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Bolivia's Path to Neoliberalism:
An Examination of the Presidential Career of Víctor Paz Estenssoro (1952-1989)

Honors History Thesis

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I. ABSTRACT

This investigation explores Bolivia's shift towards neoliberalism following the Bolivian National Revolution of 1952 by examining the seemingly drastic change in political platform that Víctor Paz Estenssoro displayed during his presidential career (1952-1956, 1960-1964, 1964, 1985-1989). An analysis of three of Paz's policies: the nationalization of the tin mines (1952), the Agrarian Reform Act (1953), and the New Economic Policy or "Decree 21060" (1985) demonstrates that Paz did not undergo any sort of radical change but rather he made practical decisions that responded to the social, political, economic conditions within Bolivia and internationally. Understanding Paz's career provides an opportunity to observe the larger influences that shaped 20th century Bolivian history.

II. INTRODUCTION

Víctor Paz Estenssoro was president of Bolivia four times (1952-1956, 1960-1964, 1964, 1985-1989). His career is marked by what appears to be a very distinct change in platform: he began as a pioneer of social reform and state-led development but ended up a fierce proponent of neoliberalism. He first came to power after the Bolivian Revolution of 1952 and implemented several economic and social reforms including the nationalization of the country's three largest tin mines, major land distribution through agrarian reform, education reform, and granted voting rights to the indigenous majority. But when he returned to the presidency in 1985 he undid the state-led economic model that he established 21 years before by implementing an orthodox structural adjustment program called the New Economic Policy (or Decree 21060). This policy re-privatized the same tin mines that he nationalized, putting thousands of miners out of work, causing the growth of the informal economy, large internal migration to cities, and an increase in coca production for the drug trade.

Scholars have called Víctor Paz Estenssoro's contradictory policies "a dramatic reversal of the 1952 national revolution", a "surprise", and "ironic" and yet no historian has ever given more than a few sentences of thought to this seemingly dramatic transition.¹ No investigation has ever attempted to uncover how and why this one individual was behind both Bolivia's revolution in 1952 and its adoption of neoliberal policies in the mid-1980s. In this project I set out to answer the question: what larger factors influenced Víctor Paz Estenssoro to make these decisions? And how were Paz's decisions both a component and a result of Bolivia's transition to neoliberalism? The twists and turns of Paz Estenssoro's career serve as a mechanism for understanding the trends of Bolivian history in the 20th century. Through his career we see the fall of the traditional oligarchy controlled by elite mine-owning families, the first processes of democratization, the military dictatorships that sent him into exile, the process of re-democratization and the advent of neoliberalism. In this way, this investigation is not just about the man himself, but about his country.

In fact, the man himself has little to do with the larger story in which Paz was involved. Víctor Paz Estenssoro's personal history makes very few appearances in the primary and secondary literature about his accomplishments. Paz was born in Tarija, Bolivia in 1907 to a middle class family. He graduated with a law degree from the Universidad Mayor de San Andrés in La Paz in 1927 after which he began his political career. Before the revolution he taught economics at his alma mater and served as the Minister of Economics under President Enrique Peñaranda (1940-1943).² Paz's intellectual and middle class background gave him little in terms

¹ Forrest and Sinclair Thomson Hylton, *Revolutionary Horizons: Past and Present in Bolivian Politics* (London, England: Verso, 2007), 95.

Herbert S. Klein, *A Concise History of Bolivia*, 2nd ed., Cambridge Concise Histories (New York, NY: Cambridge University Press, 2011), 244.

James F. Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present* (University Park, PA: The Pennsylvania State University Press, 2011).

² "Víctor Paz Estenssoro," <http://www.biografiasyvidas.com/biografia/p/paz.htm>

of political currency. The population which he directly represented was small and neither powerful nor marginalized and thus his personal history was rarely mentioned during his career. Victor Paz Estenssoro was chosen as the focus for this investigation in part because his personal history did not strongly impact his political career. The policies that he implemented were so strongly influenced by larger structural forces, that his personal identity was not a major contributor to these policies being implemented. Paz was an actor in Bolivian history in that he was frequently in the right place at the right time to have his name associated with important actions, but more than anything he was a witness to political and economic changes in Bolivia that required him to respond in different ways.

Thus to investigate Paz' alleged change of character, 3 of his most important policies were examined: the nationalization of the tin mines after the Bolivian Revolution in 1952, the Agrarian Reform Act of 1953, and Decree 21060 of 1985. Using scholarly literature on these policies and primary documents including speeches, interview clippings, and government documents, I found that national, international, social, and economic influences created the context for this succession of policies at the hands of one individual despite their contradictory appearance on paper. I will argue here that Paz Estenssoro was neither revolutionary hero nor ruthless neoliberal reformer, but rather a practical politician who sought to put Bolivia on a path to development while still maintaining some semblance of popular support. He listened to what was happening in Bolivia but also paid attention to his Latin American neighbors, and attempted to make informed decisions for his own political gains and for the overall success of his country.

In my investigation of the nationalization of Bolivia's three largest tin mines I argue that although it was emphasized by Paz and his political party as a revolutionary measure that would liberate the Bolivian people from exploitation abroad, it was essentially a policy that nearly all

Bolivians supported. The nationalization was backed by most socioeconomic classes in Bolivia, it was done in such a way that it did not result in a loss of favor with the US during the Cold War, and as the price of tin began to decline, Paz mentioned the reversibility of the policy should it lose its economic viability. The conditions surrounding the nationalization of the mines led it to be associated with the revolution, but the decision to implement the policy was a practical response to conditions in Bolivia that pre-date and expand beyond the context of the Bolivian Revolution itself.

Agrarian reform is a similar case. In response to extreme land distribution inequality, Paz broke up large landholdings and redistributed them to the peasant population that had worked essentially as sharecroppers on the land. Paz also presented this policy as revolutionary, referring again to the long history of oppression of the peasants working the land without the benefit of being rightful owners. Again, this policy was presented in association with the Bolivian Revolution, but was really a pragmatic policy caused by national and international conditions that most Bolivians supported. The act came about because many groups of peasants had already rebelled and seized lands from their owners before the reform and the official policy was needed to stem these revolts and legitimize landholdings already taken. Economically, Paz also saw agrarian reform as a possible way to increase agricultural productivity and reduce dependence on food imports. Like the nationalization of the mines, agrarian reform was a practical response to the situation.

The investigation of the New Economic Policy or Decree 21060 of 1985, which at first seemed like an outlier in Paz's revolutionary persona, reveals that this policy just went along with his strategy of making pragmatic decisions. I will argue that Paz was influenced to do this structural adjustment program because hyperinflation was wreaking havoc on the Bolivian

economy and because of international pressures to implement orthodox neoliberal economic policies in order to be eligible for foreign aid. In the same way that the nationalization of the mines and agrarian reform were practical responses to the context, Decree 21060 was a remedy for dire economic conditions. The consequences of this decision, like the growth of the informal economy, internal migration, and increase in illegal coca production, were seen by Paz and his advisors as mere speed bumps on the road to economic success for Bolivia.

This project will show that an extensive analysis of Víctor Paz Estenssoro's career does not reveal a major change in character. His policies over the years were not influenced by a particular ideology, or by a pure desire for power. Paz made informed decisions based on the social and economic climate in Bolivia and abroad in the hopes that he would guide Bolivia towards prosperity.

i. Sources

A variety of sources were consulted for this investigation. I used booklets containing Víctor Paz Estenssoro's speeches, various publications issued by Paz's political party the *Movimiento Nacionalista Revolucionario* (MNR), interview excerpts that have been published, interview notes collected by an American scholar names Robert J Alexander who wrote about Bolivian history, and select US and international newspaper articles. Before diving into analysis I will explain each of the sources used.

The section on the nationalization of the tin mines is heavily dependent on two collections of speeches. The first collection entitled "Speeches and Messages" was published by the MNR in 1953 contains full copies of speeches given by Paz Estenssoro immediately following the revolution.³ The second collection, entitled "The Revolutionary Thought of Víctor

³ Victor Paz Estenssoro, *Discursos y mensajes* (Buenos Aires, Argentina Editorial Meridano 1953), Collection of Speeches

Paz Estenssoro,” was published in 1954 by the MNR. Unlike the first source this book has a strange format; it has quotes from major speeches given by Paz in chronological order but with large chunks of the speeches missing.⁴ The quotes are numbered and ordered by theme, but I found this collection to be just as valuable as the first because each speech where the quote originated is cited and the two collections had a great deal of overlap. The way that “The Revolutionary Thought” was organized by the MNR also provides some insight into what issues they thought would be most important to convey to the public, and the nationalization of the mines was one policy that they chose to prominently display.

I also used a number of sources that discussed the nationalization after the fact. One was a “Government Program” booklet published by the MNR in 1960 which outlined the goals of Paz’ second term.⁵ Another was a singular published speech called “The National Revolution is an Irreversible Act” which was given by Paz in 1961.⁶ I also used a booklet published by the MNR in 1964 called “The Bolivian Revolution” that laid out the goals of the revolution and the extent to which they had been accomplished before Paz’ re-election that year.⁷ Also from 1964, I used a speech entitled “The Economic Situation in Bolivia: The National Revolution Works for the Future.”⁸ Two sources published much later, Augusto Guzman’s biography *Paz Estenssoro* (1986) and Trigo O’Connor d’Arlach’s *Conversations with Víctor Paz Estenssoro* (1999), a

⁴ *El pensamiento revolucionario de Paz Estenssoro* (La Paz, Bolivia E. Burillo & Cía, 1954).

⁵ Movimiento Nacionalista Revolucionario, “Programa de gobierno Movimiento Nacionalista Revolucionario, tercer gobierno de la revolución nacional, 1960-1964: Aprobado por la VIII Convención de M.N.R.,” (La Paz, Bolivia 1960).

⁶ Victor Paz Estenssoro, “La revolucion nacional es un hecho irreversible de nuestra historia,” (La Paz, Bolivia 1961).

⁷ *La revolución boliviana* (La Paz, Bolivia: Direccion Nacional de Informaciones 1964).

⁸ “La situacion economica de Bolivia: La revolucion nacional trabaja para el futuro ” *El Trimestre Economico* 21, no. 83 (1954).

collection of interview excerpts with Paz Estenssoro, provided valuable words from Paz himself, years after being removed from the situation.⁹

I used many of these same sources to support my argument for the agrarian reform section with two exceptions. I also consulted an illustrated biography of Víctor Paz Estenssoro that was published by the MNR in 1960, which documented Paz's political achievements during the revolution in comic book form. I also used interview notes collected by Robert J Alexander. He interviewed a number of people in the years following agrarian reform that had strong opinions about its successes and failures.

My section on Decree 21060 uses Paz's inauguration speech in 1985, Jeffrey Sachs book *End of Poverty*, an interview that PBS did for a documentary called *Commanding Heights* about hyperinflation in Bolivia with Gonzalo "Goni" Sanchez de Lozada, and a collection of assorted US and international newspapers covering Bolivian politics from 1950- 1990 collected by Robert J Alexander. I also use footage of the miners response to the decree in the documentary "The March for Life" which shows the march that the miners staged from Oruro to La Paz in protest of the privatization caused by Paz' policy.¹⁰

⁹ Eduardo Trigo O'Connnor d'Arlach, *Conversaciones con Víctor Paz Estenssoro* (Comunicaciones El País S.A., 1999).

¹⁰ Carlos Mesa, Mario Espinoza Osario, Ximena Valdivia "La marcha por la vida " in *Bolivia Siglo XX* (La Paz: Plano Medio, 2009).

