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**STRUCTURAL ADJUSTMENT AND
THE COLLAPSE OF THE BOLIVIAN MODEL OF ACCUMULATION**

**An Historical Perspective of the Dismantling of the
State Sector and Class Struggle in Bolivia**

by

Karin Monasterios Perez

**A thesis submitted to
the Faculty of Graduate Studies and Research
in partial fulfillment of
the requirements for the degree of**

Master of Arts

Department of Sociology and Anthropology

Carleton University

Ottawa, Ontario, Canada

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BOLIVIAN MODEL OF ACCUMULATION: AN HISTORICAL
PERSPECTIVE OF THE DISMANTLING OF THE STATE
SECTOR AND CLASS STRUGGLE IN BOLIVIA

submitted by Karen Monasterios Perez, B.A.
in partial fulfilment of the requirements for
the degree of Master of Arts

Thesis Supervisor

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September 23, 1994

ABSTRACT

In 1985 an IMF Structural Adjustment Program was introduced in Bolivia. Since then the socio-economic structures of the country have been deeply transformed. At the economic level, a privatization process has been set in motion whereby the state has been forced to withdraw from directly intervening in production. This in turn has caused the shutting down of the state mining sector, by far Bolivia's most important economic activity.

The closing down of the mines has unleashed a massive wave of firings and lay-offs across all sectors of the economy thus causing unemployment to rise to unprecedented levels. With the number of job losses, trade unions have diminished both in size and strength. Bolivian labour and its core organizations, the COB and the FSTMB, were well known for their impressive capacity to mobilize large sectors of society against the state. Its tremendous ability to contest formal power by setting up parallel institutions of representation (the COB -1952- and the Asamblea Popular -1970), has placed this actor in a virtual position of dual power vis-a-vis- the Bolivian state. As such the organized working class has played a key role in shaping up Bolivian politics. A direct consequence of the 1985 structural adjustment program has been the political undermining of this key social actor.

This thesis will explain the historical circumstances that have conditioned the application of the structural adjustment program in Bolivia. It argues that, contrary to what is commonly believed, structural adjustment is not a recent phenomena, but rather it is built into the policies the IMF has traditionally taken towards less developed countries. In the Bolivian case, similar programs were introduced since the initial stages of the revolution and they were successful in undermining internal efforts to constitute a relatively independent process of industrialization. The result has been a model of development that has neglected growth in the domestic sector to the benefit of an export oriented oligarchy.

While the above has been a prevailing trend in the Bolivian model of accumulation, what is peculiar to the 1985 structural adjustment program is that its policies have directly undermined the central role played by the state both as proprietor and as direct regulator of the economy. These policies have also played a key role in disarticulating the organizational basis of the Bolivian labour movement.

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GLOSSARY OF TERMS

Main State Enterprises:

- COMIBOL** Corporacion Minera Boliviana. The Bolivian mining state corporation, created in 1952 to ensure state control over the nationalized mines.
- YPFB** Yacimientos Petroliferos Fiscales Bolivianos. Bolivia's main petroleum enterprise, created in 1969 after nationalization of the American Gulf Oil Co.
- ENAF** Empresa Nacional de Fundiciones. The state controlled tin smelting enterprise, created in 1967.
- CBF** Corporacion Boliviana de Fomento. The state controlled corporation of manufacturing industries.
- ENFE** Empresa Nacional de Ferrocarriles. The state controlled railway company.
- ENTA** Empresa Nacional de Transportes. The state controlled transportation enterprise.

Labour Organizations:

- COB** Central Obrera Boliviana. The largest Bolivian trade union organization, founded in 1952. A cross sectorial organization under the control of the miners federation.
- FSTMB** Federacion Sindical de Trabajadores Mineros de Bolivia. The miners Federation, and the most politicized sector of Bolivian labour. Founded in 1944.
- FOCU** Federacion Obrera Central de Uncia. The first Bolivian workers organization ever to come into existence. It was founded in 1923 to organize resistance against exploitation in the mines. The FOCU was the predecessor of the FSTMB.

Political Parties:

- ADN** Accion Democratica Nacionalista. Political party founded by the ex-dictator Gral. H. Banzer

towards the end of his dictatorship. The ADN was formed as an alliance between the military, the Confederation of Private Entrepreneurs, and two right wing political parties, the MNR and the FSB.

- MNR** **Movimiento Nacionalista Revolucionario.** A petit-bourgeois party of a nationalist orientation founded in 1941. Having led the insurrection of 1952, the MNR remained in power until 1964 and it eventually returned to power in 1985.
- FSB** **Falange Socialista Boliviana.** An ultra-right political party linked to the Franco dictatorship in Spain.
- PCB** **Partido Comunista de Bolivia.** The communist party of Bolivia. The PCB has had an important influence within the COB. It also made part of the coalition in government under the UDP administration (1982-1984).
- POR** **Partido Obrero Revolucionario.** An extreme left political party of trotskyist orientation with an important working class component. The POR was founded in 1944 by Bolivian mine workers and has since played a key role in shaping the consciousness of Bolivian workers.
- PS1** **Partido Socialista.** Founded in 1971 as a result of the fusion of various left wing organizations. The PS postulates the notion of national and class liberation under the leadership of the working class organized into a political party.
- UDP** **Union Democratica Popular.** A political party founded as an attempt to unify the dispersed forces of the left after the long period of military rule. The UDP got to power in 1982 instituting Bolivia's first left wing government.

Other Organizations:

- CEP** **Confederacion de Empresarios Privados.** The political instrument of representation of Bolivia's private entrepreneurs.
- FPN** **Frente Popular Nacionalista.** Political block organized by Banzer immediately after the 1971 coup to give viability to the new government. The FPN included the MNR, the FSB, the CEP and important fractions of the military.

Chapter I

Introduction

In 1985 the Bolivian government decreed Decreto Supremo 21060, the legal instrument for the implementation of a new economic model based on the IMF Structural Adjustment Program. Until 1985 Bolivia's economic model had essentially rested on the export of oil and minerals, with the mining sector playing a paramount role in the generation of foreign exchange.

The model of accumulation that prevailed until the mid-1980's was the result of a social and political revolution which in the early 1950's had succeeded in overthrowing a land-based oligarchy whose economic interests were divorced from internal growth objectives.

The revolutionary state confiscated the mines from the old landlords and initiated a process of industrialization centered on the nationalized sector. It was expected that in this manner the state would be able to retain surplus value within the country -as the trend under the mining oligarchy had been one towards capital flight- and channel it towards industrializing objectives. Thus, the state played a central role in the model instituted by the revolution. Throughout the three decades that followed the revolution, a clear trend emerged towards liberalization of the Bolivian economy which slowly but effectively undermined the state centered project of 1952.

It is a contention of this thesis that the liberalizing trend that followed the revolution is intimately linked to the adoption by the Bolivian government of IMF designed stabilization programs. In the first part of this thesis it will be suggested that the three stabilization programs of 1956, 1961 and 1965 slowly eroded the viability of an autonomous model of development based on the state primary sector. The 1956 Plan prepared the way for the privatization of the nationalized mines by reducing the budget of state enterprises at the same time as it opened the economy to foreign investment and competition. This trend was reinforced between 1962 and 1965 when phases II and III of the stabilization plan consolidated the development of joint-venture private enterprises comprising both foreign and local capitals. The regime of the 1970's further reinforced this "negation" of the postulates of the 1952 revolution by depleting state enterprise resources in favour of the private sector.

A second important characteristic of this liberalizing trend was the increased reliance of successive governments on the contraction of foreign debt as a means to obtain revenues. This is of crucial importance for it reflects an implicit recognition that internal production does not suffice to generate enough revenues, and in that way it reflects a capitulation by the ruling classes to fuel a relatively independent model of development. Needless to

say, it reflects an increased financial dependence of the entire model on foreign credit.

An important inter-related aspect this thesis will endeavour to explore is the link between the privatization ridden policies of IMF programs and class struggle in Bolivia. It will be shown that the above mentioned plans always met strong opposition among the working and popular classes. This, in our view is illustrative of the generally anti-popular nature of IMF programs. It is also illustrative of a key characteristic of the Bolivian labour movement, namely its identification with the nationalized sector. The second chapter of this thesis will address the crucial role played by workers organizations -and mine workers in particular- in organizing the popular militias that overthrew the old oligarchy and pressed for nationalization of the mines. Naturally, any move against this major achievement of the revolution -i.e. nationalization- was bound to meet strong resistance among the working class. A second motive behind working class mobilizations was related to the immediate economic losses which stabilization plans caused, as they always entailed significant losses in terms of wages, benefits and job security.

While both economic revindications and the defense of the nationalized sector were important in mobilizing the proletariat, it will be suggested that, politically

speaking, the struggle between the working class and the Bolivian ruling class was one for hegemony. Two moments in particular are illustrative of the tremendous capacity of the working class to cluster virtually the entire nation against the power of the ruling class. In the years that immediately preceded the revolution it was the principles underlying the political program of the POR -Partido Obrero Revolucionario- which mobilized a wide range of sectors against the oligarchy. The second moment of working class hegemony was exemplified in the 1970 "Asamblea Popular" when the Central Obrera Boliviana -COB- instituted a parliament parallel to the official parliamentary system. In both instances the working class exemplified a tremendous political strength but was nevertheless unable to establish a socialist state. This in turn was deeply related to the social structures that underlined the country's model of accumulation. By the latter we simply mean that the socio-economic structures underlying the entire model had for long supported the deeply rooted power of an export oriented oligarchy, and such structures could not simply be destroyed in a brief period of time, no matter how much political strength the proletariat may have attained at a particular point in time.

On the basis of the above it is possible to identify two clear patterns emerging in the post-revolutionary period; one towards increased liberalization of the economy,

the other towards an increased undermining of an important social actor, namely the organized working class. In the mid-1980's this two-fold process was consolidated by means of the application of a new stabilization program better known as the Structural Adjustment Program. This time, however, the program has openly addressed the question of privatization of the remaining state enterprises, and has directly undermined the ability of organized labour to act as a central counter-hegemonic actor. This was done by virtually eliminating employment in those sectors which were key to the organization of the movement, namely in the mines. The specificity of the Structural Adjustment Program -as opposed to previous stabilization programs- lies in the extent to which it has eroded the foundations of the country's state centered model of development, as well as on the extent to which political opposition by the organized working class was removed. This thesis will argue that such a radical departure would have been impossible in the past given the tremendous capacity of resistance of organized labour and the deep nationalist sentiment that characterized Bolivian civil society. By 1985, however, the situation had drastically changed and the moment was propitious for liberalizing policies to go "all the way". The factors accounting for such propitiousness are threefold: Externally, the explosion of the foreign debt crisis in the early 1980's precipitated an unprecedented financial crisis

which virtually emptied the country of its national resources. This was further aggravated by a second external factor; namely the fact that since the late 1970's countries exporting raw-materials were increasingly marginalized from international trade circuits. A third factor was of a decisively internal nature as it related to the collapse of the internal model of accumulation that resulted from the ill-fated policies of the previous decades. As will be shown, these constitute the main factors that serve to explain why Structural Adjustment was implemented in Bolivia.

PART I

The Bolivian Model of Accumulation (1952-1985)

Introduction

The Bolivian model of accumulation that prevailed from 1952 until 1985 was centered around the nationalized mining sector, with the state enterprises playing a key role in the generation of the country's surplus revenues. This model, which emerged from the revolution of 1952, has known two main variants. Between 1952 and 1970 serious attempts were made by successive governments to create the conditions for endogenous accumulation. The aim was to reinforce the state industrial complex in order to fuel a generalized process of industrialization. This phase, better known as the "nationalist cycle" constitutes a first variant of the model. The second variant, which corresponds to the decade of the 1970's entailed the progressive undermining of the state enterprises by means of the application of specific policies which progressively eroded the resource base of this sector. It is the aim of the first part of this thesis to identify the most salient characteristics pertaining to each particular phase identified above.

Chapter II

The Model of Accumulation (1952-1970)

i. Introduction

It was Cardoso and Faletto who first characterized Latin American economies in terms of "enclave economies", meaning that, in contrast to advanced capitalist economies, these latter find their main dynamism outside their national boundaries (Cardoso and Faletto 1979). The Bolivian situation prior to 1952 very much resembled Cardoso and Faletto's typology.

The national economy centered itself on the extraction of one single raw-commodity, namely tin, with production being organized for export and irremediably tied to the interests of a local oligarchy whose accumulation interests laid outside the country. Such was the nature of the Bolivian economy which encouraged the formation of a revolutionary movement beginning in the mid 1940's, and which eventually succeeded in toppling over the old oligarchy.

Like most contemporary Latin American revolutionary movements, the Bolivian movement comprised a wide range of social sectors who struggled for increased state control over the country's natural resources. In accordance with this general goal, the government established by the revolution expropriated the mines from the large companies

and initiated a new form of organization of production, now under the strict control of the state.

