity remains an important signifier in Bolivian politics, it has been complemented by a new discourse and consciousness of indigenous rights that repudiates the ethnocidal and assimilationist nationalism of the MNR and looks to the long history of pre-1952 indigenous struggles for inspiration.<sup>14</sup> The resurgence of emphasis on indigenous rights ties in with debates over the economy, with many on the left discussing how indigenous traditions might be harnessed to facilitate economic transformations along the lines of participatory socialism. Many have offered proposals that transcend both corporate capitalism and traditional statist alternatives.<sup>15</sup>

Closely linked to discussion of indigenous rights is a new discourse of environmentalism, another major change from the MNR era. The *Pachamama*, or Mother Earth, is now widely viewed as a qualitatively different kind of “resource” that must be preserved rather than just exploited. Debates over natural resource extraction and use must now address a host of environmental issues, from local contamination and deforestation near extraction sites to the unequaled global threat of anthropogenic climate change. Scientists recently reported that 1,600 years’ worth of glacial ice in neighboring Peru had disappeared in a mere 25 years.<sup>16</sup> Closer to home, the ever-receding snowcap on the Illimani mountain overlooking La Paz provides a visible reminder of global warming. Even if Bolivia bears almost none of the historic responsibility for

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<sup>14</sup> Pablo Regalsky highlights indigenous identification and the rise of independent rural governance structures when emphasizing why “2006 is not 1952” (“Political Processes,” 38-40). On the resurgence of indigenous consciousness and organization in the 1970s and 1980s see Hurtado, *El katarismo*; Rivera Cusicanqui, “Luchas campesinas contemporáneas”; Albó, “From MNRistas to Kataristas to Katari”; Albó, *Movimientos y poder indígena*. On MAS discourse see Mayorga, “Nacionalismo e indigenismo en el MAS.”

<sup>15</sup> For instance Patzi Paco, “Communal Economy.”

<sup>16</sup> Gillis, “In Sign of Global Warming.” On recent mobilization in defense of the environment, particularly by indigenous communities, see Perreault, “Extracting Justice”; Hindery, *From Enron to Evo*.

global warming, it has been forced to start grappling with the ecological implications of continued dependence on hydrocarbons extraction in a way that the MNR never did.

The MAS also came to power in a regional context very different from that of the early 1950s. By 2006 Latin American populations were rejecting the neoliberal economic model with an unprecedented degree of unity, electing a new generation of left-leaning presidents. The Cold War had long since ended, and along with it the tyrannical “socialism” of the Soviet Union. The decline of U.S. power in Latin America was also evident, both in the increasing political independence of Latin American governments and in the rise of China, India, Brazil, and other economic powers that constituted an ever-larger share of foreign investment and trade in the region. These developments opened new space for the discussion of alternatives, with many activists debating what a new “twenty-first-century socialism” might look like. For these reasons the context in 2006 was more complex—and in some ways more promising—than in 1952.

In many other ways, however, recent developments are eerily reminiscent of the earlier revolutionary period. There are definite parallels in the origins, discourses, and policies of the MNR and MAS and their relationships with their support bases. Both parties drew upon widespread disaffection with a political and economic system that effectively excluded the vast majority of Bolivians; while the oligarchic liberalism of the pre-1952 era had formally excluded most of the population, the polyarchic democracy of the 1980s and 1990s did so by more subtle means.<sup>17</sup> Both parties gained popularity by channeling widespread demands for resource nationalization, economic development, greater equity, and more effective democratic

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<sup>17</sup> Polyarchy refers to systems in which most citizens have little or no input over policy despite the existence of formal democratic structures. Exclusion is sustained by more subtle means, such as elite control over fiscal and economic resources. See Robinson, *Promoting Polyarchy*, and on Bolivia, Webber, *Red October*, 30-33.

institutions.<sup>18</sup> In both cases the central unifying force for the popular coalitions that brought them to power was the “national-popular” demand for resource nationalism infused with a progressive class orientation. Debates over natural resource use, in turn, reflected broader visions about how the economy and society should be organized. In the words of one man who helped organize the revolts of the early 2000s in El Alto, “the discussion over natural resources unleashed connections with other levels of analysis.”<sup>19</sup>



**Figure 7.1: Legacies of Revolution.** This section of a recently-painted historical mural, located on La Paz’s main avenue, reflects the resource nationalism and anti-imperialism that continue to characterize Bolivian grassroots political culture, as well as the effort of the Morales government (which commissioned it) to appeal to those sentiments. To the right a banner reads “Gas [Belongs to] the Bolivian People.” In the foreground a faceless clown figure with a briefcase full of money stands atop the initials of three reviled international financial institutions: the World Bank, IMF, and Inter-American Development Bank. Mural commissioned by Bolivian Ministry of Justice. Photo by author, reproduced with permission of lead artist Gonz Jove.