III. THE FOUNDATION: THE BOLIVIAN REVOLUTION OF 1952

The idea for this project came from the fact that, from afar, Víctor Paz Estenssoro looks like a revolutionary who abandoned his roots when he did structural adjustment in the 1980s. As the findings will show, Paz cannot be easily labeled as revolutionary or neoliberal. The first half of unraveling the tangled mess of influences that came together to create Víctor Paz Estenssoro's presidential career requires an examination of the Bolivian Revolution which brought him to power. The Bolivian Revolution is often not included in the list of Latin American revolutions alongside Mexico (1910-1920) and Cuba (1959). The question then when providing the necessary context to preface Paz's presidential career becomes, what was the Bolivian Revolution? Why did it happen? What did it look like? How do we define a revolution? And why was it politically valuable to call the events of April 1952 a revolution? This chapter will answer these questions in order to 1) address the causes and effects of the Bolivian Revolution, 2) analyze the related scholarly literature, 3) define the term revolution and situate the Bolivian Revolution within the Latin American context, and 4) assess Víctor Paz Estenssoro's motivations for using the term. This is an important undertaking for this investigation because, whether or not the Bolivian Revolution was successful at maintaining its goals in the long term, Paz utilized his status as a revolutionary in his presentation of the nationalization of the tin mines, agrarian reform, and structural adjustment.

i. Historical Background

The Bolivian Revolution of 1952 had its origins in Bolivia's embarrassing loss of the Chaco War from 1932 to 1935. This war with Paraguay left sixty five thousand Bolivians dead, out of a population of only 2 million, a statistic proportional to the losses sustained by Europe

during World War I.¹¹ The mere number of casualties alone would have been cause for unrest but the situation was worsened by the fact that the reason for starting the war was highly contested. Public opinion at the time claimed that the war was an oil conflict between Standard Oil, which was based in Bolivia, and Royal Dutch Shell, based in Paraguay.¹² More recent research has suggested that the fighting had little to do with these multinational corporations and more to do with President Daniel Salamanca's desire to divert public attention from the economic crisis that Bolivia was facing as a result of the stock market crash of 1929.¹³ The way that the war was fought also fueled this public outrage, as the army ranks were stratified by social class, with the white elites as officers, and indigenous poor as troops.¹⁴ The heavy involvement of indigenous peoples in the war effort brought this population into the public sphere in way that they had never been before.¹⁵ The fact that the public blamed government corruption as the reason for the war, and that the army was reinforcing social inequalities, created space for a new leftist force on the Bolivian political scene.

The war created what became known as the "Chaco generation" consisting of the young Bolivians who witnessed the injustices of the war and fought for change. Tristian Marof became the most famous thinker of this movement. A Marxist and champion of indigenous rights, he was one of the first to advocate for land reform and the nationalization of the tin mines. Marof went on to found the POR (Revolutionary Workers Party), one of the major political parties to emerge from the Chaco generation.¹⁶ The MNR (*Movimiento Nacionalista Revolucionario*) also emerged

¹¹ Klein, *A Concise History of Bolivia*, 183.

¹² *Ibid.*, 176-78.

¹³ Tulio Halperin Donghi, *The Contemporary History of Latin America* (Duke University Press, 1993), 243.

¹⁴ Klein, *A Concise History of Bolivia*, 176-78, 83.

¹⁵ Thomas Skidmore, Peter Smith, James Green *Modern Latin America* (New York, NY: Oxford University Press, 2014), 169.

¹⁶ Klein, *A Concise History of Bolivia*, 176, 85.

around this time, with a platform that was similar in some ways, but drastically different in others.

Like the POR, the MNR supported land reform and nationalization of mineral resources, but the two leaders of the party at its creation, Carlos Montenegro and Augusto Céspedes were staunchly fascist, and thus pro-Germany in World War II. Their association with the Axis powers did not bode well for the party and by 1941, the party's most fascist members were exiled.¹⁷ Nevertheless, the party regrouped and in 1943 as the Republican regime in power was losing steam and the MNR came to partial power through a military junta led by General Gualberto Villarroel. Villarroel came from a politicized sect of the military which called for many of the social reforms that the left advocated for at the time. Under Villarroel some progress was made towards accomplishing those demands; most notably he held the first national Indian Congress in La Paz in 1945. But simultaneously, he cracked down on the political opposition. The military, in alliance with the US, weeded out Communist members of Bolivia's opposition by ordering the assassination of certain labor leaders and the persecution of their followers.¹⁸ Oppression became so overwhelming that popular revolt ensued and in July 1946, Villarroel was dragged from his home in La Paz and hung in the main plaza by civilian protesters.¹⁹ Needless to say, this looked disastrous for the MNR, and one might think that the party would dissolve entirely, but it wasn't down for long.

While the MNR regrouped for a second time, a key development was occurring among the working classes. The FSTMB (*Federación Sindical de Trabajadores de Bolivia*) issued what was known as the "Thesis of Pulacayo" a document outlining the revolutionary demands of the miners including the arming of workers, increased worker involvement in mine management,

¹⁷ Ibid., 188.

¹⁸ Halperin Donghi, *The Contemporary History of Latin America* 245.

¹⁹ Klein, *A Concise History of Bolivia*, 202.

and revolutionary strikes at the mines instead of economic ones.²⁰ The powerful unity of the miners put the MNR in a position where incorporating their demands into the party platform would be necessary if they hoped to regain political power in the country. With their support, by 1949 the MNR was back in full swing having replaced all traces of fascism and links to Villarroel with associations with labor organizations.²¹ Unrest across the country paralleled their rise; for two months in 1949 Hernan Siles Zuazo orchestrated a civilian-led armed revolt against the army, in what was something of a pre-cursor to the revolution. Although this revolt was a failure, the fighting helped to solidify the alliance between the middle and working classes that would become crucial in the revolution of 1952.²²

In 1951, the MNR finally won the general presidential election, but the party in power refused to relinquish control.²³ The population as a whole was frustrated by the overwhelming economic and political power of the mining oligarchy, incredibly unbalanced land distribution, as well as the lack of sovereignty and sufficient education for the indigenous majority. The conditions were ripe for revolt. In the first week of April 1952, the MNR armed the civilian population and fought a three day battle against the army that defended the existing government to seize power by force.²⁴ The MNR, which had middle class origins and consistently held middle class support, was able to create the unified force for the revolution by allying themselves with the working class and adding their demands to the party platform.

Unity across class boundaries was critical to catapulting the MNR to power, but the bond between the middle and working classes was not stable. This is not to say that the reforms made as a result of the revolution were not important, but, while the early demands of the working

²⁰ Ibid., 204.

²¹ Halperin Donghi, *The Contemporary History of Latin America* 278.

²² Skidmore, *Modern Latin America*, 169.

²³ Halperin Donghi, *The Contemporary History of Latin America* 278.

²⁴ Klein, *A Concise History of Bolivia*, 206-07.

classes were met through the nationalization of the mines and agrarian reform, Víctor Paz Estenssoro and the MNR quickly returned to addressing the needs of the middle class that they represented, and the so-called revolution was consolidated in a relatively short amount of time.²⁵

ii. **Secondary literature**

The work of many historians informed this viewpoint as the majority of scholars have concluded that the Bolivian Revolution, despite the establishment of a stable government and the implementation of reform, was a failure. The first set of sources blame the failure on the MNR because of their inability to maintain the goals of the revolution while a second set identifies the US-Bolivia relationship as the cause.

Christopher Mitchell, a political scientist, identifies the MNR's primary power base as the reason for the failure saying that the "turnabout resulted from the MNR's underlying identification with the middle class."²⁶ He writes that although the MNR "promised social and economic reform, the abolition of political privilege, and a nationalistic foreign policy, the party was unable to sustain these efforts . . . within five years after vaulting to power in 1952, the 'multi-class' party's policies had become socially divisive."²⁷ Mitchell's analysis is correct in asserting that the MNR's policies became divisive, but unity within the MNR is overemphasized in his work. Over the decades, the MNR changed its platform numerous times and it became increasingly difficult to define who the party represented. But in the context of the years immediately following the revolution, Mitchell's analysis rightly identifies a change within the MNR that results in the consolidation of the revolution.

²⁵ Halperin Donghi, *The Contemporary History of Latin America* 277.

²⁶ Christopher Mitchell, *The Legacy of Populism in Bolivia : from the MNR to Military Rule* (New York: Praeger Special Studies 1977), vii.

²⁷ Ibid.

Political historian James Dunkerley's early work *Rebellion in the Veins* supports this idea. In his chapter "Revolution in Retreat, 1956-1964" he writes on the continuation of the MNR regime and the dissolution of the unified revolutionary force, saying, "in practice that 'continuation' involved a concerted reversal of the revolution's initial radical impetus, extensive redefinition of its social content and a string of serious- at times violent- ruptures inside the political alliance that staged it."²⁸ The MNR's supporters during the revolution represented an alliance of classes, but when the party finally came to power, managing the expectations of all groups involved in the revolution became a problem.

Historians Jonathan Kelley and Herbert Klein in *Revolution and the Rebirth of Inequality* take a similar stance but approach the revolution from an empirical angle. Rather than a political analysis, this source takes a theoretical and economic approach to gauging equality within Bolivia as a result of the revolution. The study uses economic data to conclude that the initial restructuring of society caused by the reforms of the 1952 revolution did temporarily allow for some degree of equality among Bolivian citizens, but that over time, society restructured and new groups became marginalized.²⁹

Another source that doubts the effectiveness of the revolution is Latin American politics researcher Robert J. Alexander's piece *The Bolivian Revolution of 1952* written in 1958. Throughout his study he carries a strong pro-American, anti-communist perspective on the revolution, which occurred only 6 years before. He praises the MNR for enacting agrarian reform

²⁸ James Dunkerley, *Rebellion in the Veins: Political Struggle in Bolivia, 1952-1982* (Great Britain Verso Editions 1984), 83.

²⁹ Jonathan Kelley and Herbert S. Klein, *Revolution and the Rebirth of Inequality : A Theory Applied to the National Revolution in Bolivia* (Berkeley: University of California Press, 1981).

and for nationalizing the mines because of the social justice benefits that they had for the indigenous majority, but is also careful to note that the radical reforms should not continue.³⁰

A second set of sources names the US-Bolivia relationship as the culprit for the revolution's failure. Bolivia received large quantities of aid from the US following the revolution and a group of scholars have investigated the possible impact of this financial relationship on the legacy of the revolution.

Economic historian James Wilkie's analysis of the relationship between the US and Bolivia as of 1969 provides important data showing the magnitude of aid being provided. Wilkie identifies the visit of Milton Eisenhower to Bolivia in 1953 as being a key factor in maintaining the flow of aid from the US, as opposed to the implementation of more interventionist policies. He says, "this visit had provided a turning point in US relations with the MNR, henceforth the US State Department was to make the distinction that though the Bolivian Revolution was Marxist, it was non-Communist."³¹ He also notes that the aid being provided to the MNR was not used properly to stimulate the economy. It is perhaps this early misuse that led to the relationship of dependence on US aid in the decades to come. US historian James Siekmeier also addresses this economic influence in his recent book *The Bolivian Revolution and the United States: 1952 to the Present*. He argues that, in the US, "policymakers avoided the use of force and opted for economic assistance because they thought that only through such assistance could they maintain a friendly regime in La Paz".³² He suggests that the US feared that an even more radical party could come to power if the MNR was overthrown. Historian Kenneth Lehman's

³⁰ Robert Jackson Alexander, *The Bolivian National Revolution* (New Brunswick, New Jersey Rutgers University Press, 1958).

³¹ James Wallace Wilkie, *The Bolivian Revolution and U.S. aid since 1952; Financial Background and Context of Political Decisions*, ed. Johannes Wilbert, vol. 13, Latin American Studies (Los Angeles: Latin American Center, University of California, 1969), 8.

³² Siekmeier, *The Bolivian Revolution and the United States, 1952 to the Present*, 6.

work on the US-Bolivia relationship is similar to this argument but gives more credit to the leaders of the MNR for establishing a relationship of dependence with the US. He supports the idea that the MNR “recognized and used Bolivia’s dependency to forge a reciprocal if asymmetrical bond with a powerful US patron.”³³ The US- Bolivia relationship certainly did factor into the aftermath of the revolution in Bolivia, but this was only one of many influences on the course of history.

None of these scholars are wholly incorrect in their arguments, but the main points of their analyses should be considered as working together to influence the course of Bolivian history. The focus of this investigation on Víctor Paz Estenssoro allows for each of these influences to be understood as acting in cooperation, not as independent entities.

iii. Defining revolution and the Latin American context

Another element of consideration when discussing the nature of Bolivian Revolution is the Latin American context in which it occurred. If the Bolivian Revolution was so flawed and debilitated by its affiliation with the middle class and dependence on US aid, then what should it have looked like to deserve the title “revolution”? What is a revolution? And what makes a revolution different from other changes in political power?