A newly organized state mining corporation -Corporacion Minera de Bolivia (COMIBOL)- was to play a crucial role in the new model of accumulation. Not only did most revenues come from mining but most important, from the point of view of development, as a primary sector industry, mining was key in creating the conditions for primitive accumulation of capital¹. It was on the basis of the development of the primary sector that any possible form of independent development could ostensibly be achieved provided that revenues remained within the country. In order to facilitate state control over potential revenues a Mining Bank (Banco Minero) was created. Thus COMIBOL and the Bank were complimentary institutions with one common objective; to generate and to retain social surplus produced in the

¹The concept of "primitive capital accumulation" belongs in the marxist theory of stages of capitalist development. It explains the historical transition from simple commodity production to expanded reproduction, a process where the introduction of machinery into the production process played a key role in allowing for enlarged reproduction to occur. For a systematic treatment of the concept see the work of E. O. Wright, Class, Crisis, and the State, 1978. Wright developed a theory of six stages of capitalism which comprise three main periods: An early period of primitive accumulation; a transitional period from primitive accumulation to manufacture; and a period of rise and consolidation of monopoly-capital (Wright 1978:168-69). Another contemporary author, R. Albritton (1986), deals with the same concept although in a somewhat different manner. To him, the important characteristic of primitive accumulation lies in the fact that it directly laid the foundations for the development of capitalism by eliminating most previous forms of pre-capitalist organization of production (Albritton 1986:81).

country under the control of the state. Other support institutions included the Corporacion Boliviana de Fomento (CBF) -a clustering of relatively small manufacturing industries subsidized by the state, the Empresa Nacional de Ferrocarriles (ENFE) -national railway company, the Empresa Nacional de Transportes (ENTA) -national transportation company and other infrastructure enterprises. In the 1960's the national petroleum company -Yacimientos Petroliferos Fiscales Bolivianos (YPFB)- was established after the government nationalized the Bolivian Gulf Oil Co.

Despite these serious attempts to create a self-sufficient economy, strong odds were standing against. These obstacles stem from two main sources. On the one hand there remained the legacy of the pre-revolutionary structures which tended to re-establish the power of the old oligarchy. On the other hand, there was an active intervention by the US, particularly in the form of bi-lateral and multi-lateral aid, which through specific terms of "conditionality" slowly deviated the revolution from its original objectives. This chapter will concentrate on the explanation of these two major obstacles and how they impeded the consolidation of the Bolivian revolution.

ii. Bolivia's Pre-revolutionary Structures

In this section we will concentrate on what we consider to be the major features of the Bolivian pre-revolutionary

structures which we have identified as: 1) the particular mode of insertion of the national economy into the world tin industry where Bolivia acted as a provider of a raw-material the price of which it was in no position to determine; 2) the specific nature of the Bolivian ruling class which in this text is identified as an oligarchic class which based its power on land ownership; 3) the internal organization of production, which rested on the one hand on pre-capitalist forms of exploitation and their subsumption under typically capitalist enterprises, and on the other hand on an export sector which excluded the majority of the population from the benefits of these economic activities; and, 4) the legacy of a state which was both politically and financially fragile.

In his account of Bolivia's insertion into the larger world economy under the pre-revolutionary period, Almaraz, an early nationalist author stated:

The fruits of this labour will be appropriated somewhere in New York or London, not in the solitary mountain where they were produced. Whatever leftovers the pillage leaves, will only serve to nurture a parasitical social segment in a nation which has no other reason to exist but tin. This social segment has taken the republic for itself. They feel entitled to a power which is no other but the prolongation of that international mechanism which has made the country into what it is. The harsh reality is that whoever possesses tin will possess the country. That possession in turn implies the destruction of those who produce the mineral....Mining is the whole through which the vitality of the country runs away (Almaraz 1970:83, my translation).

The above quote contains key elements in terms of identifying the nature of Bolivia's economy during this period. Almaraz is essentially pointing at a mechanism of generation of social surplus that nevertheless does not guarantee accumulation inside the country. Given the extractive nature of Bolivia's tin industry, Bolivia had no control over the processing phases of the tin production cycle. Thus we are dealing with an industry which is not vertically integrated within one single "national" entity but rather takes place on a global scale of production. While the extractive phases occurred in Bolivia, the processing phases took place in the world great refineries situated in London and New York. This situation was perfectly functional for the Bolivian mine owners even when profits generated in the extractive phase were by no means comparable to those derived from the more advanced phases. The fact that Bolivia had no saying in the fixation of tin prices was not a concern of the mine owners as long as their revenues -which were by no means underestimable- remained untouched by the state. These profits assured the tin magnates a place within the high business spheres in London, New York, Zurich and Switzerland. This is important in pointing at a salient feature of the tin oligarchy, namely its identification with extra-national social circles. Not without reason the tin owners were criticized by nationalist authors as "agents of colonization". Identified with the

splendours of the world's most advanced cities, they viewed their place of origin as a material possession to be exploited for the sole purpose of increasing their personal profits. The serious consequence of this mentality was a lack of concern for re-investment within the country. Thus, we are dealing with a class which -unlike early twentieth century bourgeois classes in advanced democracies- did not identify itself with industrializing goals. This explains to a large extent why Bolivia's productive base remained essentially undeveloped.

Almaraz's account is also helpful in identifying the objective power basis of the mining oligarchy. When he talks about "a power which is no other but the prolongation of that international mechanism which has made the country into what it is" (see previous quotation) he is pointing at an objective link between the local oligarchy and the larger world tin industry which explains why Bolivia remained a mere provider of raw materials. While this was the external base of support of the power of the oligarchy, internally its power rested on the colonial legacy of a particular way of organizing production, and on the absence of a strong state capable to regulate the activities of this social class.

The basic unit of social organization in pre-revolutionary Bolivia was the hacienda system. Under this system power rested on the ownership of extensive land

holdings which were from 35 to 500 hectares in size. Chesnais (1972:xxxii) refers to the Bolivian hacienda system as a self sufficient unit of production and consumption in which the state had virtually no interference. The great mass of the Bolivian population -75% of which was of pure indian origin- had been subjected under the hacienda system as a quasi-form of property by the landlord (Chesnais 1972:xxxiii). The inability by the state to regulate the activities of the landed oligarchy was reflected in its inability to impose taxation on this class. Table 2.1 shows that between 1910 and 1920 taxes on tin exports hardly reached 6% of their total value. This is illustrative of how little revenue the state derived from the export activities of the mine owners.

Table 2.1

Bolivia: Taxes on Tin Exports 1910-1920

<u>Year</u>	<u>Total Value of exports</u> (In millions of bs.)	<u>Taxes on Exports</u> (In bs.) (In Percentage)	
1910	37,007	1,455	3.9
1911	52,640	2,269	4.3
1912	60,238	2,767	4.6
1913	67,784	3,761	5.5
1914	42,480	1,949	4.6
1915	44,885	2,159	4.8
1916	42,652	2,539	6.0
1917	82,258	4,910	5.8
1918	129,611	7,381	5.7
1919	99,924	5,951	6.0
1920	112,282	6,208	5.5

Source: Malloy 1989:445.

Thus far we have identified some of the most salient features of the Bolivian pre-revolutionary structures. As we will see in the following section, these structures persisted even after nationalization of the tin mines took place under the new revolutionary government.

iii. Contradictions of the 1952 Revolution

Immediately after the seizure of state power by the masses a collaboration government was set up between the leading party of the revolution (Movimiento Nacionalista Revolucionario -MNR) and the working class, now organized into a grand national central (Central Obrera Boliviana - COB). Worker Ministers were appointed and a joint administration between the two parties was formed to run the affairs of COMIBOL.

Despite their apparently shared interests, the two main actors of the revolution had very distinct perceptions of how nationalization was to take place. Important fractions within the MNR, particularly its petit bourgeois leadership, tended to favour nationalization with compensation whereas the COB advocated no compensation at all. After long and bitter debates the government opted for compensation and a \$20 million debt was charged to COMIBOL for indemnization payments to the ex-mine owners. In this manner, rather than expropriating the mine owners, The new Bolivian state ended up purchasing stocks that were otherwise in danger of being

lost to the insurgent masses. This initial move by the government turned out to be a serious blow to the financial well being of COMIBOL which at the outset was burdened with a huge debt.

A second contradiction of the revolution was related to the extractive nature of Bolivia's tin industry and the extremely limited options this implied in terms of pursuing a relatively independent process of industrialization. The new government began negotiations with the American corporation William Harvey to have tin processing plants installed in Bolivia. This would have enabled the state to gain a relative degree of independence vis-a-vis the world tin industry by integrating more advanced stages of processing into the country's productive base. As a consequence the value of Bolivian tin would have increased. This initial effort was doomed by the intervention of Simon Patino, Bolivia's most powerful mine owner, who decided to purchase a third of the stocks of the William Harvey Corporation, thus bringing all negotiations between the parties to a halt. Patino further consolidated his monopoly by purchasing a third of the American Lead Co. stocks, and finally he created his own trustee; the Consolidated Tin Smelters Co. based in the US. (Almaraz 1970:72).

This "move" by Patino constitutes in our perspective a first historical impediment for the new state to fuel a relatively independent project of national development.

From this moment on the possibility was seriously undermined for the revolution to consolidate itself on the basis of the tin primary sector. Despite this essential contradiction, the model of accumulation continued to rely on the export of this mineral¹.

The revolution had coincided with an abrupt fall in tin prices in the international market as a result of the end of the Korean war. Prices remained low throughout the entire decade only recuperating by 1958. This had a tremendous impact on the country's ability to gain foreign exchange. The following table illustrates the sharp decline in the gross value of tin exports throughout the 1950's.

Table 2.2

Gross Value of Tin Exports (1952-1964)
(In millions of US dollars)

<u>Year</u>	<u>Value</u>
1952	84.8
1953	72.3
1954	54.9
1955	57.3
1956	59.2
1957	57.4
1958	36.3
1959	52.9
1960	42.9

Source: Banco Central de Bolivia,
in Zondag 1966:83.

¹It was only in the early 1970's that the first tin foundry was opened-up in Bolivia. By then a lot had happened in terms of the deterioration of the model of accumulation.

At the same time as prices were falling COMIBOL began to experience production problems. This was in part a result of the inability by the government to re-invest in this sector but it was also due to a decline in the quality of the ore. This, in conjunction with falling prices and indemnization payments to the ex-owners placed the Bolivian state in a very difficult financial situation. Under these circumstances the MNR turned to US foreign aid and began a series of re-adjustment policies -better known as stabilization policies- under the auspices of the IMF.

iv. US Involvement in the Bolivian Revolution

First in 1956 an IMF stabilization plan was adopted by the Bolivian government in exchange for loans which were made on a conditional basis. Important alterations were made to the program of the revolution which included impositions on the use of capital resources both borrowed as well as domestic. According to Eckstein and Hagopian:

The United States and the IMF made 1956 stabilization financing contingent on a series of measures that affected local industrial investment negatively for a number of years....They insisted on a curtailment of most credit operations, an elimination of tariff protection for local industries, and a wage freeze that reduced domestic demand (Eckstein and Hagopian 1983:76).

An important stipulation of the "Plan Eder", as the stabilization plan was called, was that the Banco Minero increased the interest rate on the loans it gave to small

mine proprietors. The Bank had managed to cluster over 1,400 small proprietors who were now in danger of being kicked-out of the market. Despite the bitter debates caused by the plan within both the government as well as the MNR itself, the condition was eventually met. The Banco Minero did raise interest rates from 6% to 12% and the small producers, unable to obtain credit, were easily swallowed by the trans-national corporations operating within the country (Almaraz 1970).

In 1962 Phase II of the Plan Eder was implemented. Tin prices had been on the rise since 1958 attracting new foreign investors who slowly began to acquire mines in Bolivia. Since most small proprietors were facing bankruptcy, as a result of the 12% increase, the process was a relatively easy one. This set the precedent for the emergence of the so called "medium size mining sector", a new form of mining enterprise that comprised both local and foreign capital. It was not until 1965, however, that foreign investors virtually flooded the Bolivian market in search for cheap mines. The most ambitious ones had their eyes on the nationalized sector. In 1965 Phase III of the Plan Eder stipulated that the Bolivian state sell-out part of its enterprises. As a consequence the state initiated a privatization process selling a number of mines to private foreign investors (Almaraz 1970, Abadie Aicardi 1966). The emergence of the medium size mining corporations represented

the reappearance of the old oligarchy in modern disguise.

Before the revolution the oligarchy was externally linked to foreign capital; now, with the presence of the medium size mining sector, the alliance was also an internal one. The core of the new sector was constituted by 27 mining companies among which the most important were the Bolivian Tin Corporation, Fabulosa Mines and the powerful Grace and Company, their billionaire associates being the Chase Manhattan Bank, Lockheed Co. and the US Steel Corporation.