<sup>18</sup> On the importance of resource nationalist demands in the early 2000s see Orgaz García, *La guerra del gas*; Gordon and Luoma, “Oil and Gas.”

<sup>19</sup> Quoted in Crabtree and Chaplin, *Bolivia*, 58-59.

Since taking over the reins of government in 2006 the MAS has also faced a host of familiar problems. Popular expectations of industrialization and diversification have been met with some of the same disappointments as in the 1950s, as the economy has remained highly dependent on low-valued-added natural gas exports.<sup>20</sup> A much-anticipated boom in lithium—needed for the production of electric cars, and abundant in Bolivia’s Uyuni region—has been slow to materialize, and in any case would not necessarily mean a break with Bolivia’s historic trend of dependence on unrefined primary exports. The Morales government has repeatedly stressed the need to increase value-added and has taken some steps toward “industrializing” the minerals sector, for instance by advancing smelter operations in Potosí and Oruro. It has also spelled out an ambitious vision for the processing of both hydrocarbons and lithium that promises domestic production of polyethylene, fertilizer, and other petroleum derivatives in the near future and—perhaps a few more years down the road—the production of lithium cathodes, batteries, and even electric cars.<sup>21</sup> But substantial processing on Bolivian soil still remains far off, and at least some of the government’s promises seem a bit unrealistic. The future prospects for lithium in particular (processed or not) are subject to many unknowns beyond Bolivia’s control. A further problem is that while minerals and hydrocarbons deliver resource rents that can fund important social programs (and potentially alternative economic development), neither sector in itself is likely to generate significant direct employment for Bolivians, even in the event of substantial industrialization.<sup>22</sup>

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<sup>20</sup> Kohl and Farthing, “Material Constraints to Popular Imaginaries”; Wanderley, “The Economy of the Extractive Industries” and “Beyond Gas”; note 1 above.

<sup>21</sup> Crabtree and Chaplin, *Bolivia*, 88-90; Hindery, *From Enron to Evo*, 161.

<sup>22</sup> Kohl and Farthing, “Material Constraints to Popular Imaginaries,” esp. 232-33; Hollender and Shultz, *Bolivia and Its Lithium*; Achtenberg, “Bolivia’s Lithium Challenge”; Mares, “Lithium in Bolivia.” On hydrocarbons see also the special issue of *Umbrales* (La Paz), “Hidrocarburos, política y sociedad,” 20 (2010).

As with the MNR, the disappointments have sprung not just from structural obstacles but also from the relatively cautious and conservative approach of the MAS itself. Like the MNR, the MAS rode to power on the heels of pre-existing popular mobilization and, anti-imperialist and anticapitalist rhetoric notwithstanding, has proven more reluctant about radical change than much of its base. Its 2006 “nationalization” of natural gas in fact kept most of the industry in private hands, increasing the royalties paid to the state rather than imposing state control.<sup>23</sup> Land redistribution and titling has also been more modest than many had hoped and seems to have slowed since 2010, with many critics alleging government accommodation with the eastern landholding elite.<sup>24</sup> In both cases, the MAS has arguably been even more cautious than the MNR, which had at least allowed itself to be pushed into full nationalization of the mines and a thorough liquidation of the landed oligarchy. In this and other ways the MAS displays similarities with populist regimes of the mid-twentieth century, though there are also important differences.<sup>25</sup>

Cracks have also appeared in the initial coalition of MAS supporters, reflecting competition for scarce resources and differing visions of how the country should be transformed.