‘Revolution’ is a heavy term that comes with a plethora of connotations depending on the historical context. In the most basic sense, a revolution is when a revolt dislodges the traditional oligarchy in power. Any other implications that might come to mind, like increased political participation for all aspects of society, cultural symbolism surrounding the revolutionary events themselves, or a definitive legacy of revolution, must be disregarded when defining the term in the purest sense. The Bolivian Revolution of 1952 bears this name because it was effective in

³³ Kenneth Duane Lehman, *Bolivia and the United States : a Limited Partnership*, ed. Lester D. Langley, The United States and the Americas (Athens, GA: University of Georgia Press, 1999), xiii.

removing the traditional oligarchy. In every other way, the Bolivian Revolution was unique because of the political, social, and economic elements that interacted to result in its almost immediate consolidation and long-term failure to maintain its original goals.

The Bolivian Revolution is often not included in the list of Latin American revolutions because of the swift breakdown of the alliance that dislodged the oligarchy and because it is considered in conversation with the two most well-known revolutions in Latin America: the Mexican Revolution (1910-1920) and the Cuban Revolution (1959). Bolivia's revolution falls between these two chronologically but also in revolutionary severity, and this comparison provides an opportunity to put Bolivia into perspective.

Mexico in 1910 and Bolivia in 1950 looked eerily similar and many scholars have compared the two. In the essay collection *Proclaiming Revolution: Bolivia in Comparative Perspective*, historians fleshed out this comparison and discovered that Mexico and Bolivia had structural similarities that caused similarly conducted revolutions, but that different international contexts following the revolution created different long-term outcomes.³⁴

An essay by Alan Knight argues that the fact that Mexico and Bolivia both had similar class structures in place at the time of their respective uprisings led to their similar revolutionary outcomes. He points out that both were governed by a small, elite oligarchy, both had a majority peasant population and both had a growing urban middle class. Revolutions came about in both places because this small middle class made an alliance with the majority peasant population in order to overthrow the government.³⁵ In Mexico, the PRI (*Partido Revolucionario Institucional*) who came to power through the revolution, did social reforms similar to the MNR, but then also

³⁴ Alan Knight, "The Domestic Dynamics of the Mexican and Bolivian Revolutions " in *Proclaiming Revolution : Bolivia in Comparative Perspective*, ed. Merilee Serrill Grindle and Pilar Domingo, David Rockefeller Center series on Latin American studies, Harvard University (Great Britain Institute of Latin American Studies 2003).

³⁵ Ibid., 57.

consolidated their revolution, strengthened the structure of the party, and exerted much more control over Mexican politics than the MNR was ever able to achieve in Bolivia. Mexico was governed by the PRI until elections in 2000 finally removed them from power, though only for two presidential terms.³⁶

Knight insightfully notes that the relationship that these countries had with the US played a key role in the essentially capitalist, and thus anti-socialist forms that they took. He says because of the role of the US, “The Bolivian Revolution, like the Mexican, remained essentially bourgeois-nationalist. That is to say, while it promised and enacted substantial reforms—abolishing agrarian ‘feudalism’, democratizing society, and nationalizing economic assets—it did not trespass beyond the pale of capitalism.”³⁷ The Mexican comparison helps us to understand why the Bolivian Revolution still bears such an impressive title despite the fact that it failed in many ways to maintain its original qualities in the years following the revolt.

Interestingly, the Cuban Revolution, which bears a similar title, is an entirely different beast. There are almost no similarities between what the MNR did to inspire revolution in Bolivia in 1952 and what Fidel Castro did in Cuba in 1959 to install his socialist regime. After gaining power, Castro nationalized the economy, allied Cuba with the USSR, established an authoritarian regime, and heavily promoted egalitarianism through extensive state-intervention in daily life.³⁸ The Cuban Revolution happened 7 years after the Bolivian Revolution and it redefined the term. Because of Cuba, revolution in Latin America became synonymous with communist overthrow.

These two abrupt changes in power in Latin America both bear the name ‘revolution’ like the Bolivian Revolution in 1952 because they removed the traditional elite from power. The

³⁶ Skidmore, *Modern Latin America*, 75-77.

³⁷ Knight, "The Domestic Dynamics of the Mexican and Bolivian Revolutions " 75.

³⁸ Skidmore, *Modern Latin America*, 125.

Bolivian Revolution does not appear in the list of Latin American revolutions because the Mexican Revolution originally defined the term and the Cuban Revolution turned that definition upside down. Bolivia fell between the two major landmarks that historians use to define term, but the one aspect that they all have in common, which is often overlooked in the case of Bolivia because of what happened soon after the events of April 1952, is that they all removed the traditional oligarchy. What is also important to take away here is that Víctor Paz Estenssoro used his association with the revolution for political gain.

iv. A revolution in the moment and in rhetoric

We know that the Bolivian Revolution, specifically in its time, made significant reforms that widely affected the population and impacted the course of that country's history. But the impacts of the original reforms themselves were significantly decreased over time due to a number of influences that will be discussed here. Though that may impact our understanding of what a successful revolution is, we must understand that Víctor Paz Estenssoro and the MNR adopted and heavily promoted the word because they had effectively dislodged the oligarchy in 1952 and it was to their advantage to use the symbolism of revolution to promote their other reforms. As this investigation will show, Paz's connection to the revolution was a background feature that helped him to justify the nationalization of the tin mines in 1952, agrarian reform in 1953, and gain popular support for his presidency in 1985 to do structural adjustment.

IV. NATIONALIZATION OF THE MINES (1952):

On October 31, 1952, six months into the MNR's first administration, Víctor Paz Estenssoro addressed the nation to announce that Bolivia's three largest tin mines, Patiño, Hochschild, and Aramayo, would be nationalized. He declared that "the riches of Bolivia now belong to the Bolivians and our homeland is the owner of its destiny."³⁹ The decision to nationalize was a tenet of the revolution in April of 1952 and was heralded by many as an important measure attributed to Víctor Paz Estenssoro. An illustrated biography of Paz published by the MNR called the act of nationalization a "transcendental postulate".⁴⁰ But, in the context of Paz's political career and Bolivian history as a whole, what were the influences behind this decision to nationalize the mines? This analysis of Paz's nationalization initiative will show that the decision was justified within its context because dismantling the economic and political power of the small mining oligarchy was something from which nearly all Bolivians benefitted, the nationalization was executed in a way that allowed for continued positive relations with the US amidst Cold War conditions, and Paz's rhetoric from the beginning emphasized the practicality of the policy in the moment but that the nationalization might not always be the most sensible permanent solution to Bolivia's economic woes.

i. Historical background

It is important first to understand the economic and political context of this policy as the climate in Latin America as well as conditions within Bolivia both played key roles in facilitating the nationalization of the country's minerals. The territory that now constitutes Bolivia has always contained high concentrations of minerals including silver and tin. The Spanish exploited and controlled mineral and agricultural resources across Latin America until

³⁹ "las riquezas de Bolivia son ya de los bolivianos y la Patria es dueña de su destino" Paz Estenssoro, *Discursos y mensajes* 30.

⁴⁰ "postulado transcendental," Jorge Coimbra, *Victor Paz Estenssoro: Biografía Ilustrada* (La Paz, Bolivia 1960), 36.

the independence movements of the early 1800s gave power to new oligarchic regimes. These regimes, which held power through the 1920s, also based their economies on the exploitation of natural resources, leading to a dependence on primary commodity exports.⁴¹

In the 1930s, economic crises weakened the power of the traditional elites and new populist regimes took control with the intention of reducing Latin America's dependence on primary commodity export by encouraging industrialization. In order to stem this dependence on larger capitalist powers, Latin American countries began increasing the participation of the state in the national economy to balance the influence of wealthy international forces. Argentina in the late 1940s under Juan Perón nationalized the British owned railways, the leading telephone company, and French-owned dock facilities.⁴² Mexico had nationalized its oil in 1938 and Brazil under Getulio Vargas did the same in 1951.⁴³

Bolivia was particularly dependent on the boom and bust cycle of the tin market so the trend of state interference in national economies provided an opportunity to take control of this sector of the economy and invest revenues in development in Bolivia. The nationalization of the tin mines would prevent the profits of the industry from going elsewhere. By 1952 the majority of the tin wealth was controlled by the three families that owned the largest mines: Patiño, Aramayo, and Hochschild. These families, who were referred to collectively as "la Rosca", traded almost exclusively in the international market, and kept their wealth in foreign banks, which meant that there was no industrialization or economic development occurring within Bolivia.⁴⁴ It is important to note that the wealth being generated from the Bolivian tin industry during this time was not going to one particular place. Neither the US nor a particular European

⁴¹ Skidmore, *Modern Latin America*, 371-72.

⁴² *Ibid.*, 251.

⁴³ *Ibid.*, 60, 322.

⁴⁴ Klein, *A Concise History of Bolivia*, 157-58.

country was in complete control of spoils from the tin trade. The fact that three particular families benefitted from private control of the tin industry meant that these three families, as far as the Bolivian population was concerned, was responsible for Bolivia's poor economic condition.

Shortly following the revolution, under pressure from the organized labor union called the COB (*Central Obrera Boliviana*- Bolivian Workers Central) to nationalize the mines without compensation to the owners, Paz proposed a compromise for the dissenters- the mines owned by la Rosca would be expropriated, with indemnification to the owners, and a state owned mining company would be created called COMIBOL (*Corporacion Minera de Bolivia*).⁴⁵

The context surrounding the nationalization helps to explain why Paz opted for this choice and it helps us understand why he justified the decision in the way that he did. Bolivia was not the only country in Latin America trying to encourage economic development. Increasing state control of national economies was becoming an acceptable way to prevent the wealth generated from local natural resource exploitation from being controlled by a select number of individuals whose interests lay outside of Latin America. When workers began to organize and advocate for the nationalization of the mines, Paz was able to both satisfy their demands and create the potential for economic growth in Bolivia. Paz's speeches provide more evidence of the practicality of this decision by asserting that the nationalization was a reform necessitated by centuries of foreign exploitation, by claiming that the US should not be concerned with the appearance of this policy despite widespread fears of communism in the post-war period, and by articulating that creating COMIBOL was a temporary solution to Bolivia's development problem.

ii. A collective history of oppression

⁴⁵ Ibid., 213.

Paz began each speech by painting a picture of oppression in Bolivia and building a collective history around the need to return the wealth of the Bolivian mines to the people. Three separate collections of speeches published by the MNR document Paz' references to exploitation under the Spanish empire, the flow of capital outside of Bolivia perpetuated by the tin barons, and the various massacres of miner protests over the years as evidence to support the historical justification for the nationalization of the mines. By building this narrative, he further asserts that Bolivia's past necessitated the policy.

The entirety of the speech announcing the nationalization on October 31, 1952 deals with the past abuses suffered by Bolivians because of mining. First he addressed the colonial era, matter-of-factly saying, "It is not necessary to refer to the colonial stage of our history in which a constant flux of silver wealth was extracted from the heart of Upper Peru, by the exhausting work of the *mitayos*, giving power and splendor to the Spanish Empire."⁴⁶ By using the word *mitayo*, Paz makes a reference to the *mita* system: a wage labor system created by the Incas but coopted by the Spanish to control the conquered Bolivian population. Under the Incas, *mitayos* had short term labor jobs which they did in exchange for room and board for themselves and their families.⁴⁷ When the Spanish took control of the system they did not determine the lengths of labor terms nor provide room or board. They put most of the laborers to work in the silver mines and paid them less than a living wage.⁴⁸ This is a historically loaded term- it encourages the listener to think of the way that the Spanish took something that belonged to the Incas, and turned it against them.

⁴⁶ "No es necesario referirse a la etapa colonial de nuestra historia en que un flujo constante de la riqueza argentífera extraída de las entrañas del Alto Perú, por el agotador trabajo de los mitayos, dio poderío y lustre al imperio hispano." Paz Estenssoro, *Discursos y mensajes* 24.

⁴⁷ Klein, *A Concise History of Bolivia*, 19.

⁴⁸ *Ibid.*, 39.

He continued on this trend by laying out a timeline of the oppression. He said, “In Upper Peru, the greed of the conquerors turned our grandparents into slaves; at the same time, during the Republic, the introduction of modern extraction methods turned our parents into wage laborers, and, at the end of the last century, when tin began to contribute to the world market, they joined the enormous machinery of exploitation that made our nation poorer and poorer.”⁴⁹ Paz wove the history of tin mining into the history of Bolivia in such a way that it appeared as the two were inseparable. He used familiar terms to describe the injustices suffered at the hands of the mining industry; bringing the exploitation closer to home.