By 1967 a substantial part of the nationalized sector had been de-nationalized and the Banco Minero had ceased to exist. The situation pointed at an important loss of state control over both production and commercialization of minerals which were now largely under the control of foreign agencies. The proliferation of foreign companies qualitatively changed the form of insertion of the Bolivian economy within the larger world economy. Foreign investors could now directly invest in the country, and, by accepting foreign loans on a conditional basis, the Bolivian state was becoming increasingly more dependent on foreign credit.

The Bolivian state accepted foreign credit partly because of its financial fragility but also because of an interest on the part of the MNR -specially its core fraction- to maintain a friendly relationship with the US (Malloy 1989:281). Through agencies such as USAID, the

Inter-American Development Bank (IDB) and the IMF the US made capital available to Bolivia. Yet, such availability implied that the Bolivian government comply with creditor stipulations. It is important to mention that besides the stipulations described above, restrictions were placed by the creditors on how the loans were to be spent. Typically, credit benefited the traditional export sector, by which we refer to those primary sector export industries still owned by the traditional landed oligarchy. These included cotton, textiles, tobacco, alcoholic beverages and other relatively undynamic industries (Eckstein and Hagopian 1983:82,83). By contrast, those industries which could potentially compete with the US market; such as the mill and the wheat industries, were denied access to credit. The main reason for this bias was that, as an export sector, the former generated fast profits, whereas the latter was targeted at the local market. An important condition for borrowing was that the Bolivian government committed itself to import certain products exclusively from the US market. Wilkie provides interesting data on USAID funding of the Bolivian revolution between 1942 and 1966 and the assignation of these funds (see table 2.3).

Adding the total amount disbursed in the two periods described by Wilkie we discover that between 1942 and 1966 a total of \$252 million was made available to Bolivia. Disbursements were largely directed to subsidize state

Table 2.3

Functional Analysis of USAID Programs: 1942-1966
(In Dollars and Percentage)

<u>Type of Expenditure</u>	<u>1942-1961</u>		<u>1962-1966</u>	
	Millions	%	Millions	%
Economic				
Food and Agriculture	9.4		4.2	
Transportation and Power	4.2		4.8	
Mining, Oil and Industry	1.5		4.0	
Public Works	--		3.0	
Development loans	2.6		28.8	
Local Currency Projects	34.8		34.8	
Sub-total	52.5	47.3	79.6	56.5
Social				
Health and Sanitation	3.1		.7	
Education	3.6		1.7	
Labour Affairs	.2		.9	
Community Development	.3		1.8	
Agricultural relief	6.6		3.4	
Local Currency Projects	4.0		6.0	
Sub-total	17.8	16.0	14.5	10.3
Budgetary Support (Sub-total)	34.9	31.4	29.8	21.1
Administrative				
Public Administration	1.9		3.4	
Planning	--		1.9	
Other	2.0		5.1	
Local Currency Projects	2.1		6.7	
Sub-total	6.0	5.4	17.1	12.1
TOTAL	112.2	100	141.0	100

Source: Wilkie 1969:10.

deficit -31% of the total amount for the first period and 21% for the second period. Those ventures of crucial importance for the development of the industrial base received relatively little incentive -\$5.5 million between mining, oil and industry. It is notable that until 1961 not one cent was directed towards planning ventures, precisely what the revolution was in most need of. The third largest allocation went to food and agriculture -\$13.6 million. Aid was thus biased in favour of the export oriented oligarchy, at the same time as figures for agricultural relief - totalling \$10.0 million- reflect government obligations to import certain food staples exclusively from the US market.

To summarize, the regime of the revolution, despite its nationalist orientation, turned to US financial aid as a means to confront the financial fragility of the Bolivian state. This action by the government had far-reaching consequences among which the most important were the emergence of a new form of enterprise based on the joint-ownership between local and foreign capitalists. This sector emerged as a result of the partial de-nationalization of the Bolivian mines. A second important consequence of the reliance on foreign aid was the closing-down of the Banco Minero. The situation pointed at a relative -though important- loss of state control over both the production as well as the commercialization of minerals which passed under the control of trans-national corporations. There was a

third important consequence to the adoption of IMF policies by the Bolivian government which related more directly to the deteriorating terms of the relationship between the COB and the MNR. The following section will assess the nature of the relationship between these two key actors.

v. Political Dimensions of the Model of Accumulation

a) The Political Actors

There were two main social actors that engaged in the revolutionary conjunction of April 1952. The first consisted of a widespread movement of nationalist orientation, better known as the Movimiento Nacionalista Revolucionario (MNR). The second was made up of a highly radicalized workers movement which clustered around the Central Obrera Boliviana (COB). Both actors had been profiled throughout the 1940's as a result of growing discontent due to the limitations of the old order. Each actor, however, had a different perception of the problems associated with the old order, and each arrived at the 1952 seizure of power with a different understanding of the "raison d'etre" of the revolution.

Given the highly exploitative nature of the tin industry under the hacienda system, the mining proletariat had evolved into a highly politicized class. Having been recruited on a forced basis from among the indigenous population, this particular proletariat integrated pre-

capitalist forms of exploitation into otherwise typically capitalist enterprises. The tin industry as such was a capitalist enterprise -i.e. organized for exchange in the international market, but its "internal" relations of production were organized on the basis of a serf-master exchange relation (the hacienda system) in which the direct producers had no citizenship rights, nor property rights, and, what is more, no legal protection from the state. Referring to this kind of exploitation, Escobar, an old working class leader, explains how the "jukus" -extraction workers- were left basically on their own to extract as much pure mineral as possible and sell it to the company which paid in accordance to the purity of the ore. It did not matter how many hours it took the juku to gather the mineral, often putting his life at risk as he went deep into the mine. If he did not gather enough pure mineral he did not get much in return (Escobar 1986:50). Escobar then continues; "These workers got no benefits from the company whatsoever. No technical help, no work instruments, no food, and certainly no medical assistance" (Escobar 1986:50, my translation). What was even more disquieting was that, depending on international price fluctuations, the company's payments oscillated. Thus, the slightest variation in price was bound to have deep implications for the lives of the workers regardless of their levels of productivity. The situation described by Escobar was to some extent eliminated

in later years but has remained an important way for the mine workers to complement the rather low value of their nominal wages.

It was not until the early 1920's that the first mine workers organization was formed but not without a fierce struggle to have the organization officially recognized by the government. The latter attempted to prevent the formation of the organization by sending troops into the mining camps. The Uncia Massacre of 1923 (Chesnaïs 1972:xli) marked the first instance of open confrontation between the Bolivian state and organized labour. This event set the precedent for military intervention as method of repression in the mines. It also established a commonly shared perception among workers that the state and the companies represented one and the same oppressor.

In 1946 the first national federation of mine workers (Federación Sindical de Trabajadores Mineros de Bolivia - FSTMB) was created. From here the idea sprang to form an independent central workers organization that included a plurality of sectors of the working class. This ideal was the precursor for the creation of the Central Obrera Boliviana which came to birth in 1952.

A second important actor to be profiled throughout the 1940's was the MNR. The movement emerged as a social by product of the old landed oligarchy and the shrinking possibilities of the hacienda system. Research conducted by

Malloy suggests that the pioneers of the movement were in fact the children and grand-children of the landed oligarchy. Given the increasing gap between population growth and the failure of the Bolivian state to expand both its industry and its own bureaucratic system, this generation found itself deprived from having access to a career with possibilities of self-advancement. Malloy expresses this situation in the following terms:

The generation coming to maturity in the late twenties and early thirties expressed disdain for the job hungry dimensions of Bolivian politics and, particularly, for the lack of viable choices it offered them. What is more, they directly linked the dismal futures facing them to an economy trapped by its mono-economic base....By natural process, the elite and sub-elite strata were outgrowing the economic bases of their eliteness....The liberal positivist ideology, through which the existing order found its legitimation, was losing its grip on the country's single most important group, the oncoming elite generation which would assume, in normal circumstances after internalizing the existing thought and value framework, control of the system and carry it on (Malloy 1970:62-4).

The evidence provided by Malloy points at two essential problems of the national system, namely its extreme economic stagnation and its political backwardness. Most important perhaps, Malloy is making reference to a unique process whereby a dominant segment of society begins to disintegrate from within as a result of the questioning, by its own oncoming generation, of the very foundations of the system instilled by its ancestors. This was partly a result of

the first depression of the world tin market which hit Bolivia beginning in 1929. Those urban middle class and petit-bourgeois sectors whose livelihood depended on the commercial and financial operations of the mining industry were seriously affected by the depression and begun to question the country's extreme dependence on tin. The generation of the 1930's perceived the landed oligarchy as an anti-national force which inserted itself within the country in a parasitical manner, as it literally "extracted" the country's resources leaving it in a state of backwardness. In the late 1930's these notions became articulated into a nationalist discourse which purported the idea of liberating the nation from the anti-national forces embodied in the oligarchy. This notion eventually acquired full political representation with the creation of the MNR in 1944.

It is important to make a clear distinction, at this point in our analysis, between the motives behind the formation of the two social actors that have just been described. By the mid-1940's, while the issue for the working class had been the legal recognition of its organizations as independent from the state, the issue for the MNR was the emancipation of the social segments it represented, namely the on-coming generation elite and sub-elite, from the constraining limitations of the oligarchic order. In the late 1940's the MNR passed from the status of

a small party to that of a multi-class party. By 1952 the party counted on a variety of political organizations which included women's organizations, small merchant and artisan organizations, intellectual and professional organizations, and even some sectors of the working class such as the railway workers. Despite this wide sectorial representation, the national commando of the party remained a petit-bourgeois fraction (Malloy 1971:182). Central to the MNR position was the question of national sovereignty and the importance of state control over the economy.

The workers movement, on the other hand, had been influenced by a strong current of trotskyism, specially among the mine workers of the Patino Mining Enterprise located in Catavi-Siglo XX. From here sprang the goal of taking over the government of the "Rosca" -the term refers to the alliance between the land and the mine owners- and to destroy the hacienda system as basic unit of social organization. The "Pulacayo thesis", which constituted the founding document of the FSTMB made explicit reference to the above and other important objectives which clearly demonstrated the difference in orientation between the Federation and the MNR¹.

¹There is a partial translation of the Pulacayo Thesis in the English translation of Lora's Historia del Movimiento Obrero, translated by Christine Whitehead (A History of the Bolivian Labour Movement 1977). We have transcribed those elements we consider most important for this thesis. A French translation of the entire Thesis can be found in Chesnais C. and F. 1972:3-23).

b) The Pulacayo Thesis

The document was divided into two main sections. The first one presented the way mine workers perceived the country's political and economic situation. The second presented the political program of the organization. The national situation was conceived as one of "backward capitalism", an important distinction against the then predominant conception of Bolivia as a feudal society in need to approach the initial stages of capitalist development. The workers position in this respect was clearly stated in the document:

Bolivia is a backward capitalist country. Qualitatively speaking capitalist exploitation predominates over the other diverse economic formations which occur in the country and which are a legacy from the past. Although it is a backward country, Bolivia is only another link in the world capitalist chain (Pulacayo Thesis, in Lora 1977:246, translation by C. Whitehead).

From this general definition followed the workers conception of the national bourgeoisie as a class which, in comparison with other western-bourgeois classes, had failed to do-away with pre-capitalist forms of exploitation. Section four of the Document states that:

What is peculiar of Bolivia's national bourgeoisie is the fact that it has been incapable of liquidating the mini-fundia system and other pre-capitalist forms of organization of production. It has been unable to attain a minimum degree of national integration and, consequently, to lay the foundations for an independent nation (Pulacayo Thesis, in Chesnais 1972:4, my translation).

This section of the document was making reference to Marx's own conception of the bourgeoisie as a class that did-away with all previous forms of organization of production and implemented an entirely new mode of production (Marx 1977:34-5). The Pulacayo thesis was basically acknowledging the fact that in the Bolivian case, rather than generalizing the capitalist mode of production to the whole of society, the national bourgeoisie had subsumed pre-existing forms of exploitation under international capitalism.

On the basis of the above analysis followed the political program of the Pulacayo Thesis. Since the dominant class had shown no interest in bringing the country out of its backward situation, it was necessary for a social and political revolution to take place under the leadership of the organized working class. This aspect of "political hegemony" of the working class in the conduction of the masses towards the creation of a socialist state was carefully laid down in the document:

The proletarian revolution in Bolivia does not imply the exclusion of other exploited social groups. On the contrary, it requires that the proletariat enter into a revolutionary alliance with the peasants, artisans and other sectors of the petty bourgeoisie. The dictatorship of the proletariat is the projection of this alliance to the level of the state. The terms "proletarian revolution" and "dictatorship of the proletariat" are used to emphasize the leading role of the working class in the transformation and in the new state (Pulacayo Thesis, in Lora 1977:247).