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<sup>23</sup> Kaup, “A Neoliberal Nationalization?”; Mokrani, “Reformas de última década en el sector de hidrocarburos”; Webber, *From Rebellion to Reform*, 80-83. Webber also critiques the Morales government’s relatively conservative fiscal approach, with its emphasis on low inflation, large currency reserves, and central bank autonomy.

<sup>24</sup> Crabtree and Chaplin, *Bolivia*, 16-35.

<sup>25</sup> Populism is nowadays a much-abused term, typically employed in a pejorative sense to attack any leader who confronts elite interests or advocates for the poor (e.g., Morales, “Post-Neoliberal Policies and the Populist Tradition”; Edwards, *Left Behind*). The recent “bad left” governments in Venezuela, Bolivia, and Ecuador have been the main targets, with critics tending to ignore the important differences between such leaders and classic populists like Juan Perón and Getúlio Vargas (and the MNR). For instance, the recent left regimes have abided by the rules of electoral democracy, have encouraged a substantial degree of participatory democracy (particularly in Venezuela), and have more directly targeted capitalist interests while promoting discussion of socialist alternatives to capitalism (again, especially in Venezuela) (see Ellner, “The Distinguishing Features of Latin America’s New Left”). Evidence to support the characterization of recent left regimes as fiscally profligate and disdainful of high inflation is also “completely absent from the recent macroeconomic experience of the left-of-center governments,” a pair of UN economists noted in 2008 (Moreno-Brid and Paunovic, “Macroeconomic Policies of the New Left,” 199). These features all distinguish them from past populists, even if there are also substantial similarities with regard to political discourse, the corporatist currents within their parties, and their attempts to accommodate opposing class interests.

Since 2011 important segments of that coalition have formally split off from the others, particularly as a result of the extremely divisive conflict over the government's planned road construction project in the indigenous TIPNIS territory in central Bolivia (in an important difference from the MNR period, here the list of popular grievances has included charges that the government has not fulfilled its promises on indigenous rights and the environment, which had not been major issues of national debate before the 1970s).<sup>26</sup> Ethnic and regional tensions have resurfaced within the initial coalition, often taking very ugly forms.<sup>27</sup>

Yet the MAS has thus far been able to maintain the support of most Bolivians, even if they disagree with certain aspects of its policies. This success signals yet another parallel with the MNR: both governments delivered enough genuine reform to stave off major challenges from the left in the realms of both electoral and union politics. Whatever its shortcomings and conservatism, the Morales government has made modest but substantial strides in reducing poverty and inequality. It has been able to do so largely because of higher taxes and royalties on the gas industry, which have increased due to high prices on the global market but also due to the government's 2006 reform. Having fulfilled, if only partially, the demand for gas nationalization and other aspects of the "October agenda" of the 2003 uprising, the MAS has been able to maintain substantial credibility among its base.<sup>28</sup>

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<sup>26</sup> Crabtree and Chaplin, *Bolivia*, 16-35; Hindery, *From Enron to Evo*, 216-31. One could argue that the MAS state's greater autonomy vis-à-vis the U.S. government and foreign corporations has been partly "cancelled out" by domestic resistance to extractivism; if the state is now less subject to U.S. domination than in the 1950s, it is also forced to contend with local resistance movements near extraction sites.

<sup>27</sup> For disturbing reflections about competition over water resources on the Altiplano see Fabricant and Hicks, "The Water Is Ours Damn It!" They note how the "daily practice of organizing in a moment of scarcity can reproduce broad-based inequalities at a regional or local level: between regions, urban and rural residents, indigenous/mestizo, and those who hold governmental power versus local agricultural laborers or *comuneros*. Despite organizers' public discourse about the use of Aymara values to promote a more redistributive and equitable water system, they rely upon similar processes of accumulation by dispossession—like rerouting natural flows to city centers, disrupting and displacing whole communities" (p. 50). See also Kohl and Farthing, "Material Constraints to Popular Imaginaries."

<sup>28</sup> Gustafson, "Amid Gas, Where Is the Revolution?" On poverty and inequality reductions see CEPAL, *Panorama social de América Latina: 2012*, 86, 109-12; Kohl and Farthing, "Material Constraints to Popular Imaginaries," 231.