The next piece of the narrative that he focused on was the history of the flow of capital outside of Bolivia. He spoke of the way that la Rosca distributed its funds outside of the country which prevented Bolivia from industrializing. He said, “Patiño organized his company incorporating it into the United States, Aramayo did the same with his, registering it in Geneva. The tin barons sought to escape the small and just requests of the Bolivian state, and prudently established links with foreign interests to later invoke the protection of other governments” and subsequently blamed these connections for Bolivia’s suffering following the stock market crash of 1929.⁵⁰ Paz emphasizes the fact that the tin barons were not participants in the Bolivian economy, and yet they still controlled the wealth from the tin mines. Paz’s message is that, just like during the colonial era, the wealth being generated in Bolivia was leaving, and bringing back this wealth would be necessary to decolonize and develop.

⁴⁹ “En Alto Perú, la codicia de los conquistadores convirtió en mitayos a nuestros abuelos; durante la Republica paralelamente a la introducción de métodos modernos en la extracción de minerales, se hizo asalariados a nuestros padres y a fines del siglo pasado, cuando el estaño empieza a cotizarse en el mercado mundial, se montó la enorme maquinaria de explotación que hizo de la nuestra una nación cada vez más pobre.” Paz Estenssoro, *Discursos y mensajes* 30.

⁵⁰ “Patiño organizo una compañía incorporándola en los Estados Unidos, y Aramayo hizo lo propio con la suya, registrándola en Ginebra. Los barones del estaño buscaron así escapar a las pequeñas y Justas exigencias del Estado boliviano, y previsoramente establecieron vincularse con intereses extranjeros para invocar después la protección de otros gobiernos” *ibid.*, 25.

The most powerful piece of his unifying rhetoric is his reference to the massacres in mining communities by la Rosca. He focused in particular on the Catavi Massacre of 1942, wherein a strike by miners for higher wages at one of Patiño's largest mines was violently put down by Patiño's forces. Hundreds of unarmed miners were killed as troops opened fire on the crowds.⁵¹ After this incident, miner strikes became more frequent and more violent. The *New York Times* covered a similar story at the same mine in 1949 when 150 miners were killed in a conflict between armed, rioting miners and troops.⁵² Paz delivered the speech announcing the nationalization at the Catavi Mines, which he said were, "still wet with the blood spilled in the massacre."⁵³ By referring to the massacres which were undoubtedly in recent memory of the audience he addressed, he made a strong case that the oppression faced over centuries needed to end. Paz's mention of exploitation by the Spanish, economic exclusion from the world market, and literal loss of life in the mining industry, had the ability to strike a chord with both the poorest indigenous peasant, and the middle class intellectual.

iii. International perception

Paz also took measures to assure the international audience that the nationalization of the mines did not mean that Bolivia was instating anything that resembled a socialist or communist policy. In the increasingly polarized post-WWII global environment, redistribution of wealth in any way came under exceptional scrutiny from the US. Paz clarified the position of the Bolivian government by making explicit reference to the fact that the mine owners should and would be compensated for their property and by openly declaring his allegiance to the private sector.

Paz made it clear that, despite pleas from the left to liquidate the three mining corporations, the Bolivian government would provide indemnification to the mine owners. He

⁵¹ Klein, *A Concise History of Bolivia*, 200.

⁵² The United Press, "150 Dead in Bolivia in Tin Mine Strike; 2 Americans Slain," *New York Times* May 30 1949.

⁵³ "húmedo todavía de la sangre derramada en la masacre" Paz Estenssoro, *Discursos y mensajes* 30.

said in his October 31 address, “The facilities, buildings, inventions, camps, etc., of property belonging to the groups Patiño, Hochschild, y Aramayo, have been expropriated. The state will pay a just price for them . . . We want to be fair even to those who were never fair with us.”⁵⁴

Paz’s words reinforced the idea of restoring justice to the Bolivian people, through means that would establish a pattern of fairness going forward.

Later, Paz tackled the theme of the private sector saying, “The nationalization of the mines . . . does not mean that the Government of the National Revolution, is an enemy of private industry. To the contrary: we have nationalized the three largest mines because we want to create new opportunities for private industry.”⁵⁵ Paz may have delivered his speech in front of a crowd of miners at Catavi, but he went out of his way to acknowledge that he was not attempting to lead Bolivia down a path towards more state control. His rhetoric leaves the listener with the idea that this nationalization would be beneficial to all Bolivians.

On two separate occasions, Paz also made direct reference to those in the United States who were likely listening to his reasoning behind nationalizing the country’s largest private enterprises. In the same speech on October 31, 1952 he said,

It would be a serious error on behalf of the government of the United States to assume an attitude that would signify protection of the Patiño, Hochschild, and Aramayo businesses. With that attitude they would appear before the eyes of the continent to favor the inhuman paralyzation, in favor of three individuals, of a regime of oppression, misery, and massacre, that has affected three and a half million people. Nevertheless, in our defense, I believe we relate with the solidarity and unanimous support of all the American countries that see that Bolivians are doing their part in the second war for American independence.⁵⁶

⁵⁴ “Las instalaciones, edificios, ingenios, campamentos, etc., de propiedad de las empresas que integran los grupos Patiño, Hochschild y Aramayo, han sido expropiados. El Estado pagara por ellas su justo precio . . . Queremos ser justos hasta con quienes no lo fueron nunca” *El pensamiento revolucionario de Paz Estenssoro*, 128. *Discursos y mensajes* 37.

⁵⁵ “La nacionalización de las minas. . . no significa que el Gobierno de la Revolución Nacional, sea enemigo de la iniciativa privada. Todo lo contrario: porque queremos abrir nuevas perspectivas a la iniciativa privada, hemos nacionalizado las tres grandes minas.” *El pensamiento revolucionario de Paz Estenssoro*, 130.

⁵⁶ Sería un grave error el del gobierno de los Estados Unidos, asumir una actitud que significaría protección a las empresas de Patiño, Hochschild y Aramayo. Con esa actitud no haría más que aparecer ante los ojos del continente

Here Paz addressed the US directly, emphasizing the injustice that would come from supporting the few powerful tin barons, but he also put Bolivia in conversation with other Latin American countries. By calling the struggle to decolonize a “war for American independence” he implied that Bolivia and its Latin American neighbors needed to employ new strategies to combat the legacy of colonialism, and that interference by the US would only perpetuate the oppression.

Paz also made direct reference to the international climate when he compared Bolivia’s tin nationalization program to Iran’s flirtation with oil nationalization in a speech he gave in 1954. In the early 1950s Iran’s democratically elected prime minister, Mohammed Mossadegh advocated for the nationalization of Iran’s oil to lessen the influence of British oil companies. In 1953, with the conviction that Mossadegh was a communist, British intelligence in collaboration with the CIA orchestrated a coup that removed Mossadegh from power and instated a dictator who would rule in the country until 1979.⁵⁷ Unlike oil, tin was not extremely valuable at the time of Bolivia’s nationalization, which meant that Paz was not subject to the international supervision that Mossadegh faced. Nevertheless, in a speech Paz made it clear that although he also nationalized his country’s highest grossing industry, he should not be considered a communist like Mossadegh was.

Within Bolivia, the left advocated for a total liquidation of the mines, but Paz reminded his audience of what happened to Iran when Mossadegh considered even expropriation of the oil companies. In making this comparison Paz made his case for the indemnification paid to la Rosca. The timing here is important, Mossadegh was removed in 1953, but nationalization in

en una inhumana paralización para perpetuar en favor de tres personas, un régimen de opresión, de miseria, y de masacre, que afecta a tres millones y medio. En nuestra defensa, sin embargo, creo que contaremos con la solidaridad y el respaldo unánime de todos los pueblos de América que ven que el boliviano está cumpliendo su parte en la segunda guerra por la independencia americana.⁵⁶ *ibid.*, 132.

⁵⁷ James Risen, “The CIA In Iran-Key Events in the 1953 Coup,” in *Secrets of History: The CIA in Iran* (The New York Times, 2000).

Bolivia had already happened in 1952. At the time of this speech, the mines had been nationalized but full compensation to the mine owners had not yet been provided. In this speech Paz stressed that in order to continue the revolution Bolivia had to pay its dues. In this speech delivered at a conference in February 1954 he said,

[Paying indemnification] was essential and is proof of the realistic criteria with which the government is acting. If we had closed, like the Government of Mossadegh in Iran, without paying indemnification . . . we would have created the conditions for the overthrow of the Government of the National Revolution and the businesses would have entirely recovered the mines. In exchange for paying a little indemnification we have continued to sell our tin and the mines remain under our control.⁵⁸

Paz's repeated references to the compensation that the mine owners would receive is important in an international context. He stressed that compensation, though undesirable in the short term, would be better for Bolivia in the long term because it would keep the MNR in power. Through his rhetoric he sent the message that the US need not be concerned by Bolivia, at least not concerned enough to throw the MNR from power.

iv. Nationalization as a temporary measure

Paz also justified his decision to nationalize by implying in his rhetoric that it should be considered at best a temporary remedy for Bolivia's economic underdevelopment. In speeches throughout his career leading up to the privatization that he ordered in 1985, he implied that COMIBOL was being mismanaged and that consequently Bolivia should not be entirely dependent on the revenue gained from the national mining industry.

At first, immediately following the nationalization, Paz was publicly optimistic about the ability of COMIBOL to manage the mines. In his October 31 1952 speech he said, "We have

⁵⁸ "[Pagar indemnización] era indispensable hacer y es una prueba más de criterio realista con que está actuando el Gobierno. Si nosotros nos hubiésemos cerrado, como el Gobierno de Mossadegh en el Iran, en no pagar indemnización alguna, con tal pretexto no nos habrían comprado estaño; al no comprarnos habríamos aguantado tres o seis meses, pero al generalizarse una situación de hambre y miseria se habrían creado condiciones para que fuera derrocado el Gobierno de la Revolución Nacional y las empresas habrían recobrado íntegramente las minas. En cambio pagando una pequeña indemnización hemos seguido vendiendo nuestro estaño, las minas siguen en nuestro poder." Paz Estenssoro, "La situación económica de Bolivia: La revolución nacional trabaja para el futuro " 346.

absolute assurance that the nationalized mines will be operated efficiently.”⁵⁹ But only a year later he was showing doubts that the mining industry should stay nationalized in a world climate that no longer favored tin, nor any other mineral. At an address in 1953 he stressed that Bolivia cannot depend solely on minerals, and that agriculture needed to be the next frontier. He said, “It seems as though we are approaching the final cycle of tin. . . We need foreign currency. We should work in what brings foreign currency without judgement of our plans for agricultural development.”⁶⁰ Here we see how Paz illustrates the need for international currency, and how minerals are not going to provide that; but maybe agricultural production will.

Later, Paz also advocated for the expansion of the oil industry instead of mining. In a 1961 speech, interestingly titled “The National Revolution is an Irreversible Act”, he hinted that the nationalization of the mines should in fact be considered reversible, in favor of other more profitable ventures.⁶¹ He said, “the oil production of the state is particularly important in making up for [the losses] of the mining industry.”⁶² In nationalizing the mines, Paz was complying with a demand that the population thought would lead to economic independence, but Paz’ speeches show that he’s most interested in making sure the state-run mining industry was an asset rather than an economic burden.

In the MNR’s “Government Program” for Paz’ 3rd term as president (1960-1964), he outlines the inefficiency of COMIBOL in handling the mining industry and highlights a long list of suggestions for improving management. These included an administrative reorganization of COMIBOL, strengthening economic management, developing a “political labor action” to

⁵⁹ “Podemos tener la absoluta seguridad de que las minas nacionalizadas han de ser operadas eficientemente” *El pensamiento revolucionario de Paz Estenssoro*, 131.

⁶⁰ Parece que estamos llegando al ciclo final del estaño. . . pero nosotros no podemos dejar las minas; la naturaleza ha marcado el signo de Bolivia. . . Nosotros necesitamos divisas. Debemos trabajar aquello que nos va a proporcionar divisas, sin perjuicio de nuestros planes de desarrollo agrícola.” *Ibid.*, 149.

⁶¹ “La revolucion nacional es un hecho irreversible de nuestra historia.”

⁶² “la producción del petrolero es particularmente importante en lo que se refiere la minería.” *Ibid.*, 7.

represent the interests of the miners and the state, correct interpretation and administration of the requirements of the COB within COMIBOL, wage reform for miners, the development of a plan for efficient extraction of remaining mineral reserves, and a reassessment of the remaining indemnities to be paid to the former owners.⁶³ Paz' detailed description of the problems facing COMIBOL, showed his increasing distrust in the state management of the nationalized mines.