An important principle stated in the document concerned the nature of the workers struggle: "The class struggle is in the last instance, the struggle to appropriate surplus value" (Lora 1977:247), thus the distinction was made between moderate social reform and radical change: "...Our objective is the expropriation of the expropriators" (Lora 1977:247). This latter statement was extremely important for it reflected the radical view the workers held in regards to nationalization which they understood as "expropriation without compensation" and "workers control over the mines" (Lora 1977:249).

Other important principles stated in the Pulacayo thesis dealt with the establishment of a proletarian army, the call for radical agrarian reform and the creation of a central labour organization. These latter principles were important in setting a precedent for the organization of the revolutionary militias of April 1952. They also set the precedent for the creation of the Central Obrera Boliviana. It is important to highlight that it was these principles of "nationalization of the mines", "agrarian reform" and; "all the power to the proletariat" together with the idea of creating a grand labour central, which mobilized the popular masses during the years that preceded 1952. In its transition from a small political party into a mass movement, the MNR came to adopt the rhetoric of the Pulacayo thesis, using its slogans as if they were its own, a

tactical move that allowed this party to gain the support of a wide range of social sectors. By 1952 the program of the MNR included the nationalization of Bolivian mines, the agrarian reform and the establishment of the democratic vote. The crucial aspects of the Pulacayo thesis, i.e. those concerning proletarian hegemony and expropriation without compensation, were however ignored in the MNR program.

c) The Bolivian Revolution: A Situation of Dual Power

According to Zavaleta Mercado, the Bolivian revolution began as a coup d'etat attempted by the MNR against the government in place. It soon spread into a massive upsurge thanks to the spontaneous incorporation of the popular sectors into the conflict. The FSTMB played a crucial role in organizing the workers militias which in three days seized the main cities, train stations and means of communications. The army was virtually destroyed and worker militias occupied the Parliament in La Paz (Zavaleta Mercado 1987:94-5). Immediately after the seizure of power the COB was created as the single largest labour organization comprising a vast spectrum of trade-unions and federations across different sectors. Under these circumstances, the COB had a tremendous amount of power, both military -by virtue of its armed militias- as well as political -by virtue of its wide base of representation. Despite this

impressive degree of power, what the working class was lacking was a fully developed political party capable of becoming governing party. The only working class party, the POR, had been unable to exert its influence over a significant portion of the working class, even when its most radical fractions -i.e. the miners organizations- were of a trotskyist orientation. This was a serious limitation for a revolutionary movement as radical as the Bolivian movement for, despite its tremendous capability of mobilization, the absence of a coherent instrument of representation would seriously undermine this actor's ability to constitute itself into a governing class.

The new government that was formed constituted of an uneasy alliance between the COB and the MNR. The actual force behind it was the working class and the popular sectors that clustered around the COB, but the party in power was the MNR. This situation has quite appropriately been described by Zavaleta Mercado as a situation of "dual power".

A situation of dual power, according to Zavaleta, entails the uneasy co-existence of two distinct political powers within one single state, each one representing a distinct social project (Zavaleta Mercado 1987:97). As seen in previous sections, the MNR and the working class represented quite distinct political objectives. The working class advocated the creation of a socialist state

while The MNR postulated the creation of a developmentalist state (estado desarrollista) which would be capable of bringing the country out of its political and economic backwardness. These diverging views clashed all at once around the issue of nationalization. In the workers perspective, nationalization implied expropriation without compensation of all landholdings by the oligarchy and their placement under the control of the workers. In the perspective of the MNR nationalization did not necessarily imply total expropriation but rather it called for increased state control over the activities of the mine-owners. As shown in the previous section, the second view won over the more radical conception of the working class.

Through the establishment of the collaboration government, the MNR was able to set up a system of effective control over the movement. Important working class leaders were co-opted into the politics of the MNR in exchange for high government positions. These included the designation of worker ministers (Ministros Obreros) who were to become members of the party in order to keep office. Dunkerley and Morales explain how an actual trend began whereby many workers entered the ranks of the MNR. This trend, which became better known as "entrismo" -literally meaning "to enter", was key in undermining the political strength of the working class within the government (Dunkerley and Morales 1986:93).

What is important to highlight about the collaboration government is that it served as a useful instrument for the MNR to bring the COB under its control. Moreover, one could even argue (as it has been argued) that it served to prevent the Bolivian working class from continuing to develop its own revolutionary program (Lora 1987 and Zavaleta Mercado 1987). In this context the highly radical postulates of the Pulacayo thesis were "softened" and re-framed into ideological positions which were much more moderate. Thus, the postulate "all the power to the proletariat" was replaced by formal representation through the worker ministers, and "nationalization without compensation" resulted in nationalization with substantial compensation (as explained in the previous section)⁴. By 1956 the tensions between the COB and the MNR were increasingly growing. In 1957 the FSTMB opted out of the co-government and soon after the institution was dissolved altogether. The end of the COB/MNR collaboration government marked the beginning of a gradual process of political differentiation between the two actors.

⁴The third important postulate of the revolution "radical agrarian reform" was equally emptied of its original meaning. The objective of the reform was the creation of large farms that would allow for enlarged agricultural production. In practice, the government limited the reform to assigning small land parcels among the peasantry, often giving them poor land which did not allow for more than rudimentary forms of production. The richer lands, in the hands of old oligarchic families, remained generally untouched by the reform (Lora 1987:176).

d) The IMF Stabilization Plan and the Deepening of the Political Differentiation between the COB and the MNR

Readers may recall that 1956 had been the year when phase I of the Plan Eder was implemented by the government. The plan, which essentially consisted of budget cuts and liberalization of the economy, had made special provisions regarding wage freezes and lay-offs in the public sector. According to Ramos, the 1956 salary freeze was extended for a number of years causing a great deterioration of the purchasing power of wages (Ramos 1981:32). Corroborating this statement Eckstein and Hagopian suggest that the wage freeze was accompanied by an important compression of domestic demand which in turn had the effect of shrinking the size of the local market (Eckstein and Hagopian 1983:71).

The plan made more acute the antagonisms that existed between the MNR and the COB by confronting the two organizations in long and bitter debates. It also brought to light the profound contradictions existing within each organization between the leading figures and their grass-roots constituency. The collaboration government guaranteed no mechanism of accountability by the official COB representatives towards the lower echelons within the organization. The "Worker Ministers", often identified with the left wing of the MNR had little contact with the militant sectors of the movement which were isolated in the

mines. The MNR itself was facing profound divisions within its ranks where at least three major contending fractions were struggling for hegemony⁵. This situation allowed the dominant wing of the MNR to go ahead with the plan despite strong opposition from both sides.

In our opinion, the FSTMB's decision to break away from the collaboration government reflects this lack of correspondence between the official leadership and the grass-roots constituency within the COB. It also reflects the generalized rejection of the 1956 stabilization plan among the popular classes. In 1957, when the COB had its Second National Congress, it was clear that the organization was splitting around the issue of the stabilization plan. This escalating process of differentiation between the working class and the MNR was to be further accelerated by the application of phases II and III of the stabilization plan.

Like the 1956 plan, the 1961 and 1965 plans entailed wage-freezes, frequent lay-offs and a general decline in real wages. These issues constituted the most immediate economic concerns that drove the working class into open

⁵Malloy distinguishes at least three main contending tendencies within the MNR; A right wing tendency, made-up of middle-level professionals and intellectuals. A socialist labour left which acquired increased importance as many workers came to join the party, and in between these two; a pragmatic nationalist centre made-up of the original notables of the party -by all means the dominant fraction- The latter's main characteristic was, according to Malloy, its overt desire to avoid open confrontation with the US (Malloy 1970:216-217).

confrontation with the government. Politically speaking, it was the nature of the stabilization plans themselves that the working class resented. By undermining the nationalized sector, the plans were undermining the greatest achievement of the popular mobilizations of 1952; namely the nationalization of the tin mines, something Bolivian workers, and mine workers in particular, viewed as the legacy of their decisive participation in the 1952 seizure of power. De-nationalization was in this sense perceived as a direct attack on the integrity of the Bolivian proletariat and of the revolution itself.

After 1957 confrontations between the working class and the state acquired a national dimension around the defense/dismantling of the nationalized sector. In this escalating conflict the government often resorted to military intervention to crush down worker strikes. Intervention included the seizure of those mining centres where resistance was stronger, especially Catavi-Siglo XX in the province of Potosi and Huanuni in the province of Oruro. These experiences were important in shaping up a class consciousness among the Bolivian proletariat which, nurtured by the experience of its political defeat under the co-government years, increasingly came to reinforce a pro-socialist position.

In November 1964 a military coup-d'etat put an end to the Paz Estenssoro government. With the fall of Paz a new

regime of "restoration" began under the rule of the military.

vi. Conclusion

This chapter has attempted to establish the main characteristics underlying the Bolivian Model of Accumulation that emerged from the 1952 revolution. We have identified two main levels of analysis, namely the political and the economic levels. At both levels, this model has been shown to be profoundly contradictory.

Economically speaking, the main contradiction relates to the fact that this model supported itself almost entirely on one single sector which nevertheless did not receive any significant incentives either in the form of investment or credit. As it was shown, this paradoxical situation was intimately linked to the imposition of IMF lending conditionality which made important stipulations as to how resources were to be spent.

A consequence of the government's failure to remain close to the original objectives of the revolution was that Bolivia's main industrial sector -i.e. the primary sector- remained essentially undeveloped. A second important consequence was that, by borrowing money from foreign sources, the government opened the doors to the privatization of the state productive sector with an important portion of the state patrimony being sold out to

foreign trans-national corporations. Most important perhaps, the Bolivian state became increasingly more dependent on foreign credit as a means to confront the inadequacies of the national model of accumulation.

Politically speaking, the regime of the MNR exemplified the uneasy alliance between two actors which represented two quite distinct social projects. We have identified these two projects as the bourgeois nationalist project of the MNR, and the project of a socialist state pertaining to the most radical fractions of Bolivian labour. We have also shown that eventhough the MNR adopted the semantic content of the Pulacayo thesis, this responded more to the necessity of gaining the massive support among the popular classes than to the ideological principles of this party. In practice, the MNR facilitated the restitution of the old oligarchy (i.e. its economic power) through the adoption of IMF recommended policies, particularly those that fostered the emergence of medium-size mining companies.

The last section of this chapter emphasized the differentiation process that occurred between the MNR and the COB as the MNR increasingly lost its legitimacy as a true representative of Bolivian labour's interests. This process, which has been termed by Lora as "a process of class consciousness acquisition" (Lora 1987) was to mature throughout the late 1960's and eventually crystallized into a concrete historical instrument of working class

representation under the "Asamblea Popular". The Asamblea represented Bolivia's first working class parliament and it was established by the COB in mid 1970 with the massive support of the population. This unique historical event will be looked at in more detail in the following chapter.

Chapter III

The Model of Accumulation (1971-1978)

i. Introduction

Chapter II of the thesis dealt with a first variant of the Bolivian model of accumulation. This chapter will deal with a second variant, namely that which corresponded to the decade of the 1970's. Although in both variants the state played a crucial role as direct regulator of the production process, the period of the 1970's presents important changes in the intervening role of the state. Whereas the previous regime had at least attempted to pursue an industrialization process through the nationalized sector, the regime of the 1970's overtly and directly undermined the sustainability of the state productive sector and promoted a policy that directly benefitted private sector ventures not directly geared towards industrialization.

Throughout the 1970's the growth of the private sector was made possible through the use of two main sources. On the one hand, the government contracted huge amounts of foreign credit which in principle were to be used to strengthen the primary sector but which nevertheless were redirected towards the private sector. A second important source was the continuous transfer of resources from the state enterprises into private companies. In both cases resources were channelled into the private sector via the allocation of credit and investment. Naturally this

resulted in a tremendous weakening of the country's most important sector -i.e. the nationalized primary industries- which were no longer able to continue sustaining the economy. Unfortunately the private sector did not make up for the losses in the public sector, with few exceptions, profits were not re-invested in ventures of a productive nature.

This chapter will focus on the main mechanisms which were used to channel state revenues into private sector activities and on the negative impact this had on the state productive sector. The main mechanisms facilitating such transfer included: 1) changes in public spending allocations whereby the private sector was benefited at the same time as investment in the public sector was greatly reduced; and, 2) a new taxation policy which overburdened state enterprises, sometimes to the point of virtual bankruptcy (as was the case with the petroleum industry). An important inter-related aspect to be considered is the relatively undynamic nature of private sector ventures and the negative impact this had on the economy.

The political relations underlying the economic model of the 1970's constitute the second major concern of this chapter. Here we will see how the Banzer regime served to contain the advancement of a movement of socialist orientation which had acquired an important degree of political maturity as a result of nearly five decades of

organized struggle against the state and the oligarchy. The Asamblea Popular and the 1971 coup-d'etat which put an end to it will be our main point of reference in establishing the class nature of the Banzer regime. A second point of reference will focus on the anti-working class economic policies of the government.