## **Beyond the Cold War? Resources, Protest, and Pathology**

Because of this policy record and the openly anti-imperialist rhetoric that has accompanied it, U.S. officials have not looked kindly upon the MAS. The Bush and Obama administrations have labeled Morales's government part of Latin America's "bad left," as opposed to more "responsible" left governments in places like Brazil and Uruguay.<sup>29</sup> Intelligence reports have included Bolivia among the "radical populist governments" that "emphasize economic nationalism at the expense of market-based approaches." Such policies "directly clash with US initiatives" and jeopardize vital U.S. "interests in the region."<sup>30</sup> Recent U.S. strategy also has parallels with the MNR era. The United States has combined efforts to undermine the MAS by funneling money to Bolivian opposition groups with attempts to influence MAS policies through economic means, such as aid packages and trade preferences. While heavy U.S. aid to the MNR contrasts with its more frontal attacks on the MAS, the other component of its strategy—using economic levers to encourage compliance with U.S. policy goals—is certainly reminiscent of the Eisenhower and Kennedy administrations.<sup>31</sup>

If Washington's basic goals and fears in Latin America have not changed since the 1950s, the multipolarity of the global context does mark a significant change. In a sense U.S. actions simply do not matter as much as they did in epochs past. As noted above, the rise of regional powerhouse Brazil and the increased presence of Asian, Canadian, and European capital give countries like Bolivia more options than they had during the Cold War.

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The Morales government has also renationalized portions of the energy and telecommunications sectors that were privatized during the 1990s.

<sup>29</sup> Young, "The Good, the Bad, and the Benevolent Interventionist."

<sup>30</sup> McConnell, "Annual World Threat Assessment," 34; Blair, "Annual Threat Assessment," 30.

<sup>31</sup> In fact, some recent U.S. officials in Bolivia have explicitly lauded the earlier effort to tame the MNR, suggesting that economic coercion might similarly succeed in bringing about changes in MAS government policies (Earle, "Bolivia and the Changing Shape of U.S. Power," 14).



On the other hand, multipolarity has not brought an end to Bolivia's dependence.<sup>32</sup> Governments and investors in Spain and Canada have looked no more favorably upon resource nationalism than their U.S. counterparts.<sup>33</sup> In this new multipolar context the hostility to resource nationalism and egalitarianism comes from a wider variety of sources, perhaps, but the hostility is not unlike that faced by Bolivian activists of the 1950s. Recent critics have focused special attention on the alleged irrationality of Bolivian resource nationalism and demands for state intervention in the economy. Such demands are irrational because poverty and underdevelopment are mostly just "a state of mind." In the tradition of George Eder, Bolivian commentator Henry Oporto writes that "[o]ur problem is the persistence of a *mentality* that prevents the country from transforming and developing itself."<sup>34</sup> Overcoming poverty and underdevelopment requires only a mental shift—not strong state intervention, fundamental transformations in the economy, or substantial redistributions of wealth and power.

Such commentators describe resource nationalism as the product of conspiracy theory. Bolivian historian Guillermo Francovich includes resource nationalism among a series of popular "convictions whose correctness is such that they become held as sacred, as self-evident, located in a realm that separates them from any attempt at rational critique." These "myths influence the thought and behavior of peoples with a force that sometimes makes them more powerful than rational thought."<sup>35</sup> Similarly, U.S. political scientist Kurt Weyland attributes the

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<sup>32</sup> For one thing, it would be wrong to assume that U.S. power has completely evaporated, for the U.S. government still retains substantial levers of influence in the region. Secondly, a more "multipolar" world does not automatically mean less foreign domination. Andy Higginbottom cautions that rising European Union investment in Latin America is not fundamentally any different from U.S. investment, and "that the dependency school contention of a transfer of value out of the continent remains valid" ("The Political Economy of Foreign Investment," 197).

<sup>33</sup> See for instance Wheatley, "Presidents to Meet over Gas Crisis"; Johnson and Stevenson, "Bolivia Seizes Spanish Energy Group."

<sup>34</sup> Harrison, *Underdevelopment Is a State of Mind*; Oporto, "El mito del eterno retorno," 343 (emphasis added);

<sup>35</sup> Francovich, *Mitos profundos*, 6.