More hints at inefficiency within COMIBOL surfaced in an address delivered in January of 1964, the same year that Paz would be removed from power by a military junta. He said, "We nationalized the mines and stopped the suction, but we have to also confess that because we are revolutionaries we made several mistakes in the management of the mines once they were under state control. (Applause). We managed them with political criteria . . . when we should have handled them with economic criteria, because they were state enterprises."⁶⁴ This quote is especially representative of the consolidation of the Bolivian revolution- Paz asserted that the nationalization was an important revolutionary measure, but as conditions changed, the revolution needed to be revisited. By identifying the mistakes in handling the nationalized mines he showed his continually deteriorating support for state-controlled enterprises.

Augusto Guzman in his 1986 biography of Paz Estenssoro claimed that the president knew all along that the mining industry would not fare well under state ownership and that the nationalization would only be temporary. He wrote, with a hint of sarcasm, that the mines were failing and that "Paz knew that, and said in one of his speeches that the cycle of tin was ending as had ended the cycle of silver. Who would have believed it! The nationalization of the mines

⁶³ "acción político laboral" Revolucionario, "Programa de gobierno Movimiento Nacionalista Revolucionario, tercer gobierno de la revolución nacional, 1960-1964: Aprobado por la VIII Convención de M.N.R.."

⁶⁴ "Nacionalizamos las minas y detuvimos la succión, pero hay que confesar también, porque somos revolucionarios, que nos equivocamos en una serie de medidas, en el manejo de las minas una vez que estuvieron en poder del estado. (Aplausos). Las manejamos con criterio político, pero todavía, con politiquería, cuando había que manejarlas con criterio económico, porque eran empresas del Estado. (Aplausos)." Paz Estenssoro, *La revolución boliviana* 23.

only served to administer the agony of an industry condemned to extinction.”⁶⁵ Guzman asserted with the benefit of hindsight that Paz knew the fate of the mining industry and saw it as an opportunity to gain a symbolic victory for the revolution, but not a real advancement towards economic independence.

In Trigo D’Arlach’s book *Conversations with Víctor Paz Estenssoro* published in 1999, Paz is quoted in an interview with the author saying, “The Nationalization of the Mines, with respect to the advantages for the country from extracted wealth, was not successful, but as an achievement towards the power of decision, it was a liberating advance.”⁶⁶ Though it was a temporary measure with limited economic success, Paz insisted it had a lasting impact on Bolivia’s efforts towards economic independence.

Paz’s rhetoric shows how he navigated the context surrounding the decision to nationalize the tin mines. He presented the policy as necessary by describing a history of oppression and exploitation, he justified the decision in the international climate by putting emphasis on the indemnification being paid to the previous owners and advocating the importance of the private sector, and he publicly addressed management inefficiencies and issues with the effectiveness of this policy in the long run for creating economic prosperity in Bolivia.

⁶⁵ “Después de todo la Gran Minería se encogió de hombros y lo dejó todo a una posteridad desgraciada cada vez más improductiva y decadente. Paz sabía eso, y dijo en uno de sus discursos que el ciclo del estaño ya estaba pasando como pasó el ciclo de la plata. ¡Quien lo creyera! La nacionalización de las minas sólo sirvió para administrar la agonía de una industria condenada a la extinción.” Augusto Guzman, *Paz Estenssoro* (La Paz - Cochabamba, Bolivia: Editorial Los Amigos Del Libro 1986), 117.

⁶⁶ “La Nacionalización de la Minas, en cuanto al aprovechamiento por el país de la riqueza extractiva, no fue un éxito, pero como el logro de un poder de decisión, fue un avance emancipador.” Trigo O’Connor d’Arlach, *Conversaciones con Víctor Paz Estenssoro*, 124.

V. AGRARIAN REFORM (1953):

Similar to Paz's decision to nationalize the mines, agrarian reform was a policy that served as a response to the social and economic context within Bolivia and internationally. Socially, unrest in the countryside necessitated agrarian reform to legitimize landholdings that had already been seized by rebelling peasants. The reform was a way to legally free the indigenous majority from exploitation by landowners and thus secure their support for the rest of his political career. Agrarian reform was also intended to encourage economic development by breaking up large landholdings held by very few and giving land, and fostering productivity, among the disempowered majority. In response to the need for reform, Paz's speeches show that he justified this decision by again drawing on a collective history of oppression by colonial powers and by strengthening his image as a revolutionary hero. To appease the urban and international audiences watching this reform, Paz also highlighted its economic benefits. Interviews conducted with a wide range of Bolivians in the 1950s and 1960s reveal that despite Paz's aims to please everyone, responses from the public revealed problems in the reform's execution.

i. Historical background

The decision to redistribute land within Bolivia was one rooted in regional and local historical conditions. At the time of the Bolivian Revolution, the only other example of tested agrarian reform was in Mexico from 1934-1940 but Bolivia's reform in August of 1953 was one of three that occurred in the 1950s with Guatemala's in June, 1952 and Cuba's in 1959.⁶⁷

The comparison between Bolivia and Guatemala is important to discuss here since both countries did land reform around the same time, though with drastically different results. In 1952 Guatemalan president Jacobo Arbenz extended an existing agrarian reform program to include uncultivated lands, which threatened the majority of the territory controlled by the American-

⁶⁷ Skidmore, *Modern Latin America*, 61, 104, 24.

owned United Fruit Company. Incensed by the redistribution of American-owned private property and using accusations of communism, the CIA deposed Arbenz in 1954 and reversed the reform.⁶⁸ Víctor Paz Estenssoro in 1953 did not know what would happen to Arbenz in 1954 as a result of Guatemala's agrarian reform, but both these leaders saw that many factors in their respective countries required the implementation of land reform programs.

Reform was needed in Bolivia to address extreme inequality of land distribution and unrest caused by the mobilized peasant population during the revolution. In Bolivia in 1952, 6% of landowners (owning 100 hectares or more), controlled 92% of all cultivated land in Bolivia. The rural landscape was dominated by haciendas upon which peasants would labor under the *pongueaje* (personal service obligation) system. Although the system was not one of slavery or debt peonage, it compelled the majority indigenous peasants to work on these large *latifundios* because there was no other option.⁶⁹ In addition to being oppressive, land and labor use in this fashion inhibited the agricultural production necessary to feed the Bolivian population. As large landowners produced fewer crops, and more peasants were required to work the land, Bolivia turned to imported agricultural products to feed the masses.⁷⁰ The inefficiencies of agricultural production alone were enough to warrant land reform but popular mobilization on the subject solidified the need for change.

The problems with the hacienda and *pongueaje* system were many, but, because the crisis hardly affected the urban population, there was little motivation for the elite to address it. During the years leading up to the revolution peasants began seizing land in the highlands for themselves, essentially redistributing land by force.⁷¹ Reform was needed to legitimize the land

⁶⁸ Halperin Donghi, *The Contemporary History of Latin America* 271.

⁶⁹ Klein, *A Concise History of Bolivia*, 210.

⁷⁰ Ibid., 211.

⁷¹ Hylton, *Revolutionary Horizons: Past and Present in Bolivian Politics*, 78.

distribution that was already happening, and to prevent full-scale revolt in the countryside. In January 1953, the MNR established an Agrarian Reform Commission and on August 2nd, 1953 the Agrarian Reform Act was passed.⁷²

The act itself legitimized the landholdings already seized, broke up all remaining haciendas, and ended the pongueaje system. The reform also stimulated migration to the unoccupied lowlands. Many indigenous peasants of Quechua and Aymara origins migrated there to establish their own haciendas which, although it caused the displacement of some lowlands tribes, stimulated economic development. The Agrarian Reform Act and the indigenous voting rights act both served to satisfy the demands of the long oppressed indigenous majority and popular resistance on their part fell silent.⁷³ Unlike the nationalization of the mines, which affected primarily the mining communities and was eventually reversed, agrarian reform had a widespread positive impact on the indigenous population that lasted for decades. As a result of this policy the indigenous population became a bastion of conservative support for the MNR government.⁷⁴

ii. Creating and maintaining the revolutionary image

Paz's speeches and MNR documents show that Paz angled the presentation of this policy towards the rural indigenous populations by lacing it with revolutionary fanfare. Rather than focusing on existing unrest, he again projected a historical narrative around a collective experience of oppression at the hands of landowners. His rhetoric focused extensively on the need to empower these oppressed populations through land reform.

Paz opened the speech declaring the reform by saying, "Today, the 2nd of August 1953, ends a long period of more than four centuries of oppression for the peasants of Bolivia. The

⁷² Klein, *A Concise History of Bolivia*, 214.

⁷³ Skidmore, *Modern Latin America*, 170.

⁷⁴ Klein, *A Concise History of Bolivia*, 216.

Government of the National Revolution has dictated the Decree of Agrarian Reform that gives the land to those who work it.”⁷⁵ Alluding to the context of revolution behind his words, Paz empowered the peasant population, stressing that the reform was above all, for them.

In a recap of agrarian reform in his “Government Program” for the term beginning in 1960 he took this history back even further, highlighting the fair land development practices of the Incas through the brutal exploitation of the Spanish. He wrote, “In the time of the Incas, the economic base of the Kollasuyo was based in the exploitation of the land in a regimen of collective work,” and then “The arrival of the Spanish caused the installation of a semi-feudal system in the countryside, that privatized the property of the land and suppressed the peasants masses into slave labor.”⁷⁶ The timeline that Paz lays out here is similar to his rhetoric on the nationalization of the mines; the Incas had one way of managing the land and the Spanish ruined this legacy. Agrarian reform provided the opportunity to bring justice to the peasant population.

An illustrated biography written and illustrated by Jorge Coimbra in 1960, published by the MNR government, also helps to shed light on the way the reform was presented (Figure 1). The book was written to look like a comic book. It portrays Paz as a glasses and suit clad hero of the Bolivian revolution. There is a two page spread on agrarian reform alone and the imagery illustrates these historical themes. The first page shows Paz in a crowd of presumably indigenous men in ponchos and ear-flap hats, one who grins as he gives the peace sign, the MNR party symbol, while another embraces Paz out of gratitude. Below, Paz himself appears smiling and

⁷⁵ “Hoy día 2 de Agosto de 1953, acaba un largo periodo de más de cuatro siglos, de opresión para los campesinos de Bolivia. El Gobierno de la Revolución Nacional, ha dictado el Decreto de Reforma Agraria que da tierra a quien trabaja.” Paz Estenssoro, *El pensamiento revolucionario de Paz Estenssoro*, 61.

⁷⁶ “En la época del inkario, la base de la economía del Kollasuyo radicaba en la explotación de la tierra mediante un régimen de trabajo colectivo,” “La llegada de los españoles determino la instalación de un sistema semifudal en el campo, que privó de la propiedad de la tierra y sometió a trabajos serviles a grandes masas campesinas,” “susistió el régimen semifudal en el agro, en el que el indígena trabajaba en forma gratuita. . . cumpliendo obligaciones serviles. Revolucionario, “Programa de gobierno Movimiento Nacionalista Revolucionario, tercer gobierno de la revolución nacional, 1960-1964: Aprobado por la VIII Convención de M.N.R.,” 41.

giving a peace sign while wearing an ear-flap hat next to a crowd of indigenous people. One of the heads of these men, the one closest to the bottom of the page, has the head of donkey immediately next to him. It almost looks as if the donkey and the man are equals in viewing the rest of the scene, possibly representing the animal-like treatment of indigenous people. Another common theme on this page is the shovel. A large shovel at the top of the page serves a textbox in which Coimbra describes the speech where he announced the Agrarian Reform. A procession of indigenous men can also be seen at the bottom of the page, marching to pan flute music, each with a shovel in their hands. The image suggests new land for these people to dig their shovels into and a fresh start for the indigenous population.⁷⁷

The second page shows a barefoot indigenous man operating an old plow alongside a smaller photo of a modern tractor. A large hand with dirt slipping through the fingers is above the tractor photo. This page again outlines the plight of the indigenous people, working for generations with outdated technology as the land they worked literally slipped through their hands. But it also portrays hope through new technology, like tractors. The presentation of agrarian reform through the history of oppression against indigenous people possibly helped Paz to gain support from the rural populations. But the urban population and the international community watching from afar needed to get something different from the policy, which is where a second theme in his rhetoric comes in: economic development.⁷⁸

iii. The urban and international audience: land reform for economic development

In Latin America at this time, agrarian reform as a means for economic development was gaining popularity. As previously stated, Mexico started the trend in 1934, Guatemala expanded existing agrarian reform in 1952, Bolivia following in 1953 and the Cuban Revolution of 1959

⁷⁷ Coimbra, *Victor Paz Estenssoro: Biografía Ilustrada* 42.