Methodologically, the aim of this chapter is to untangle the main historical causes accounting for the country's current socio-economic crisis. As we will attempt to show, the Regime of the 1970's was largely responsible for unleashing the crisis both because it discouraged accumulation in the industrial sector, and because it burdened the country with a debt it was in no position to assume.

ii. General Description of The Model

According to conventional economic logic, capital accumulation depends on the capacity of a given country to produce its own capital goods. It also depends on its capacity to generate surplus that is necessary for re-investment. Investment, however, is not a necessary consequence of the availability of surplus. In other words, the fact that a country may produce significant portions of surplus revenues does not in itself guarantee that such surplus will be productively re-invested. Specific social policies can either favour or hinder the productive

allocation of social surplus. In the second case, a given socio-economic structure can be deeply affected to the point where the productive basis becomes divorced from social needs. This is what happened in Bolivia with the economic model implemented by the military regime of the 1970's. An already weak economic base (constituted by the main state owned extractive industries) was forced to support the overwhelming weight of a rapidly expanding private sector which was not exactly dedicated to productive expansion.

The regime attached very little importance to the import of capital goods. According to statistics from the Banco Central de Bolivia only a quarter of the total value of foreign exchange was assigned to this end between 1971 and 1978⁶ (Banco Central de Bolivia, in Ramos 1981:202). This is only half the volume assigned just one year before Banzer took power (Ramos 1981:203). These data are important in pointing to one salient feature of the regime, namely, its overall neglect to reinforce the country's capital base.

When looking into investment, Ramos makes a distinction between what he calls "active" investment, and "passive" investment. The first refers to investment that is directly related to productive activities. As such, active investment contributes to strengthening the country's

⁶Foreign exchange refers to revenues derived from the sale of exports in US currency.

industrial base, whereas passive investment relates to either financial, commercial or service sector activities. These include import and export houses, banking, tourism and infrastructure works in general. In the 1970's, these latter sectors experienced a rapid phase of expansion at the same time as investment in productive activities per-se suffered a tremendous decrease. This was intimately related to a radical shift in government allocations which virtually de-invested the state primary sector to the benefit of the private sector. A study published by CEPAL (the United Nations Economic Commission for Latin America) illustrates this important transfer of resources via credit and investment allocations (see table 3.1).

Table 3.1
Credit and Investment Allocations by Sector: 1970-1978
 (1.1 millions of bs. -at 1970 Value- and Percentage)

	<u>1970</u>	<u>1972</u>	<u>1974</u>	<u>1976</u>	<u>1978</u>
Credit					
Public Sector (%)	63	58	11	26	26
Private Sector (%)	37	42	89	74	74
Total Value	2,071	3,219	4,118	8,233	15,135
<hr/>					
Investment					
Internal sources (%)	88	82	133	83	58
External Sources (%)	12	18	-33	17	42
Total Value	2,111	3,364	7,026	11,861	18,505

Source: Mortimore 1981.

The above data reveals a steady decrease in allocations to the public sector, both in terms of investment as well as of credit. In contrast to 1970 -a year before the Banzer military regime got to power- as much as 63% of local credit was assigned to the public sector, this is in sharp contrast to the figure shown for 1974, when allocations were as low as 11%. Although levels did slightly recuperate in later years, they never regained their 1970 level. On the contrary, allocations to the private sector reflect a tremendous increase which is particularly staggering by 1974 -89% of the total local credit!. What is important about these changes is that in both cases the trend is constant throughout the decade.

In terms of investment the changes are equally important, although for different reasons. The data from table 3.1 reflects an overall decline in investment derived from local sources which is in sharp contrast to investment from foreign sources. From 12% the participation of external sources increased to 42% during this period. This is particularly significant for the figures reflect how rapidly the entire model was coming to rely on foreign credit. The figures are also disconcerting, for those sectors which made-up the country's key industrial sector, i.e. the state mining and oil enterprises, are shown to be the ones most deprived of credit.

iii. De-investment and Financial Burdening of the State
Productive Sector

Not only was the state productive sector denied access to credit, but the main enterprises were also exposed to a particular taxation system that virtually emptied them of their capital resources. According to the Central Obrera Boliviana "...Under the Banzer regime over \$500 million were drained out of COMIBOL in the form of export taxes" (CEDOIN/COB 1988:100). At the same time, the government encouraged the de facto existence of dual accounts in private enterprises, one for tax purposes and another for bank operations (Dunkerley and Morales 1986:93). As a result contributions made by the private sector remained extremely low, at the same time as public sector contributions were continually on the rise. Ramos estimates the latter to have increased from 36% to 66% between 1971 and 1978 (Ramos 1981:76). The same author calculates an actual decrease in private sector contributions from 4% to 2.9% during the same period.

The oil industry, which begun to expand since the 1964 nationalization of the Standard Oil Co., was a case in point of the depletion policies of the Banzer regime. Grebe Lopez describes the situation in the following terms:

Above and beyond the limitations imposed by the fall in oil prices, the main causes of the financial collapse of YPFB must be searched in the drainage of resources the company was exposed to... Additional taxes and royalties were imposed

which went beyond the possibilities of the company. Overdue payments began to accumulate since 1975 (Grebe Lopez 1987:119, my translation).

According to Mortimore, the reaction of the team in charge of central government policy formulation was:

...rather original, although disastrous for the company. In effect, the Banco Central resorted to further credit, utilized those revenues to cancel the overdue payments of the company, and charged the new debt to the state enterprise (Mortimore 1981:148, my translation).

This was the beginning of a practice which the government increasingly came to adopt, namely to charge foreign debt obligations directly to the state productive enterprises. In this manner the companies were forced to utilize their export revenues to cover for Central government obligations with foreign banks. It was not long before YPF -the state owned petroleum company- faced a situation of virtual bankruptcy.

The inevitable result of such resource draining policy was that the state sector capacity for growth seriously deteriorated. Research points to a declining trend in the mining sector which went from a 3.9 rate of growth in 1972 to -5.3 in 1978 (see table 3.2). The case of the oil industry is truly pathetic. From a healthy growth rate of 36.5 this sector declined to a staggering -17.6 between 1972 and 1978. These data point at a virtual erosion of the resource base of the country's primary sector.

Table 3.2

Annual Rates of Growth
Mining and Petroleum (1972-1978)

Sector	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Mining	3.9	21.6	-2.5	-13.5	12.4	2.5	-5.3
Petroleum	36.5	34.9	-12.1	21.5	5.7	-23.9	-17.6

Source: Banco Central de Bolivia, in Ramos 1981:213.

In contrast to the situation during the 1950's, the contraction of the primary sector in the 1970's was not a result of low international prices. On the contrary, prices for raw materials remained consistently high throughout the decade. This indicates a further confirmation that the problem was one of internal re-distribution of social surplus. As explained in previous pages, the great beneficiary of credit allocations was the private sector. This, together with the positive international environment for raw materials, would appear to be sufficient reasons to encourage private entrepreneurs to assume a leading role in the industrializing process. Unfortunately the private sector did not exactly utilize such credits in ventures of a highly productive nature. With few exceptions, they concentrated mostly on tertiary -i.e. service- sector activities and commercial operations related to the import and export of commodities, often exporting their profits

abroad¹. Data shown on table 3.3 is illustrative of the disproportionate growth of tertiary sector activities in relation to primary and secondary sector activities.

Table 3.3

Annual rates of Growth by Sector

Sector	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
<u>Primary Sector</u>				
Mining	3.9	21.6	-2.5	-13.5
Petroleum	36.5	34.9	-12.1	-21.5
<u>Secondary Sector</u>				
Manufacturing industry	8.1	5.0	11.3	6.1
<u>Tertiary Sector</u>				
Construction	1.7	2.1	9.0	13.0
Hydro, Water, Gas	6.1	11.0	10.0	2.1
Transportation and Communications	7.1	6.4	14.9	13.7
Commerce, restaurants and Hotels	2.2	3.1	6.5	7.6
Other Services	2.7	4.0	5.5	8.0

Source: Banco Central de Bolivia, in Ramos 1981:213.

¹I am alluding here to Marx's classification of economic sectors into primary, secondary and tertiary activities. The first refers to heavy industrial activity which is seen by Marx as key to the process of primitive accumulation of capital. Secondary sector activities refer to light industrial production requiring higher levels of processing which already integrate the utilization of heavy industrial machinery. Thus the first two sectors are directly related to the sphere of production. Tertiary sector activities relate to the sphere of circulation of commodities and include commercial and financial activities. In this linear typology, a country's relative economic health depends on its ability to build on the basis of the accomplishment of each previous phase. It follows that a country cannot be expected to develop a healthy economy without having first developed its primary and secondary sectors. For a contemporary use of this typology see Mandel's introduction to Marx's Capital 1977.

Notice the increase in construction, transportation, and communications, commerce, hotels and restaurants, all of which belong to service sector activities. From the point of view of industrialization, these activities are secondary in importance, and here lies an essential problem with the model, namely its premature expansion of service sector activities, without having first developed the primary and secondary sectors. As suggested in previous pages, the growth of these activities was intimately linked to considerable state subsidies in the form of credit and investment allocations.

On the basis of the above considerations it seems safe to conclude that the economic model of the Banzer regime neglected the development of the country's industrial base and favoured the boom of private tertiary sector activities. The above constitutes a serious imbalance for the productive structure of a country which was already in serious difficulty given its low degree of industrialization and the enclave nature of its main industrial core.

iv. Political Dimensions of the Model of Accumulation

With the fall of the Paz Government in 1964 a long period of repression began for the workers movement now under the dictatorial rule of successive military

governments². After four years of clandestinity under the Barrientos government (1965-1969) a "democratic opening" allowed the COB to organize its IV National Congress. Right after the Congress the COB established the Asamblea Popular, the COB's first attempt to create a workers parliament.

Although it is not within the scope of this thesis to engage in a detailed analysis of the unique experience of the Asamblea Popular, it is nevertheless necessary to assess the magnitude of its political significance in order to fully grasp the class nature of the Banzer regime.

The Asamblea, as a manifestation of the accumulated class experience of the Bolivian proletariat, nurtured by decades of repression and direct confrontation with the state, contained at least some of the essential characteristics of a soviet. It was not in itself an instrument of class domination, but it was nevertheless a first step in the attempt to implement an independent political project. Guillermo Lora, leader of the Bolivian Trotskyist party; Partido Obrero Revolucionario -POR- reflecting on the Asamblea Popular concluded that:

The power of the working class and its political and trade union organizations, represented during a brief period of time the concentrated force of the proletariat, where the primacy of working class organizations was expressed in this

²With brief constitutional intervals, the period of military rule that was initiated in 1964 by the Barrientos government (1965-1969) only came to an end many years later with the fall of the last military regime of the Meza government (1980-1982).

executing activity -the Asamblea- as independent instrument of class representation (Lora 1972:175, my translation).

In contrast to the co-government formula of 1952 the Asamblea explicitly addressed the question of "proletarian hegemony" in the conduction of the masses towards the formation of a socialist state (Chesnais 1972:lxxxvi-xc). Also in contrast to 1952, the COB instituted a system of regional assemblies which were accountable to the Asamblea Popular in La Paz¹. These two characteristics of the Asamblea reflect a higher level of political maturity acquired by the proletariat as a class in relation to the - rather passive- role it had played in 1952 when the COB virtually handed political power to the MNR.

Without necessarily resolving the problem of power, the Asamblea situated the working class into a new situation of "dual power" and re-opened the possibility of working class hegemony that had been frustrated in the 1950's. By October of 1970 the working class had virtually conquered political power -although not necessarily military, nor economic power- (La Correspondence Internationale 1972:5).

¹The Asamblea counted on an important base of support, especially among mine workers and the academic milieu. The latter, organized under the Assembly of Students and Professors, made its official adherence to the principle of proletarian hegemony. Other important sectors to adhere to this principle included some fractions of the peasantry, a small fraction of the military, and various popular sectors.

Such impressive re-alignment of the working class, necessitated an energetic re-alignment of the dispersed forces of the right if the further advance of a wide spread socialist movement was to be prevented. In August 1971 a bloody military coup put an end to the Asamblea. It took two days before the tanks and helicopters were able to crush-down armed resistance in La Paz, where student and worker militias (about 2000 people) confronted the army.

The new government that emerged as a result of the coup was an alliance between the military, the MNR and the FSB (Falange Socialista Boliviana, an ultra-right party linked to the Falange of the Franco dictatorship in Spain). Together they created the Frente Popular Nacionalista (FPN). Immediately after assuming the presidency, Gral. Banzer made an appeal to "those sectors interested in re-establishing order" to support the newly formed alliance. Those sectors composed of small merchants and proprietors, public servants and entrepreneurs, wanting political and economic stability, began to cluster themselves around the FSB and the MNR. This set the precedent for an important re-articulation of the dispersed forces of the right which eventually attained full political representation under the military party ADN (Accion Democratica Nacionalista) which was founded by Banzer himself during the later years of his government (1971-1978).