Morales administration's economic nationalism in part to the "deep-seated loss aversion" of a Bolivian population paranoid about "greedy foreigners," an attitude which makes neoliberal economic policies "economically rational but political suicidal."<sup>36</sup> Bolivian journalist Fernando Molina roots that loss aversion in a longstanding cultural pathology that has compelled successive rounds of disastrous nationalizations over the course of the twentieth and early-twenty-first centuries. He argues that natural resources have long possessed a "supernatural dimension" in Bolivian society as "fetishes of a collective adoration," which give way to "conspiracy theories" about the "looting [*saqueo*]" of Bolivia's wealth. "Although it is not faithful to historical fact," Molina says, "this state of alert over an alleged conspiracy to loot the [country's] treasure" continues to captivate the popular imagination.<sup>37</sup>

For these critics, a hallmark of nationalist irrationality is the belief that resource nationalization alone is "a panacea for the country."<sup>38</sup> This simplistic thinking, and with it the inclination to rent-led economic development, has allegedly been ensconced in the collective pathology since the discovery of the vast Potosí silver mine in 1545. "State worship"—the notion that simply placing resources in state hands would cure all economic problems—developed later, in the republican period, complementing and ultimately reinforcing the *rentier* model after 1952 and again in the 2000s.<sup>39</sup> For Henry Oporto, the belief in panaceas and the worship of the state go hand-in-hand with a historical atavism which "denies the value and contributions of

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<sup>36</sup> "The Rise of Latin America's Two Lefts," 156. See also Mares, "Lithium in Bolivia" and "Resource Nationalism and Energy Security," which are more nuanced but equally enthusiastic about market capitalism.

<sup>37</sup> Molina, *El pensamiento boliviano*, 5, 44, 46. Popular supporters of recent leftist leaders continue to be widely depicted as irrational; see Lupien, "The Media in Venezuela and Bolivia"; Young, "The Good, the Bad, and the Benevolent Interventionist."

<sup>38</sup> Molina, *El pensamiento boliviano*, 77, 117. Cf. Francovich, *Mitos profundos*, 117-19.

<sup>39</sup> The pejorative use of the term *estadolatría* appears frequently in Bolivian critiques of the country's leftists and nationalists (e.g., Molina, *El pensamiento boliviano*, 88; Oporto, "El mito del eterno retorno," 339; Toranzo Roca, "Gas y política," 349).

modernization” and specifically “the progress achieved in more than two decades of democratic life” from 1982 to 2005. “The so-called ‘process of change’”—the label often applied to MAS-era reforms—is actually “the return to the past.”<sup>40</sup>

This discourse makes sense as part of an effort to discredit resistance, but it is a poor reflection of reality. These caricatures of Bolivian consciousness belie the complexity of popular grievances and visions, just as earlier caricatures did a half-century before. For instance, they ignore the widespread popular demand for industrialization of the natural gas sector (not just nationalization), which was a key aspect of the “October agenda” of 2003 and since. As mentioned above, Bolivian social movements have also proposed a wide range of alternative strategies for development that seek to transcend both corporate capitalism and the twentieth-century model of state-operated enterprises. Furthermore, popular organizations have not been the blind, herd-like supporters of the MAS that right-wing commentary has implied them to be. Since 2006, and especially since 2010, the Morales government has been forced to deal with ongoing protests from portions of its support base which, while favoring the MAS over the options to its right, have insisted on holding the government to its promises of egalitarian development, participatory democracy, and ecological sustainability. Pressures from workers, farmers, indigenous communities, women, and others have had important effects on policy, pulling the government to the left and limiting its freedom to enact unpopular policies like gasoline price hikes (December 2010) and the construction of the TIPNIS road (2011 to present).

The long-term implications of Bolivia’s early-twenty-first-century cycle of revolt are still unclear. While popular pressures have exercised positive influence over the Morales government in some ways, in other ways the government has also sought to accommodate oligarchic interests

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<sup>40</sup> Oporto, “El mito del eterno retorno,” 338, 341.

like the *cruceño* elite. Unlike in Venezuela after 1998, or Cuba after 1959, policy has not been characterized by steady radicalization, but by a more complicated trajectory. If history is any guide, the impetus for further radical change is unlikely to come from the MAS or any other government of the foreseeable future. It is far more likely to come from the ordinary Bolivians who comprise the country's social movements, continuing and improving upon the work of their predecessors.