⁷⁸ *Ibid.*, 43.

marked the end of the trend. In addition to the focus on peasant liberation, Paz articulated in his speeches and interviews that this policy would also aid Bolivia's economic development by increasing agricultural production and, in disassembling large landholdings, provide opportunities for upward mobility among the landless. This emphasis on land redistribution for the development of the country as a whole helped justify his actions to the urban Bolivian populations and the international community, who may not have otherwise supported such measures.

Paz emphasized this from the beginning saying in the opening speech, "The Agrarian Reform signifies not just the repairing of centuries of injustice from the human point of view, but also the incorporation of peasants into the monetary economy and opening the internal market for possible industrial development."⁷⁹ The emphasis on the economic benefits was included in Paz's speech because the urban and international populations watching obtained no immediate benefits from the reform. Paz reassured them by saying that the participation of the peasants in the economy would lead to larger scale development and would thus be beneficial for everyone, not just the peasants themselves.

Paz echoed these sentiments again in a 1999 interview for one of his biographers when he said, "The norms that regulated the working of the land involved an irritating injustice and, at the same time, constituted an obstacle for the progress of the country."⁸⁰ Certainly by breaking down large estates and giving them to the peasants that worked them, the small number of landowners would be economically hurt. But by incorporating the peasant population into the economy Paz

⁷⁹ "La Reforma Agraria que significa no solamente reparar una injusticia de siglos desde el punto de vista humano, sino también, liberar fuerzas productivas y crear condiciones para el desarrollo económico nacional, al incorporar a la economía monetaria a los campesinos ampliando el mercado interno para un posible desarrollo industrial." Paz Estenssoro, *El pensamiento revolucionario de Paz Estenssoro*, 72.

⁸⁰ "Las normas que regían el trabajo de la tierra, entrañaban una irritante injusticia y, a la vez, constituían un obstáculo para el progreso del país." Trigo O'Connor d'Arlach, *Conversaciones con Víctor Paz Estenssoro*, 125.

was hopeful that industrialization would finally occur. The economic growth from industrialization would be something everyone could benefit from, especially those in the cities and watching from abroad.

Paz addressed criticisms of the reform in a speech given in 1961 on the 9 year anniversary of the Bolivian Revolution. He reflected on the reform saying that at the time “we were considered heretics and called extremists. But today’s world walks a revolutionary path, especially in the immense areas of underdevelopment, and Agrarian Reform is a recommendation that is an indispensable measure for all countries that want to start the route to economic progress. The Agrarian Reform is the most transcendental measure in this historic process.”⁸¹ Referring to the now widely accepted idea of state involvement in land reform and the economy in general, he justified his action by saying that it was the first of a trend.

iv. Results

Of course the reform did not go un-criticized. Interview notes from research done by American scholar Robert J. Alexander reveal many opponents of the land reform initiative on the basis that the government reform did not have the funding to stimulate agricultural production by individuals who were previously sharecroppers, and that corruption in the government prevented real progress.

In 1958 Alexander interviewed Samuel Mondoya, a Bolivian reporter working in Chile who he documented as saying,

“The agrarian reform was also a failure. It is true that the agricultural workers had labored under conditions of servitude. But they had seeds and implements provided by the patron to grow the things the family needed in return for their free labor on his land.

⁸¹ “fuimos considerados como herejes y se nos llamó extremistas. Pero el mundo de hoy día marcha por un camino revolucionario, especialmente en las inmensas áreas del subdesarrollo, y la Reforma Agraria es una recomendación que se formula como medida indispensable a todos los países que quieran ingresar por la ruta del progreso económico. . . La Reforma Agraria es la medida de mayor transcendencia de este proceso histórico.” Paz Estenssoro, “La revolucion nacional es un hecho irreversible de nuestra historia,” 6.

Now the peasants have title to the land, but they have no seeds, implements, nor the education which the government promised to give them.”⁸²

Mondoya’s response shows that the reform and its presentation left Bolivians with high expectations. Paz projected an image of prosperity following the liberation of the peasants, but did little to back that up with tools for the peasants to free themselves from poverty.

Alexander’s interview notes also contain references to corruption in the government impacting the implementation of the policy. Manuel Valderama Aramayo, a previous member of a political party in opposition to the MNR is quoted as saying,

“The National Service of Agrarian Reform lacks surveyors and other technicians necessary for carrying out the agrarian reform. Furthermore, officials of the agrarian reform are corrupt and corruption has grown a lot in the past two years. Particularly corrupt are the agrarian reform judges who get only 120,000 bolivianos a month. Both the Indians and the landlords have bribed them. Only a few thousand titles have been granted as a result of all this”⁸³

Aramayo’s take on agrarian reform illustrates that the MNR possibly faced issues that went beyond the problem of supplying the tools for agrarian reform; they also were grappling with corruption.

Another journalist named Mario Padilla interviewed by Alexander in 1962 said, “the MNR government has not really done anything to help the Indians. All they have done is give them rifles and the vote . . . One cannot plough with a gun, the only reason that the government gave them guns was to support the regime, not to benefit themselves in any way.”⁸⁴ This journalist showed clear disapproval of the revolution and of agrarian reform. He saw the reforms of the revolution as simply bolstering the support of the MNR, not as achieving any real change. In a way he is correct, in the long term the revolution did little to free the indigenous population

⁸² Robert Jackson Alexander, "Robert J. Alexander Papers " (Special Collections and University Archives, Rutgers University Libraries 2000), Samuel Mondoya Interview 1958.

⁸³ Ibid., Manuel Valderama Aramayo Interview 1957.

⁸⁴ Ibid., Mario Padilla Interview 1962.

from exploitation, and they did ultimately become supporters of the MNR because the party had a history of listening to their demands.

In the August 2, 1953 speech Paz also said that as a result of the reform “more than two and a half million peasants have been incorporated into national life.”⁸⁵ This incorporation was economic, and social, but also political. The indigenous population, who also received voting rights as a result of the revolution, directly benefitted from agrarian reform- both advances credited to the MNR. Going forward it makes logical sense that indigenous peasants supported Víctor Paz Estenssoro and the MNR.

In this same line of thought, a biography written by Augusto Guzman in 1986 which sought to document the paradoxical actions of Víctor Paz Estenssoro called the agrarian reform essentially a symbolic victory but not much more. On both the nationalization of the mines and agrarian reform he said “they could not plan an excellent agrarian reform for the whole country nor stop the decline of tin, but they could clear the face of America in the 20th century of the disgrace of slavery.”⁸⁶ Guzman effectively summarized the legacy of the reforms of the Bolivian Revolution; they were powerful symbolic victories, with limited practical success, but a lasting impact particularly on the rural indigenous population.

A noticeable silence is present on behalf of the indigenous peasant population who was most impacted by this reform. We do not have a written record of how poor rural Bolivians viewed the reform, but we do know that historians have argued that it boosted his reputation in that population. The extent to which this policy failed or succeeded in the years following its implementation faded from view after Paz was thrown from power in 1964 in a military coup

⁸⁵ “más de dos millones y medio de campesinos se incorporan a la vida nacional.” Paz Estenssoro, *El pensamiento revolucionario de Paz Estenssoro*, 61.

⁸⁶ “no se pudo planificar una reforma agraria excelente para todo el país ni detener la declinación del estaño; pero se pudo limpiar de la faz Americana del siglo XX la ignominia de la esclavitud.” Guzman, *Paz Estenssoro*, 117.

which began the era of dictatorship in Bolivia.

VI. BETWEEN THE PRESIDENCIES (1953-1985)

The nationalization of the mines in 1952 and agrarian reform in 1953 only marked the beginning of Víctor Paz Estenssoro's presidential career. Paz was also president from 1960-1964, as well as briefly during 1964 when he was reelected before being removed from power by a military junta. So what exactly was going on between the Bolivian Revolution of 1952 and the structural adjustment of 1985? In this time Bolivia's social, economic, and political climate swung from stability to chaos and back again. Before returning to Paz' presidential activities, it is important to understand the series of events that connect Víctor Paz Estenssoro, leader of the revolution to Víctor Paz Estenssoro, architect of neoliberalism.

First, we must understand what happened between 1956 and 1960, in the time when the MNR was still in power but Víctor Paz Estenssoro was not president. Hernan Siles Zuazo took the presidency in 1956 and made several economic decisions that would bring the US to unprecedented levels of involvement in Bolivia.⁸⁷ By the time of his election, Bolivia was already swimming in US aid dollars. Through US Public Law 480, a food export grant program, and a minerals purchasing contract with the US to increase revenues from the recently nationalized tin mines, Bolivia became the largest recipient of US aid in Latin America by 1960 with an astonishing \$100 million in aid.⁸⁸ Facing difficult economic conditions within Bolivia and recognizing the dependence that Bolivia had developed on the US, Siles sought even more support and accepted a "Stabilization Plan" from the International Monetary Fund (IMF). This was an orthodox structural adjustment plan common in Latin America at the time that required

⁸⁷ Halperin Donghi, *The Contemporary History of Latin America* 320.

⁸⁸ Klein, *A Concise History of Bolivia*, 218.

the Bolivian government to cut government spending, primarily to the mining industry.⁸⁹ The plan was an economic success but it came at the cost of increasing US involvement in politics.

Another prominent figure on the Bolivian political scene that factored into this situation was Juan Lechín, a member of the MNR that connected the party with the COB, labor coalitions, and thus the powerful, organized miners. The US feared that Lechín, with his leftist ideology, would soon take the presidency. The US also harbored no pleasant feelings towards another term with Siles who tactfully never publicly rejected the left of the MNR. Siles and Lechín diffused the situation with the US by compromising. Víctor Paz Estenssoro, a neutral candidate, was chosen to represent the MNR again instead of Siles or Lechín.⁹⁰

Paz easily won the 1960 elections and governed mostly without incident until 1964. At this time, the MNR suffered a serious spilt which would break down the party and create the conditions necessary for the long era of military rule to come. The breakdown of the MNR happened because the three principal leaders of the party: Paz, Siles, and Lechín, had developed different views. Siles and Lechín retained and reinforced their pro-miner stance and opposed the development of the military. Paz, on the other hand was anti-miner and pro-military. Under the influence of the United States, Paz focused on strengthening the army. He forbade civilian and worker militias and, because of their newfound power, the army took control of the government in a coup shortly after Paz' reelection in 1964.⁹¹

From 1964 to 1982 Bolivia was ruled by military dictatorships. Bolivia was not alone in this fate; nearly all Latin American countries from the 1930s-1970s were ruled by some sort of military controlled authoritarian regime at some point. The most oppressive regimes ruled in

⁸⁹ Ibid., 220-21.

⁹⁰ Ibid., 221.

⁹¹ Ibid., 222.

Argentina, during what became known as the “Dirty War” (1976-1983), and Chile under Augusto Pinochet (1973-1990).⁹²

Klein notes that, unlike many other countries in Latin America, military rule in Bolivia was not conducted based around mutually agreed-upon terms of military reign, but rather on the individual personalities of the generals. He identified only one constant throughout the regimes: the maintenance of many of the tenets of the Revolution of 1952 (nationalization of the mines, agrarian reform, indigenous voting rights, and education reform) as a way to solidify the alliance between the conservative peasant population of the countryside, and the urban middle and upper classes that backed the military.⁹³ The opposition during this period was not the rural indigenous peoples, but rather the organized miners and laborers who sided with the left. It is important to mention here that this is the setting that Che Guevara encountered when he attempted to take the Cuban Revolutionary strategy to Bolivia. His attempts to build a revolution in the countryside failed because the rural populations backed the existing regime. Perhaps if he had taken his strategies to the mining communities that were organized and truly suffering under the government, Che would not have met his end in Bolivia.⁹⁴

We will never know what effect Che could have had on Bolivian history if he had been able to inspire a socialist revolution there in 1965, right at the beginning of the darkest era of Bolivian history. Although not all of the military rulers were dictators, two of this group were very repressive: the regimes of Hugo Banzer (1971-1978) and Luis Garcia Meza (1980-1981).⁹⁵ In keeping with the trends of Latin American politics at the time, authoritarianism was seen as an important mechanism to prevent communism as well as the route to development and prosperity,

⁹² Skidmore, *Modern Latin America*, 259,91.