The authoritarian regime initiated by the Banzer government constituted a successful re-alignment of the endangered fractions of the right. The political specificity of such re-alignment lies in the fact that political parties representing military and private sector interests became organically articulated.

We are talking about the unity between the MNR, the FSB, the armed forces; and the Confederation of Private Entrepreneurs in Bolivia (CEPB). This alliance functioned as a quasi-political party (Toranzo 1989:32, my translation).

The Banzer government got to power as a result of the coup d'etat that put an end to the Asamblea Popular. This in itself is already an indication of the class nature of the regime, as is the very social basis that formed the political block of the FPN. Under Banzer, trade unions were out-lawed, its leaders prosecuted and exiled, and the COB was forced to function in clandestinity. These traits exemplify the political nature of the regime, namely a highly repressive anti-popular and anti working-class regime. Socially speaking it was the nature of the Banzer policies which most clearly reflect an anti-working class position. We are referring to the social cost of the model of accumulation which under Banzer was heavily supported by the working and other less privileged classes. This point will be further developed in the following section.

v. The Social Costs of the Model

Like the MNR had done in the 1950's, the regime of the 1970's adopted IMF liberalizing measures. These included a devaluation of the Bolivian peso at a 66% rate¹⁰. An important consequence of the devaluation was a widening gap between low and high income earners, since the latter were paid mostly in American dollars. The same devaluation decree froze wages for both the public and the private sectors for a period of one year. "In practice wages remained frozen until the fall of the dictatorship in 1978" (Ramos 1981:81, my translation). Naturally this was to have a very negative effect on the ever shrinking value of workers wages.

In a country like Bolivia where high job positions are assigned on the basis of clientelism, these measures mainly affected the already impoverished strata constituted by workers employed in the extractive and manufacturing industries, low skill office workers, commerce workers, and the peasantry. The high strata of the urban population generally remained untouched and actually benefitted from the devaluation. As previously mentioned, many got paid in US dollars and many had US\$ accounts the value of which increased after the devaluation. Most were employed by private firms -if they did not run their own. Even within

¹⁰We are referring to the devaluation decree of 1972, better known as DS. 10550. Data found in Ramos 1981:80.

the public sector a technocratic elite was created with wages ten times higher than those of the average public servant. By the mid 1970's average wages for white collar technocrats ranged from \$500 to over \$2,000 per month. Meanwhile. "...the government had set minimum wages at \$15 per month" (Ramos 1981:180). An extremely low amount indeed.

The other important class to pay a high social cost for the model was the peasant class. This class practically supported the entire bulk of local mass consumption as the government had actively promoted the import of expensive foodstuffs which were out of the reach of the majority of Bolivians. Also, the peasants had been forced to keep low prices for their products.

It seems safe, after analyzing the above data, to conclude that the regime of the 1970's fostered the economic boom of a particular social sector, namely the higher urban strata, at the expense of the large majority composed of the working and peasant classes.

vi. Conclusion

This chapter has dealt with the main characteristics of the model of accumulation corresponding to the period 1971-1980. In comparison with the previous period, the decade of the 1970's reflect important mutations in the regulating role of the state.

If we consider two essential aspects in the accumulation process, generation and accumulation per-se of social surplus, we encounter that under the 1952 model both these functions were assigned to the Bolivian state (i.e. as the nationalization of mines, the creation of the Banco Minero, COMIBOL and other key institutions confirm). The situation under the 1970's regime is different insofar as while the revenue generating side remains a function of the state enterprises, the latter are prevented from performing their accumulation function. The main cause for this being the depletion policies of the regime which institutionalized a series of mechanisms that essentially de-capitalized the state productive enterprises. From this perspective, what the pattern of accumulation of the 1970's presents is a total negation of the "nationalizing" objectives of the state of 1952. Rather than reinforcing the state sector, the government overburdened the enterprises with taxes and other financial responsibilities and in general diverted credit and investment out of the state sector into the private sector.

As this chapter has endeavoured to show, those who did benefit from such practices did not necessarily direct investment into activities that were coherent with the industrializing needs of the country. As a result Bolivia's techno-productive base remained essentially undeveloped while commercial and service sector activities expanded

considerably. This paradoxical situation reflected the deep contradictions of a model of accumulation which supported itself on a poorly developed primary sector that received no further incentive in terms of re-investment. A second contradiction of the model related to the fact that the government, rather than dealing with the inadequacies of the model, opted for an increased reliance on foreign resources as a means to obtain revenues. This practice was indulged to the point where a huge debt was accumulated which the country was in no position to assume. The consequences of such contradictions would become manifest all at once in the early 1980's, when radical changes in the international environment revealed the fragility of the internal model of accumulation.

A second concern of this chapter has been to highlight the class nature of the Banzer regime. From this perspective the political significance of the regime lied in its ability to suppress the advancement of a relatively well developed socialist project. Suppression was made possible thanks to the brutal crushing-down of the country's first workers parliament in 1971 and to the political articulation of a number of right wing sectors under the Frente Popular Nacionalista. This political block was consolidated during the early 1980's and eventually succeeded in eroding the organizational basis of the labour movement.

Part II

The Crisis of the 1980's and the Structural Adjustment Program

Introduction

As of 1985 a qualitative change occurred in the Bolivian model of accumulation. In contrast to the previous three decades, the new model no longer rests on the theoretical pre-suppositions of state-led economic growth. The private sector takes over as the pivotal force in the accumulation process with the government initiating an irreversible process of privatization of the state enterprises. Even-though this trend was already present in the three previous decades. What is particular to the new model is the radical nature of its privatizing policies, as is the extent and rapidity with which political opposition was removed. If the previous model had been characterized by an important presence of the working class in the country's political life, under the new model this class has come to play a secondary role. It is in this sense that the new economic policies of Structural Adjustment constitute an entirely different social project. Economically speaking they have laid the foundations for a free-market model which directly undermines the state centered model implemented by the 1952 revolution.

The reasons for the application of a Structural Adjustment Program in Bolivia are complex and multi-faceted. Here we will outline two major levels of determinants,

namely the national and international levels. At the national level, two main factors; the exhaustion of the internal model of accumulation and a profound political crisis opened the way to a return to a right wing regime. Externally, the extreme deterioration of Bolivia's position within the world market shook the country's entire economic base to the point where the economy could no longer be sustained. Together national and international factors combined to bring about an unprecedented crisis that opened up the way for the application of a radical IMF Structural Adjustment Program.

Chapter IV

The Crisis of the 1980's and the World Bank/IMF Structural Adjustment Program

i. Introduction

The first symptoms of a profound social and political crisis began to appear in Bolivia in the late 1970's. After a whole decade of steady ascent, production levels began to fall in both the mining and petroleum sectors. The foreign debt was growing out of control, and the productive apparatus was in no position to respond to the seriousness of the situation given its obsolete techno-productive base. Neither the populist governments of the 1950's and 1960's, nor the authoritarian regime of the 1970's had undertaken any serious modernization policies for technology and equipment in the mines.

By 1982 two important events put in evidence the great problems associated with this negligent attitude on the part of the Bolivian dominant fractions. This was the year when the foreign debt crisis was officially recognized, an event which coincided with a steady decline in international tin prices. These two external factors in conjunction with the structural problems associated with the internal model of accumulation precipitated a crisis of the very model that had emerged from the revolution. With the collapse of the pattern of accumulation, the socio-political structures that resulted from the revolution also began to crumble.

To characterize the crisis is certainly not an easy task since we are presented with a situation where structural problems were intertwined with problems of a conjunctural type. The former refer to the deterioration of an export oriented model of accumulation which had little connection with any coherent logic of internal growth. The latter refers to the particular events that configured the political parameters of the crisis of the 1980's. In this sense there was an ensemble of historic-specific contingencies whose unexpected result was the abrupt implementation in 1985 of a new IMF designed stabilization program, better known as the Structural Adjustment Program (SAP).

This chapter will attempt to establish the main historical reasons accounting for the crisis of the 1980's and the application of the Structural Adjustment Program. Two levels of determinants will be explored. At the international level, the crisis can be ascribed to the larger foreign debt crisis most peripheral countries experienced in this period. A second external factor was the virtual marginalization of these countries from international trade. Internally, the main reason for the economic crisis lies with no doubt in the irresponsible policies of the 1970's (debt contraction and poor allocation of resources). At another level, the political conjunction of the early 1980's played an extremely important role in

opening up the way for the implementation of the Structural Adjustment Program. Throughout this analysis it will become apparent that the new economic model of structural adjustment represents a new social project, that directly undermines the state centered project of 1952.

ii. International Dimensions of the Crisis

a) The Foreign Debt Crisis

Towards the end of the decade of the 1970's, many Latin American countries began to experience serious financial difficulties. On the one hand peripheral countries in general were being increasingly marginalized from international trade circuits while on the other hand their foreign debt was taking ever growing volumes of their export revenues (Cypher 1989).

As pointed by Salama, throughout the 1970's most Latin American countries had experienced a model of accumulation that relied heavily on the availability of foreign loans (Salama 1989). This was the inevitable result of the well known "debt ridden" military regimes that indebted most countries in the region under the assumption that these economies were in fact able to assume the burden. The crude reality of the 1980's proved this assumption to be far from realistic.

Already in the late 1970's the region began to experience sharp declines in foreign exchange as a result of

falling prices for their exports. At the same time, an increase in the interest rate of the US dollar effectively re-directed capital flows out of peripheral countries and into the US (Salama 1989, Payer 1991). That means that less international capital was available for the periphery. Not only did the high US interest rates attract capital, they also had an effect on the debt of third world countries whose interest actually tripled, from 5% to 15% in the short time-lapse between 1978 and 1980 (UNCTAD statistics, cited in Cypher 1989:53).

Considering that foreign exchange (i.e. US currency derived from exports) is the very source to meet foreign debt payments, the situation appears indeed as an extremely difficult one. Lower prices for exports meant less available foreign exchange, while higher interest rates on the debt implied that increasingly larger portions of government income would merely go to cover debt obligations. By 1982, for countries like Brazil, Argentina and Mexico, debt servicing was taking up to 87%, 103% and 58% respectively of the total value of their exports (Cline 1983:15,16).

As the debt was taking more and more government income, countries in the region began to show signs of a coming crisis. Mexico was the first Latin American country to declare itself unable to pay its debt (1982), followed by Peru (also 1982), Argentina, Peru and Bolivia. The danger

was real that this would become a generalized trend and that a major financial crisis would occur (Payer 1991).

A new strategy to deal with the situation was worked-out by international creditors. Gathered around the Paris Club and the London Club, the major lending institutions decided to give new loans with which the debtor country would pay back the banks. (Payer, 1991:83). It should be emphasized that in this mechanism there is an implicit acceptance that a country's ability to pay its debt will from now on depend more on its ability to "qualify for new lending" rather than its ability to produce. In order to qualify for new lending a country must accept IMF "conditionality" which simply refers to a country's commitment to make whatever domestic changes the IMF finds suitable, including changes in domestic policy and resource allocation. These innovations in lending policy are at the root of the so called Structural Adjustment Program (SAP) which were implemented in third world countries beginning in 1980 as a solution to the debt problem.

b) The Structural Adjustment Program (SAP)

Even before the debt crisis had officially been declared in 1982, the World Bank had begun to make Structural Adjustment Loans (SAL) beginning in 1980. When the debt crisis exploded in 1982, Structural Adjustment recipes were adopted by the World Bank and the IMF as a

solution to the crisis. It is interesting to note that while the debt crisis is clearly an international problem, Structural Adjustment "solutions" treated each one case on an individual basis. As the very term suggests, structural adjustment loans imply some form of "re-structuring" of the domestic economy as a condition to borrow money. It is in this respect that structural adjustment programs are different from previous IMF stabilization programs.

The conditions attached to Bank (i.e. Structural Adjustment) loans were perfectly complimentary with IMF austerity programs (another name for stabilization programs), but they cut deeper and it was clearly intended that they should be more difficult to reverse than spending cuts. Whereas IMF programs are characterized as demand oriented, focusing on measures such as cutting budget deficits...Structural Adjustment aspired to be a "supply-side" conditionality aimed at nothing less than changing the economy's entire pattern of investment and production in ways that cannot be easily reversed...These loans do go to the heart of the political management of an economy (Payer 1991:96).

By referring to the "heart of the political management of an economy", Payer is really addressing the question of the national model of accumulation and how it is being transformed.