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**APPENDIX**

**Backgrounds of Key Middle-Class Participants in Economic Debates, 1940s-1960s**

Name	Main party affiliation and government position (if any) in 1940s-60s	Professional background, training, and other positions
V́ctor Paz Estenssoro	MNR, President	Lawyer; educated at Instituto Americano (Methodist secondary school, IA) and Universidad Mayor de San Andŕs (UMSA) in La Paz; President of Mining Bank under Busch (1937-39); Professor of Economic and Political Sciences, U. de La Paz (1939-41); Economy/Finance Minister under Villarroel (1943-46)
Hernán Siles Zuazo	MNR, President	Lawyer; educated at IA and UMSA
Wálder Guevara Arze	MNR, Foreign Minister	Lawyer; educated at IA and UMSA; studied sociology at U. Chicago; Director of Mining Bank under Busch
Carlos Montenegro	MNR	Lawyer, journalist; educated at IA and UMSA
Augusto Ćspedes	MNR	Lawyer, journalist; educated at UMSA
Juan Lechín Oquendo	MNR, Labor Minister and VP	Studied accounting in IA; worked at Said factory and as white-collar employee in mines
Tristán Marof	POR, PSOB	Lawyer, writer; educated at U. de San Francisco Xavier
Evert Mendoza	MNR	Lawyer
Luis Peñaloza	MNR, Central Bank President	Economist; educated in Ayacucho (Peru) and Colegio Militar in La Paz; taught economic history at UMSA
Mario Guzmán Galarza	MNR, FUL representative, Presidential Secretary, Minister of Education	Lawyer, writer; educated at U. de La Paz
José Cuadros Quiroga	MNR, Minister of Interior and Executive Secretary of MNR	Journalist; trained in law at U. Mayor de San Simón (UMSS) in Cochabamba
Ñuflo Chávez Ortiz	MNR, Minister of Peasant Affairs, VP, and Minister of Mines	Lawyer; educated at Universidad de San Francisco Xavier (La Paz) and UMSA



Name	Main party affiliation and government position (if any) in 1940s-60s	Professional background, training, and other positions
Mario Torres Calleja	MNR, Minister of Mines	General Secretary of FSTMB; education unknown
Alfredo Franco Guachalla	MNR, Labor Minister	Lawyer
José Fellman Velarde	MNR, Presidential Secretary	Writer; may have studied at U. de Chile
Franklin Antezana Paz	MNR, President of Central Bank	Lawyer and professor of law; trained at UMSS and in Paris
Humberto Fossati	MNR, President of Central Bank	Economist; education unknown
Alfonso Gumucio Reyes	MNR, President of Bolivian Development Corporation (CBF)	Education unknown; one of MNR's original founders
Enrique Mariaca	MNR, YPFB head engineer	Geologist and engineer, trained at UNAM in Mexico
Amado Canelas	MNR, Congressional deputy	Lawyer, writer; educated at UMSS
Alberto Bailey	?	Journalist/newspaper editor
Ernesto Ayala Mercado	POR and MNR, Senator	Lawyer; trained at U. de San Francisco Xavier (La Paz) and Escuela Normal de Sucre
Marcelo Quiroga Santa Cruz	Minister of Mines and Petroleum under Ovando	Journalist
Ricardo Anaya	PIR	Lawyer, with degree in social and political science
José Antonio Arze	PIR	Lawyer, sociologist; educated at UMSS
Sergio Almaraz Paz	PCB	Writer
Arturo Urquidi	PIR	Lawyer; taught history and sociology
Gustavo Chacón	MNR	Adviser to Busch government (1937-1939); congressional deputy in early 1940s; foreign minister under Villarroel
Guillermo Lora	POR	Writer, journalist

**Sources:** Compiled from entries in Lora, *Diccionario político*; Costa de la Torre, *Catálogo de la bibliografía boliviana*; and Barnadas with Calvo and Ticlla, eds. *Diccionario histórico*. Additional details from Weston, “An Ideology of Modernization,” 89-90; Eder, *Inflation and Development*, 115n, 215n, 455; Philip, *Oil and Politics in Latin America*, 264; Mariaca Bilbao, *Mito y realidad del petróleo boliviano*, inside cover.