⁹³ Klein, *A Concise History of Bolivia*, 223.

⁹⁴ Halperin Donghi, *The Contemporary History of Latin America* 322.

⁹⁵ Klein, *A Concise History of Bolivia*, 229,56.

and Bolivia hopped on the bandwagon. The air cleared briefly in 1979, when free elections finally took place (which Víctor Paz Estenssoro won), but after a series of political struggles between the civilian and military governments, the army came to power again by force. But, again in line with general Latin American trends, the widespread economic crisis of the early to mid-1980s combined with internal economic turmoil, was finally able to remove the military from power indefinitely.

VII. DECREE 21060 (1985):

In the 21 years between Víctor Paz Estenssoro's terms, power changed hands 15 times, the country weathered 2 brutal military dictatorships, and the economy crashed spectacularly with record levels of hyperinflation peaking in the year of his reelection. At his inaugural address on August 6th 1985, Paz spoke with palpable desperation in his voice. Leaving revolutionary discourse behind he called on his audience to be realistic about what Bolivia could accomplish, telling them it was time to "examine up close the abysmal difficulties of the present . . . to stop the crisis and, as it is possible, revert the ethical and material destruction of the nation."⁹⁶ His message was one of restoration in the face of years of destruction- it was a call to establish economic normalcy, not to change the fabric of the nation as he claimed to do in 1952. One of Paz's first actions as president was to implement an orthodox structural adjustment program that included strict neoliberal policies like the privatization of the tin mines that he himself nationalized in 1952. The program had negative repercussions like massive unemployment and unrest among miners (made worse by the tin crisis of 1985), large-scale internal migrations, and the growth of the illegal coca trade.

As we seek to understand why Víctor Paz Estenssoro returned to power and instated economic reforms that dismantled the state-supported economy that he established early in his career, we must look again to the historical context. This chapter will demonstrate that Paz was influenced to do this structural adjustment program because he faced pressures from within Bolivia to end hyperinflation and pressures from international financial institutions to implement orthodox neoliberal economic policies in order to receive foreign aid. Paz was doing what was practical for Bolivia's economy and he saw the negative results of the policy as acceptable,

⁹⁶ "examinar de frente las abismales dificultades del presente. . . para detener la crisis y, en lo posible, revertir la destrucción ética y material de la nación." Víctor Paz Estenssoro, "Mensaje presidencial " (La Paz, Bolivia 1985), 5.

temporary collateral damage in the name of long-term economic stability. On paper, what looks like a total transformation of character, can be explained through context.

i. Historical background

Decree 21060 itself, issued on August 29th 1985, was responsible for the devaluation of the peso and the introduction of a new currency (the boliviano), the elimination of price and wage controls, the restriction of government expenditures, and the lowering of the wages of government employees. Specifically, the Decree targeted the state-run mining company COMIBOL by essentially dismantling it. The only part of the reform which did not adhere to the neoliberal model was its measure to halt payments on foreign debt, so as to clear the slate for Bolivia's economic recovery.⁹⁷

As with all the other components of this story, the course of Bolivian history matched general trends in Latin America. Several other countries underwent a neoliberal economic makeover in the 1980s. The issue was widespread, but Peru's situation closely mirrors what happened in Bolivia. Peru's bout of military authoritarianism ended in 1980 and democratically elected leaders were quick to implement economic reform to address the economic crisis there. Peru's equivalent of Decree 21060 was a structural adjustment program implemented under President Alberto Fujimori which increased the role of foreign investment in Peru, controlled hyperinflation, and limited the power of organized labor unions that opposed the policy.⁹⁸

The economic history behind how Bolivia got into the crisis that necessitated reform has two major elements: the OPEC crisis in the late 1970s and the collapse of the price of tin in the

⁹⁷ Klein, *A Concise History of Bolivia*, 245.

⁹⁸ Skidmore, *Modern Latin America*, 163.

early 1980s. These two factors influenced the rise of inflation which by 1985 was growing as fast as 8,170% annually.⁹⁹

Bolivia was highly affected by the sudden end of high oil prices in the OPEC countries. In the 1970s when oil prices were high and banks had large amounts of expendable cash, Latin America was a popular place for investment. When oil prices fell in the late 1970s and Latin America was not able to pay back its debts, crisis ensued.¹⁰⁰ Inflation was nothing new but “hyperinflation” like what occurred in Bolivia, was also due to another factor: the collapse of the price of tin.

The value of tin was steadily on the decline in the mid-1980s but in October of 1985, the London Metal Exchange stopped trading on tin and over the next nine months prices fell by 55 percent.¹⁰¹ The newly privatized tin mines were able to support even fewer employees and the job losses caused by this drastic restructuring of the Bolivian economy led to a 20% unemployment rate. Looking at COMIBOL alone, in January 1985 it employed some 27,000 people, but by December that number was only 7,500.¹⁰² This unforeseen tin crisis when coupled with the job cuts initiated by the Decree had devastating results on the Bolivian economy.

Although the Decree did stop hyperinflation and stabilize Bolivia’s currency, it also simply removed a large number of Bolivians from the economy. It caused massive unrest among unemployed miners, significant internal migration to cities accompanied by the growth of the informal economy, and increase of the illegal coca trade. The influences behind the causes and effects of this policy come across in the primary sources through Paz’s speeches, observations

⁹⁹ Klein, *A Concise History of Bolivia*, 240.

¹⁰⁰ Skidmore, *Modern Latin America*, 358.

¹⁰¹ Klein, *A Concise History of Bolivia*, 246.

¹⁰² *Ibid.*, 247.

recorded by American economist Jeffrey Sachs, an interview with neoliberal architect Gonzalo “Goni” Sanchez de Lozada, and documentation of the response of the miners.

ii. A contested election

First it is necessary to investigate the question, did Bolivians know what they were getting themselves into when they elected Víctor Paz Estenssoro in 1985? On the election, Herbert Klein wrote that “Paz Estenssoro remained a powerful figure among the peasant masses that associated his name with the still strongly supported Agrarian Reform of 1953.”¹⁰³ Did Paz deceive the population when he used his name associated with revolutionary reforms to win the election only to implement economic reform that undid his past policies? An investigation into the election of 1985 reveals that Paz Estenssoro actually did not win the popular vote. He also did not have an economic stabilization plan ready before he was elected, and Decree 21060, for which Paz is well-known, was crafted for another presidential candidate that left the plan with Paz for him to implement.

Although Paz was supported by the peasant population that associated him with the revolution, more than half of voters were not convinced he was the best candidate for Bolivia. He was appointed to the presidency by congress, as was the new electoral procedure in 1985. Bolivia had only rid itself of military dictatorship in 1982 and the electoral process used in 1985 that allowed for Paz to be appointed, was one created by the ex-military rulers as a way to cushion the process of democratization by limiting the power of the popular vote.¹⁰⁴ US newspapers reported that Paz’ decision for economic reform was surprising to Bolivians but the electoral process by which he came to power was not completely free and open, which indicates a rift between Paz’s presentation of political platform to voters, and his true political motives.

¹⁰³ Ibid., 244.

¹⁰⁴ Ibid.

A *Christian Science Monitor* article from July 1985 implied that Paz was using his status as a figure from the revolution to gain votes. The report said “Paz, in his campaign, called for new social reforms which hark back to the days of the 1950s and 1960s when Bolivia was one of the leaders of reform in the hemisphere.”¹⁰⁵ The *LA Times* suggested something similar when they wrote that Paz’ campaign was based on “winning back the support of the National Revolutionary Movement and the peasant vote that was always his strength.”¹⁰⁶

When the election results came back and Paz was congressionally appointed to the presidency despite the loss of the popular vote, his opponent’s vice presidential candidate was quoted in a *New York Times* article saying, “I don’t think it is possible that he will last four years. We are the true winners of this election and he doesn’t have an economic program.”¹⁰⁷ A book by Jeffrey Sachs, the principal economic advisor behind Decree 21060 mentions that when Sachs originally drafted the plan to end hyperinflation he worked with members of the ADN(*Acción Democrática Nacionalista*) party, which was already in power under president Siles, not Paz’s MNR. When Paz took the presidency Sachs expressed that he was “happy to hear that the ADN shared a copy of our stabilization plan with the new president and his team.”¹⁰⁸ The fact that the ADN, shared their plan with the MNR, when it looked like their bid was lost, illustrates the fact that this information was probably going to be shared with whichever candidate won the presidency. The fact that the policy was copied from his opponent’s party indicates that the reform would probably have been implemented regardless of the president.

¹⁰⁵ James Nelson Goodsell, "Early returns show Bolivia shifting to the right," *Christian Science Monitor*, July 16 1985.

¹⁰⁶ Juan de Onis, "Bolivia's Optimistic President is Back in Power- for the Fourth Time," *Los Angeles Times* August 11 1985.

¹⁰⁷ Lydia Chavez, "Bolivian Conservative, Ex-Chief, Appears Headed for a New Term," *New York Times*, August 5 1985.

¹⁰⁸ Jeffrey Sachs, *The End of Poverty : Economic Possibilities for Our Time* (New York: Penguin Press, 2005), 95.

This examination of the election of 1985 shows that while it did seem surprising to the general population that Paz took on this economic reform, he was not elected through the popular vote, the principles behind the Decree were also not his original creation, and the reform would have probably happened no matter who won the presidency. This last point is important because it speaks to the practicality of Víctor Paz Estenssoro—like the nationalization of the mines and agrarian reform, neoliberal structural adjustment was necessary because of its context.

iii. Dire rhetoric on hyperinflation

This information does not mean that Paz did not have to justify the reform to his supporters and critics. In his speeches he emphasized the destruction caused by hyperinflation within Bolivia as the principal reason for reform. In his inaugural address a mere three weeks before he issued the Decree, Paz began to stress the necessity of large scale economic reform. He laid out his goals for solving the economic crisis including, 1) to increase the GDP, 2) increase income per capita and “distribute it with social justice,” and 3) to increase the “bases of the national economy that constitutes the nucleus of all our projects for the advancement of the country.”¹⁰⁹ To do this he alludes to several components of the future decree including the dismantling of COMIBOL. He said “The Mining Corporation of Bolivia will be subject to an integral reorganization” and the national oil company would also be affected.¹¹⁰

But Paz also recognized that these measures were going to have a negative impact on large portions of the population, so he also emphasized class unity as one of his themes. He said, “But do not misunderstand us: the work that we will do does not exclude anyone, and it will benefit all social classes in the country.” He even said that the poor were deserving of more attention but that the desperation of the moment would not permit the government to do more

¹⁰⁹ “distribuirlo con justicia social”, “bases de la economía nacional que constituye el núcleo de todas nuestras proyecciones de avance para el pueblo.” Paz Estenssoro, “Mensaje presidencial ” 12.

¹¹⁰ “La Corporación Minera de Bolivia será objeto de una reorganización integral.” Ibid., 10.

than cater to very basic needs. He said, “the gravity of the crisis obliges that we understand that what is possible is not always ideal or optimal,” and that the problem required “a realism that does not permit more experiments.”¹¹¹ The climate in Bolivia no longer allowed for the types of social programs he implemented in the 1950s and ‘60s- it was time to deal with a harsh economic reality.

In keeping with the somber tone of the address he ended by articulating the fact that “A difficult task awaits us. The goal of this collective mission is not close, nor in view. The path is long, full of troubles, sacrifices, and possibly discouragement.”¹¹² In this presidential address it is clear that Víctor Paz Estenssoro was facing pressures from within Bolivia to grapple with the hyperinflation that was destroying the economy and, in a forthcoming manner, he says that the problem will not be easily resolved. The extensive emphasis that Paz puts on economic reform in this inaugural address, over all other things, indicates his priorities for his upcoming term: he was ready to show Bolivia that economic stability was of the utmost importance.

iv. Pressure from Washington- the role of Jeffrey Sachs and Goni

The decision to implement this program was also closely tied to the international context. The 1980s and 1990s in Latin America consisted of a transition to neoliberal policies and Decree 21060 incorporated Bolivia into the trend overnight. As we saw within Bolivia, the hyperinflation needed to be addressed, but why did the decree couple the policies to end hyperinflation with other measures that severely cut state spending that specifically put thousands out of work? The answer can be found in the role of international financial institutions in Bolivia and also the emergence of two new neoliberal characters: an American economist

¹¹¹ “Pero no se nos entienda mal: la obra que emprenderemos no excluye a nadie, y trataremos de beneficiar a todas las capas sociales del país,” “la gravedad de la crisis nos obliga a emprender lo posible que no siempre es lo ideal ni lo óptimo.” Ibid., 7.