Most Latin American economies were based on a model of accumulation that relied heavily on the state's capacity to directly intervene in the productive process¹. This was

¹This subject has been thoroughly studied among the authors of the Dependency Theory. Particularly important are the classical works of Cardoso and Faletto (1979), Furtado (1970), Jaguaribe

the result of most these countries having undergone a process of nationalization of their productive apparatus throughout the 1950's and 1960's. The range of political recommendations of the SAP sweep across the entire economy of the receiving countries and are particularly targeted at the privatization of the nationalized sector. It is this particular feature of structural adjustment that points towards a radical change in the model of accumulation for most countries in the region. A state centered model is replaced by a free market model. In the first model the state has a relative degree of control over the economy, whereas in the second model the national economy is left to the forces of the international market. The second part of this chapter will deal with this aspect of the SAP in the particular case of Bolivia where a Structural Adjustment program was implemented beginning in 1985. But before entering the analysis of the SAP it is important to assess the nature of the internal crisis that in conjunction with the external factors we have just presented, ended up precipitating a crisis in Bolivia which had no precedent.

iii. The Bolivian Crisis of the Early 1980's

a) Economic Collapse of the Model of Accumulation

The first symptoms of Bolivia's most profound economic crisis begun to appear in the late 1970's when production

(1970) and Dos Santos (1970), among others.

levels in the mining and petroleum sectors began to fall. This was in part due to the deteriorating condition of production equipment and machinery sometimes, as in the case of most mines, kept in a state as archaic as that originally introduced by the great tin barons early in the century (Toranzo 1989:126). Also contributing to deterioration in production was the fact that the quality of minerals in the mines was decreasing. The result was that more labour was required to obtain less amounts of pure oil. Between 1980 and 1984 annual tin production fell from 28,000 tons to 17,000 tons (Asociacion Nacional de Minería Mediana, cited in Dunkerley 1990:85). Further aggravating this situation was the virtual stoppage in export activities by the state owned petroleum company (Yacimientos Petrolíferos Fiscales Bolivianos -YPFB).

Throughout the 1970's the government had systematically utilized profits from YPFB to make up for losses in the mining sector. This practice virtually de-capitalized the company since no more money was invested in new exploration and extraction ventures. By 1977 the company ceased to export crude oil and its activities were limited to the sale of natural gas. (Grebe Lopez 1987). All foreign exchange previously derived from crude oil exports essentially disappeared.

Deterioration in production levels was not the only problem faced by the primary sector. Its vulnerability and

dependence from international price fluctuations re-emerged all at once in 1980 when the US made its excess tin stocks available. Ironically a great deal of these stocks had been purchased from Bolivia during the second world war at extremely low prices. The US "move" in 1980 had the effect of increasing the volume of world tin surplus to 70,000 tons. This in turn caused a steady decline in tin prices which by the mid-1980's acquired critical dimensions. Table 4.1 clearly highlights 1980 as a turning point for the international tin market.

Table 4.1

Tin Prices 1975-1986

<u>Year</u>	<u>Prices</u> (in \$/lbs.)
1975	3.098
1976	3.437
1977	4.846
1978	5.752
1979	6.807
1980	7.580
1981	6.403
1982	5.699
1983	5.886
1984	5.528
1985	5.069
1986	2.717

Source: UNITAS 1987:42. Based on COMIBOL statistics.

As reflected in table 4.1, prices had steadily risen from \$3.098 in 1975 to \$7.580 in 1980, after which they began to

decline reaching their lowest level in 1986 -\$2.717. Meanwhile production costs in Bolivia were well above \$10 a fine pound. Certainly the two prices (production and sale) bore no relation with one another. Between 1980 and 1983 earnings from mineral exports fell from \$646 million to \$348 million (Dunkerley and Morales 1986:96). More simply stated, Bolivia lost 50% of foreign exchange derived from mining as a consequence of international price fluctuations.

The above indicators reflect a sharply declining economy which could no longer depend on its traditional reliance on primary sector exports. Despite this fact, neither Bolivia's dominant elite, nor international financial institutions were able or willing to accept this reality. As explained in chapter II, under the Banzer Regime the foreign debt had risen from \$670 million to \$3.4 billion (Ministerio de Finanzas, cited in Eckstein and Hagopian 1983:73). Despite growing concern about the country's ability to actually pay the debt, the Banzer government had continued to borrow until the end of its regime in 1978. On their part, international creditors had continued lending, even when they knew the economy could not sustain the debt. Since 1980, capitals began to move outside of the third world with loans becoming harder to access. Nevertheless this did not mean that future Bolivian governments were not able to contract at least some further debt.

The devastating effects of the debt on the Bolivian economy can be better assessed by looking at some of the basic economic indicators which correspond to the period when the greatest volume was contracted (i.e. the Banzer period).

Table 4.2

Basic Economic Indicators 1971-1980

	<u>1971</u>	<u>1973</u>	<u>1975</u>	<u>1977</u>	<u>1979</u>	<u>1980</u>
Rate of growth of per capita GDP	2.4	4.2	2.2	0.8	-0.6	-1.8
Fiscal deficit/GDP (%)	---	1.94	1.69	6.33	9.14	9.0
Evolution of prices (Base: 1980 = 100)	18.5	25.9	45.5	51.4	67.9	100
Debt service/exports (%)	16	18.2	17.5	22.4	36.2	47.9

Source: Grebe Lopez 1987:107 and Morales 1985:153,162,169.

Data in table 4.2 shows a clear deterioration in the economy despite the apparent boom that characterised the 1970's. The figures reflect how the debt was taking ever larger volumes of the total foreign exchange the country was able to generate, from 16% in 1971 this grew to an alarming 47.9% by 1980. Equally disturbing was the growing fiscal deficit which in less than ten years had increased from 1.94% of GDP to an alarming 9.3%. Another important indicator, the rate of growth of per capita GDP was also

showing disturbing signs. This latter went down from 2.4 in 1971 to -1.8 in 1980. A last indicator, the overall evolution of prices reflect a rapid and steady ascent throughout the decade.

The figures until 1980 certainly point at a dramatic deterioration of the country's economic condition. The worst was yet to come, however. Beginning in 1982, and as a consequence of the governments official stoppage of debt repayment, all credit was curtailed to Bolivia. The country entered a vicious inflationary spiral that reached skyrocketing levels. From 1982 to mid 1985 the government adopted a war policy (economia de guerra) and the country confronted the most profound economic and political crisis in its history. The tremendous magnitude of the crisis is reflected in the following data provided by CEPAL (see table 4.3 below).

Perhaps the most staggering figures shown in the table are those reflecting the annual inflation rate: From 23.9% in 1980 inflation increased to an alarming 328.5% by 1983, after which the situation became simply chaotic as the over 8,000% rate reflects. It is interesting to see that while this was happening with the inflation rate, the debt was taking increasingly large volumes of export revenues. A real "jump" occurred between 1982 and 1983 whereby the proportion of the debt service increased from a 26.9% to a 30.5% rate in relation to total exports. After 1983

Table 4.3**Basic Economic Indicators 1980-1985**

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>

Per capita GDP	100	97.7	92.5	84.1	81.1	77.6
Fiscal deficit/GDP	7.6	7.1	28.9	23.0	42.1	76.4
Debt service/exports (%)	26.9	27.6	26.9	30.5	37.2	34.4
Inflation rate (annual)	23 %	25.1	296.5	328.5	2,177	8,171
Production Indexes (1980 = 100)						
Agriculture	100	---	105.9	77.7	92.2	95.1
Mining	100	---	94.5	93.4	80.6	71.1
Manufacturing	100	---	79.9	74.6	65.9	60.0

Source: CEPAL 1986:7,8,14.

the situation was further deteriorated. Table 4.3 is also illustrative of a tremendous fiscal crisis of the Bolivian state. Particularly beginning in 1982 the fiscal deficit began to take unusually large proportions of GDP. This process was accompanied by a drastic deterioration of the productive base of the country which is reflected in the steady decline in production indexes, particularly for the mining and manufacturing sectors. The last important indicator shown in the table; per capita GDP, reflects a rapid and steady decline throughout this period.

Before defaulting debt servicing, the government had made serious efforts to pay the debt (as increasingly larger allocation of export revenues were directed towards debt obligations). The government had even adopted a typical IMF stabilization recipe and had devalued the Bolivian peso in the hope of increasing export revenues. Despite these considerable efforts, the government was totally incapable to contain the crisis. In order to better explain the reasons for this failure it is necessary to consider the political dynamics that influenced this period.

b) Political Parameters of the Crisis

Throughout the entire period of military rule (Banzer - 1971-1978- and Meza 1980-82) trade-union organizations had been object of prosecution and exile. These circumstances forced the workers movement to turn its attention to the defense of democratic liberties. This meant that the ideal of a socialist state had to be temporarily put aside to take up the struggle for the restitution of democracy (Lazarte 1989). This change in orientation also allowed for the infiltration within the movement of new ideological elements which were not necessarily in tune with the traditional politics of the Bolivian working class. Among these elements was notorious the influence of political parties such as the Bolivian Communist Party (Partido Comunista Boliviano -PCB), the MIR (Movimiento de Izquierda

Revolucionario -a new left-wing party) and the MNRI (a dissenting fraction of the old MNR which had now acquired the status of a political party). They all gained an important degree of influence over the workers movement in contraposition to other, more radical, tendencies such as the POR and the PS1 (Partido Socialista -the Bolivian Socialist Party). The PCB represented a stalinist current that advocated the integration of working class politics into the parliamentary system. The MIR and the MNRI advocated moderate forms of socialism that were more in tune with a social democratic discourse (Lora 1987:217). What the three parties had in common was their retreat from the radical principles stated in the Pulacayo Thesis and the belief that the problems of the working class could be resolved within the framework of liberal democracy. Within this general framework certain differences in orientation existed. Thus the PCB claimed that Bolivia must first develop into a liberal democratic society as a pre-condition to the establishment of socialism, a notion that was directly influenced by the ideology of the Soviet Communist Party. The MIR, on its part, was made up mainly of upper-middle class intellectuals who had been exiled to European countries during the long years of dictatorship. Most of them held degrees from prestigious universities and had established important links with international support groups and agencies based in those countries. In general

these intellectuals had no direct links with the working class, but they were able to gain an important degree of influence, particularly by virtue of their role as intermediaries between grass-roots organizations and international aid.

Other important actors had also emerged during the authoritarian period. The MNR, for example, had suffered a tremendous process of internal division which resulted in the splitting of this party into a number of smaller political parties. The old leftist wing of the MNR was re-articulated into the MNRI while the conservative elements re-grouped themselves around the AMNR (Alianza del Movimiento Nacionalista Revolucionario -Alliance of the MNR). Other MNR tendencies stood in between the two tendencies.

By 1978, the political spectrum was the following: To the right was the ADN (Accion Democratica Nacionalista, the party representing the military and the private sector), followed by the AMNR. At the center-left were the MIR, the MNRI and the PCB. At the far left were the traditional POR (Partido Obrero Revolucionario -author of the Pulacayo Thesis) and the PS1.

That same year, following a massive uprising that forced Banzer to declare a general amnesty and to call for general elections, a political front was formed between the MIR, the MNRI and the PCB. The front, which called itself Union

Democrática Popular (UDP), was formed essentially for the purpose to bring the left to power in the up-coming elections. The alliance was from the beginning an uneasy one as the three parties in question struggled to gain control. It is important to remember that neither the POR, nor the PS1 entered this alliance.

In 1980 the UDP won the elections with the overwhelming support of the popular sectors. The newly elected government was to take up the presidency as of August of the same year. On July 17 a bloody coup d'etat prevented the UDP from assuming power and it was not until two years later that the latter was able to take its place in government. Meanwhile the left was aggressively repressed and some of its central figures physically eliminated.

During the coup the military seized the headquarters of the COB and assassinated some important political figures among which Quiroga Santa Cruz, leader of the PS1 is of important mention. Various political leaders had met with COB representatives to organize the resistance to the coup. They were imprisoned and in some cases eliminated. The military were only able to put down the resistance by declaring the martial law and by seizing the main mining districts where armed resistance had been organized by the workers (Jette 1989:161). The country now passed under the control of a military triumvirate headed by Gral. Garcia Meza. He remained in power for two years and "ruled the

country with an iron hand" as a recent newspaper states (La Razon, March 11, 1994:4).

During the years of the Meza dictatorship the country was severely hit by the collapse of the tin market, its financial base was eroded by the debt crisis and its left wing and trade union organizations were violently suppressed. In 1982 a successful mobilization which turned into a national strike put an end to the Meza government. Late in 1982 the UDP was finally able to take the presidency.

c) The Failure of the UDP Government

The specific set of circumstances under which the UDP came to power made a successful administration extremely difficult. We have already described, in a previous section, the critical economic situation of the early 1980's. In this section we will outline some of the major political obstacles standing against the UDP.

A first major problem the UDP was to confront was its own internal fragility as a left-wing front. As mentioned earlier, the front was formed as an uneasy alliance between three main political parties that struggled for hegemony. These parties being the MIR, the MNRI and the PCB. Early in 1978, the antagonisms had been particularly acute on the issue of who would be the presidential candidate to the elections (Jette 1989:129). It was decided that Siles

Suazo, leader of the MNRI would take this role while Paz Zamora, leader of the MIR accepted, not without resentment, to run for vice-president. These tensions over leadership never became fully resolved within the UDP and eventually they split the alliance.