¹¹² “Un difícil deber nos espera. La meta de este esfuerzo colectivo no está próxima, ni a la vista. El camino es largo, lleno de sinsabores, sacrificios y probables desalientos.” Ibid., 17.

from Harvard University named Jeffrey Sachs, and a US educated Bolivian politician (and future president) Gonzalo “Goni” Sanchez de Lozada.

Jeffrey Sachs’ book *End of Poverty* proves to be a valuable source in analyzing the international factors impacting the implementation of Decree 21060. Sachs claims to have become involved with the Bolivian government when one of his students hosted a delegation of Bolivian economists at Harvard and told him about the hyperinflation they were experiencing. Personal fascination compelled him to assist the Bolivians. He said, “Bolivia’s crisis was riveting . . . we never expected to come across hyperinflation other than in the history books.”¹¹³ So, despite the fact that he “did not know exactly where Bolivia was in South America”, he set out on an incredibly uninformed endeavor to apply economics that worked on his chalkboard at Harvard to a country of millions of suffering people.¹¹⁴

Sachs economic orientation to problem-solving in the developing world is one that closely resembles the “Modernization Theory” used by political scientists. Modernization theory says that the free market of capitalism will provide the path to development and that developing countries need only to “follow in the footsteps of those who have come before . . . because the path to modernization is now charted.”¹¹⁵ A popular metaphor for economic development created by Walt Rostow in his 1960 book *The Stages of Economic Growth* is that of an airplane taking off wherein each stage of an airplane’s ascent represents a phase of economic development that all societies can undertake and achieve.¹¹⁶ In *End of Poverty* Sachs writes his own version of the same metaphor using a ladder instead of an airplane. On countries struggling with extreme poverty he wrote, “it is our task to help them onto the ladder of development, at least to gain a

¹¹³ Sachs, *The End of Poverty : Economic Possibilities for Our Time*, 91.

¹¹⁴ Ibid., 92.

¹¹⁵ John Ibister, *Promises Not Kept: The Betrayal of Social Change in the Third World* (Kumarian Press, 1995), 37.

¹¹⁶ Ibid., 38.

foothold on the bottom rung, from which they can then proceed to climb on their own.”¹¹⁷ As we saw in Paz’ inaugural address and his later interviews, he saw fixing the economy as the first of a series of steps , or “ladder rungs”, necessary to stimulate development in Bolivia. The idea was the same as the essential Modernization theorist: fix hyperinflation and the dependence on the state-run economy and everything else will fall into line.

Hyperinflation itself, especially with the help of Sachs, was a relatively quick fix. He and his team found oil prices to be a way to stabilize Bolivian currency. By rapidly raising the price of oil (which was controlled by the state run oil company) they brought the value of the peso closer to the value of the dollar overnight.¹¹⁸ This simple but effective change was what Sachs was primarily responsible for, but this doesn’t account for the consolidation of COMIBOL and the loss of thousands of mining jobs. Classic orthodox neoliberal policies account for what Sachs did not touch.

Typical orthodox neoliberal policies, as I have previously stated, involved government support of the private sector, the liberalization of trade policies, and the reduction of the economic role of the state.¹¹⁹ International financial institutions in the 1980s began to require these changes in order to receive aid, and Latin America, in response to existing economic crises and thus the need to satisfy these demands, entered into the era of neoliberalism. Like many other countries, Sachs mentioned that Bolivia before the structural adjustment was declared “not creditworthy enough” to even receive emergency aid.¹²⁰

In an interview for a PBS documentary Goni reflected on Bolivia’s relationship with international financial institutions during the process of solving the hyperinflation problem. He

¹¹⁷ Sachs, *The End of Poverty : Economic Possibilities for Our Time*, 2.

¹¹⁸ Ibid., 94.

¹¹⁹ Skidmore, *Modern Latin America*, 360.

¹²⁰ Sachs, *The End of Poverty : Economic Possibilities for Our Time*, 92.

said, “I just have to clarify that at that point we had help from nobody. We were totally alone, because the World Bank had closed its office . . . the IMF had pulled out its representative, and the American government and other friendly nations wouldn’t answer the telephone, so we had to do all this alone.”¹²¹ Bolivia, he said, was seen as a “basket case.” Left to determine their economic fate on their own, Víctor Paz Estenssoro, Sachs, Goni, and their team made bold decisions about what state funding would be cut and what would be spared.

Goni also stressed that “gradualism” in implementing the reform would not stop the problem. The team decided that only “shock therapy”, or massively cutting state spending all at once, would work to stop hyperinflation and restore the economy. Goni said,

I would take [the plan] to the president to show how we’d advanced, and get his criteria. And he would direct us with a great deal of wisdom, saying, “Look, boys, you’ve got one chance, and remember, as Machiavelli said, ‘It’s all the bad news at once, and the good news little by little.’” So he said get it all done, and we did it. In this Jeff Sachs was indirectly influential, because in his visits he said, “Look, all this gradualist stuff, it just doesn’t work. When it really gets out of control you’ve got to stop it, like a medicine. You’ve got to take some radical steps; otherwise your patient is going to die.”¹²²

Anything and everything that would eventually need to be cut, in terms of state spending, needed to be cut immediately to stimulate growth.

On the process of the creation of the Decree in its final form Sachs wrote about Paz,

“As a wily politician, back as president for the fourth time since 1952, Paz Estenssoro pulled off something that only an experienced back-room dealer could accomplish. With Goni’s plan in hand, he brought the new cabinet to the presidential palace and told them, “Nobody leaves. No one talks to the press. We’re going to debate and then agree on an economic strategy” . . . They debated for the better part of three days, and adopted what became known in Bolivia as Supreme Decree 21060, a blueprint not only for ending hyperinflation but also for a thoroughgoing transformation of Bolivia’s economy.”¹²³

The plan may not have been his, but Paz was determined to make a move to stabilize the Bolivian economy, and he used his polished political negotiating skills to make it happen. On his

¹²¹ Gonzalo Sanchez de Lozada, 2001.

¹²² Ibid.

¹²³ Sachs, *The End of Poverty : Economic Possibilities for Our Time*, 95.

watch, Bolivia became a trustworthy aid recipient for international donors and an active participant in the world economy.

v. Popular response

Visible disapproval for Decree 21060 materialized in the months after it was issued. Most notably, in response to the part of the policy that dismantled COMIBOL, miners unions from traditional mining centers in Oruro and Potosí staged a march from Oruro to La Paz, calling for the re-opening of the state-run mines the return of jobs to the miners to save Oruro and Potosí from decline.¹²⁴ Despite mass mobilization in the mining community, the protesters demands did not resonate with other facets of society. The march was stopped before it reached La Paz, the leaders of the protest were arrested, the miner's demands were never met and the power of the unions was completely dismantled. Once the most powerful force of opposition in the country, the miners were finally silenced.¹²⁵

Goni reflected on his dramatic loss of popularity following the reform and lamented the democratic regime to which he belonged for inhibiting the free market, and not educating society about the benefits of capitalism. He said,

When we did all of this, people were very upset, because we liberated all prices, all imports, interest rates, exchange rates. This was very unorthodox and against the established theories of how you ran an economy. Especially on the left, many of the people in the left of my party were upset. I would quote what Deng Xiaoping of China said: "It doesn't matter what color the cat is, the only important thing is that it catches mice." That pragmatism of the Chinese, who went to a market economy without going to a democracy, led people to see that you have to be respectful of the fact that only with a market economy can you get the proper assignment of resources and the proper flexibility that you require.¹²⁶

During his two terms as president in the late 1990s and early 2000s Goni brought neoliberalism deeper into the folds of the Bolivian economy. He currently lives in Maryland, evading charges

¹²⁴ Mesa, "La marcha por la vida ".

¹²⁵ Klein, *A Concise History of Bolivia*, 246.

¹²⁶ Sanchez de Lozada, "Commanding Heights."

of genocide for his involvement in the deaths of 67 indigenous Bolivians in 2003 who were massacred by the police while protesting his privatization of the gas industry.¹²⁷

While Goni waited for the free market to heal all wounds, parts of Bolivia were struggling to grow after the reform. As the mining unions had predicted, Oruro and Potosí declined as families moved to other urban centers with more opportunities.¹²⁸ 1986 saw the essential creation of a new city, El Alto, on the plateau looking over La Paz, which consisted mostly of unemployed miners.¹²⁹ Others fled to the coca growing regions to produce the primary materials for the drug trade.¹³⁰

Sachs blamed these unintended consequences of Decree 21060 on an ignorance of geography. He came to a somber realization, for which he provided no solution, that “the only products that Bolivia has ever been able to export are commodities with a very high value per unit weight because only those commodities can successfully overcome high transportation costs.”¹³¹ In other words, when tin was no longer the driver of the Bolivian economy, coca for illegal drug production was the only viable alternative. The end of Sachs’ chapter on Bolivia prescribes a terminal sentence- that Bolivia will have a primary commodity export economy and a dependence on illicit trade forever. Sachs leaves the Bolivia case at that, and simply jets off to several other parts of the world in economic distress, leaving a trail of neoliberalism in his wake.

As historians, we have the benefit of hindsight in analyzing the reasoning behind and the results from the structural adjustment program of Decree 21060. We have learned that Paz was influenced to do the reform internally by hyperinflation, and externally by pressures to

¹²⁷ Felix Muruchi, *From the Mines to the Streets: A Bolivian Activist's Life* (Austin, TX: University of Texas Press, 2011), 196.

¹²⁸ Klein, *A Concise History of Bolivia*, 246-47.

¹²⁹ Muruchi, *From the Mines to the Streets: A Bolivian Activist's Life*, 177.

¹³⁰ Hylton, *Revolutionary Horizons: Past and Present in Bolivian Politics*, 97.

¹³¹ Sachs, *The End of Poverty : Economic Possibilities for Our Time*, 104.

implement orthodox structural adjustment policies and new expectations of neoliberalism in Latin America. The impact that the policy had in the form of massive unemployment and unrest among miners, internal migration and the growth of the informal economy, and the increase of the coca trade were things that Paz understood to be temporary pains suffered in the name of long term economic development. In issuing Decree 21060 Paz was doing what he thought was right to turn the Bolivian economy around, and put the country in a favorable position to receive aid from international financial institutions. He presented an idea that was popular in Latin America at the time which was that economic success would beget success in all other areas. He was doing his part to put Bolivia on that “ladder” to prosperity.

VIII. CONCLUSION

Víctor Paz Estenssoro's presidential career provides a unique opportunity to observe the influences behind Bolivian history in the 20th Century. Paz is both an actor and a witness in the Bolivian Revolution of 1952, the rise and the fall of the dictatorships (1964-1982), and the adoption of neoliberal policies in 1985. Paz's participation in both the revolution and the structural adjustment seems to illustrate a dramatic change in platform, but the social, economic, national, and international influences behind the individual making these decisions illuminate an above all pragmatic response rather than simple personal motivation. In this investigation, three of Paz's most important policies were examined: the nationalization of the tin mines in 1952, the agrarian reform of 1953, and Decree 21060, the structural adjustment program of 1985. The analysis of these three policies revealed their necessity in the context of Bolivian history.

The nationalization of the mines was influenced by the fact that the economic and political power of the mining oligarchy was disliked by all socioeconomic classes in Bolivia, mine owners were compensated for their property so as to continue positive relations with the US during the Cold War, and Paz suggested that the nationalization could be reversed when it was no longer economically practical. Agrarian reform was done in response to unrest in the countryside, as a way to legally free the indigenous majority, and also to stimulate economic growth. Despite negative feedback about the results of the agrarian reform, the symbolism of this victory for the rural indigenous population captured their support for the MNR. In 1985 Paz was elected, though not by popular vote, and enacted neoliberal economic reform because he faced pressure from within Bolivia to end hyperinflation and from abroad to implement orthodox neoliberal economic policies.

Paz did not deserve the title "revolutionary" or "neoliberal" because he was, above all, a

pragmatist who was responding to conditions, rather than spearheading new ideas for change. He made calculated decisions that considered many factors within Bolivia and abroad, utilized his image from the revolution to capture the necessary support to implement the reforms, and helped to guide the course of history in 20th century Bolivia.

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