The second important problem for the UDP was the presence of a right wing majority in parliament. Even if the UDP alone had 57 seats, the AMNR and the ADN together counted with a total of 74 seats (Lavaud 1981:90-1). This put the government in an extremely fragile situation as any legislation proposed by the UDP could easily be stopped by right wing congress deputies.

A Third paramount obstacle was with no doubt the absence of any organic links between the UDP and the popular masses which had given it the electoral victory. As mentioned earlier in this chapter, none of the parties that made part of the alliance were based on the ideological principles that had traditionally characterized Bolivian working class politics. As a case in point one can refer to the political program of the miners federation. This organization, which was the central locus of working class struggles had clearly stated in its program -namely the Pulacayo Thesis- the principle of working class hegemony and the notion of a socialist state -as opposed to the notion of working class integration into the parliamentary system. The UDP did not integrate any of these principles into its

political program. In fact -as will be shown in the following section- one can hardly say that the UDP had a clear program at all. This was extremely problematic, as it prevented the UDP from having the solid support of the COB and eventually placed the latter into open antagonism with the government.

Thus, from a political point of view, the government of the UDP was a weak one, its main weakness lying on its lack of self definition as either a conservative or a radical government. As such, the UDP was bound to find opposition from all sides, and this is exactly what happened during its brief but difficult period in power. To illustrate this point the following sub-section will focus on the economic policy of the UDP government, its socio-economic effects and the political opposition it sprang.

Economic Policy and Political Opposition Under the UDP

Soon after assuming the presidency Siles declared that its government would pursue a war economic policy (economía de guerra) as the only possible means to confront the crisis. Within this framework the new economic policy included: 1) a devaluation of the Bolivian peso at a 400% exchange rate; 2) a considerable increase in prices for those products which were directly regulated by the state¹;

¹Until recently, the Bolivian state directly regulated the market for primary consumption goods, such as essential food items, and petroleum derivatives including gasoline, kerosene and natural

3) the government made it compulsory that private companies sold their profits in foreign currency to the Central Bank. The idea was to centralize government control over foreign currency in general in order to re-activate production; 4) the minimum wage was fixed at bs.\$ 8,490. This represented a 30% increase in relation to their previous value; 5) suspension of foreign-debt re-payments for a time lapse of three months; 6) last but not least, a Commission was created to study the possibility of establishing a joint management of the state productive enterprises between the COB and the UDP (Salinas 1983:404-421).

Such a shock-treatment program was bound to encounter great opposition from all sides. As may be expected, the private sector was firmly opposed to selling its foreign currency to the Central Bank. Particularly important was the opposition among the medium size mining sector and the private banking sector. Other sectors who might apparently benefit from this policy, such as the trade union movement, were uneasy about the peculiar policies of the UDP. Within the COB itself, a number of trade-unions were simply opposed to this program, although the organization was split on this issue depending on the political parties that influenced the trade-unions. Thus for example, those unions under the influence of the PCB tended to support the government. However, those unions that were influenced by more radical

tendencies, such as the POR and the PS1 openly criticized the government. In a 1982 newspaper article, the POR accused the UDP policies for being "...essentially in line with the previous IMF policies that were imposed under illegitimate military regimes" (El Diario, November 9, 1982, my translation).

The economic policy of the UDP was in tune with previous IMF policies in the sense that it essentially consisted of an anti-inflationary policy based on monetary management -as the devaluation and price increase suggest. This is not to say that the policies did not have some pro-working class elements -such as the wage increase, but, as it was suggested in a magazine published by the PS1: "In the end, this kind of policies only end up hurting those sectors they search to benefit, namely the working class and popular sectors" (PS1 1982, my translation). The same article further suggested that a structural crisis as serious as the Bolivian one necessitated a much more radical program in order to be resolved. Such program should include first and foremost the nationalization of the medium size mining sector (PS1 1982).

The future development of Bolivian politics showed that the PS1 was not all that wrong. Initially, the government's policy was successful in bringing down inflation, unfortunately this temporary success was followed by recurring devaluations and soaring inflation. Every

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increase in wages resulted in further inflation with the parallel deterioration of the real value of wages. A study made by the Centro de Estudios del Trabajo has quantified the dynamics of this inflationary spiral by calculating the fluctuating value of wages on a quarterly basis for the period between 1983 and 1985, where the base value corresponds to the fourth trimester of 1982 (see table 4.4 below).

Table 4.4

Evolution of Real (Minimum) Wages
1982-1985

Year	Trimester	Wage Index (Base: 4th trimester 1982 = 100)
1982	4	100
1983	1	118
	2	96
	3	84
	4	130
1984	1	80
	2	73
	3	50
	4	113
1985	1	82
	2	47
	3	52
	4	44

Source: Centro de Estudios del Trabajo 1987:3.

As reflected in table 4.4 every year the government increased wages to levels that were much higher than those of 1982, nevertheless, their real -i.e. purchasing- value

deteriorated at astonishing levels at an incredibly fast speed. Further data provided by CEPAL establishes an interesting relation between the ever increasing inflation rates and the diminishing value of wages whereby the former have a "devouring" effect on the latter (see table 4.5).

Table 4.5

Inflation Rates and Deterioration of Wages
1980-1985

	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Inflation rate (annual)	23.9	25.1	296.5	328.5	2,177	8,171
Real Wages	-5.4	-8.7	-27	2.9	-16.4	-46

Source: CEPAL 1986:14.

Table 4.5 reflects the ridiculous proportions reached by inflation during the early 1980's. Under these circumstances the initial susceptibility of the working class in regards to the UDP policy rapidly turned into open antagonism. By early 1984 the workers movement had withdrawn all political support to the government. Internally, the UDP was facing tremendous difficulties. As mentioned earlier, the UDP was from the beginning marked by important political divisions. These divisions eventually led to a cabinet crisis (January 1983) with the withdrawal of all MIR ministers from the government. Politically this was a turning point for the UDP government. From now on the

UDP was never to re-establish its unity as a left-wing political front. In 1984 a wide mobilization of the COB that brought over 10,000 miners to march on the streets of La Paz put an end to the UDP government.

There is still a lot of bitterness surrounding current debates on the failure of the UDP government. Here we have attempted to address some of the key factors that determined such an outcome. In making an assessment of the situation it is important to remember the extremely difficult circumstances under which the UDP arrived to power. It should not be forgotten that the country was entering the most difficult period in its economic life characterized by a seriously fractured economic base, an accumulated debt that devoured national income and the collapse of the international tin market. These circumstances placed the UDP in an extremely vulnerable position which reached its climax point when international creditors withdrew all credit from Bolivia soon after Siles declared its government unable to continue meeting debt obligations.

Politically speaking, the failure of the UDP can be seen as a failure of the left in general to articulate itself into a coherent front against the dominant classes. This, in our view is intimately related to a lack of self definition on the part of the Bolivian left. As the evidence provided above suggests, the policies of the UDP constituted a rather convoluted statement of good intentions

which nevertheless lacked a coherent objective. This ambiguity in orientation only led to strong opposition from all sides and eventually left the government standing all alone amidst a soaring social economic and political crisis. As some Bolivian socialists have suggested, perhaps the main problem with the UDP was that while claiming itself to be a socialist government, its program was essentially a non-socialist program (Lora 1988; Jette 1989).

Last, but not least, it should be remembered that the UDP had been prevented from assuming power in 1980 when the coalition was afresh and when important politicians were still in the scenery. By the time the UDP was able to govern, the forces of the left in general had undergone a process of political exhaustion and some of its most prominent figures had been physically eliminated. All of these are important factors in accounting for the crumbling down of the Bolivian left and its failure to provide strong political leadership³

iv. The 1985 Elections and the Return to a Right Wing Regime

In July 1985 Victor Paz Estenssoro, leader of the MNR, was appointed president of the Republic by Congress

³After a bitterly debated trial that lasted twelve years, the Bolivian government has recently condemned ex-president Garcia Meza to 30 years of prison for the assassination of Marcelo Quiroga Santa Cruz, and other political important figures (La Razon, March 11, 1994).

deputies. The actual winner of the elections was Gral. Hugo Banzer, leader of the ultra-right party he himself had organized during the last years of his regime (ADN -Accion Democratica Nacionalista). Banzer got 29 percent of the vote against Paz's 26 percent. The rest of the vote was dispersed among a number of right and left wing political parties. At first this result may appear surprising, specially since both the Banzer as well as the MNR regimes had come to an end as the result of growing discontent among important sectors in society. The fact is that Bolivians had become generally disenchanted with politics as a result of the crumbling down of the Bolivian left during the UDP government. The failure of the experiment was simply devastating and the vacancy was there for a return to a right wing regime. The decision by Congress deputies reflected a preference for an old nationalist figure (Paz Estenssoro) and the traditional model he represented, over the well known authoritarian style of Banzer. What no-one would have expected, however, is that Paz would adopt Banzer's program for a new political economic model which was in direct contradiction with the legacy of 1952. This was the origin of Supreme Decree 21060 of Structural Adjustment which would implement an entirely new model of accumulation. The new economic model of structural adjustment -a program originally designed by an ultra-right party- essentially consisted of the privatization of the

state sector. In line with IMF premises, this latter was viewed by the designers of the program as the main responsible for the country's crisis (Villegas 1992:97).

v. The New Economic Policy of Structural Adjustment

In 1985 a qualitative change occurred in the Bolivian model of accumulation which was made possible by the application of an IMF/World Bank designed program of Structural Adjustment. Until then the Bolivian model had essentially relied on a relatively undeveloped primary sector where mining played a crucial role. This model, which based itself on the theoretical presuppositions of a highly interventionist state, was directly undermined by Structural Adjustment. In contrast to the model that prevailed throughout the 1950's, 1960's, and 1970's, the new model assigns the pivotal role in the accumulation process to the private sector. Concurrently, the state sector is to withdraw from direct regulation of the economy. Particularly important is the withdrawal of the state from production.

Even though one can argue -as in fact this thesis has argued- that this trend was already present in the three previous decades, what is striking about structural adjustment is the extent to which it has furthered the privatization of the nationalized sector. As previously indicated, the essential difference between previous IMF

"stabilization" programs and the SAP is that the former were limited to reduce public spending, whereas the latter is directly aimed at re-structuring the entire national economy. This implies, as we will see, an irreversible process of privatization of the state productive enterprises.

A second peculiarity of the SAP is that its policies have effectively undermined the basis of the organized labour movement. Again, it can be argued that this has been inherent to every other stabilization program -which is certainly the case. Where the SAP differs from previous IMF programs, however, is in the quickness and effectiveness with which it got rid of labour opposition all at once, to the point where this actor's ability to exist as a key counter-hegemonic force was seriously handicapped.

The remaining part of this chapter will deal with the de-nationalization dimension of the SAP in Bolivia from the point of view of the theoretical presuppositions that underlie the Structural Adjustment Program. The actual impact of the program in its social, economic and political dimensions will be assessed in chapter V.

a) Theoretical Pre-suppositions of the Structural Adjustment Program

This section is based on two studies made by CEDLA (Centro de Estudios para el Desarrollo Laboral y Agrario).

The first on the medium and long-term model of the World Bank and its projection for Bolivia; the second on the involvement by multi-lateral organizations in the Structural Adjustment Program (Dorado 1992; Villegas 1992).

In line with the IMF/World Bank perspective, the Bolivian Structural Adjustment Program aimed at restructuring the national economy as a means to better the conditions for the generation of foreign exchange. With this major objective in mind two levels of reform were seen as necessary. A first level dealt with macro-economic stability, a second level dealt with structural reforms.

At the macro-economic level, the objective was to re-establish economic stability (both internal and external) in order to attract foreign capital. External stability meant re-establishing the equilibrium of the balance of payments. Internal stability required that inflation be brought under control. The plain and simple recipe was a reduction in local demand (including consumption, investment and public spending) and an increase in total supply. "Supply" in this perspective refers to supply for the international market only -for this is the sector that generates foreign investment- and not to internal market supply.

In line with this reasoning the export sector was to be encouraged, but only those activities that were considered likely to generate internationally competitive goods or services. It only follows that barriers should be removed

to the free export of commodities. Thus, exporters should have no restrictions in terms of how much they could export, nor should they be over-burdened by taxation (Villegas 1992:103). Similarly, no restrictions should be imposed on the import of goods and services that local entrepreneurs might require. Foreign capital -like any other factor in production- should be treated like domestic capital -i.e. it should have no special restrictions imposed. This absolute freedom to import/export is what has been denominated by economists as the process of "liberalization" of the economy. It follows that liberalization and state direct regulation are exactly antithetical terms.

At the level of structural reforms, two types of reforms were particularly important; the first dealing with public sector reforms, the second dealing with labour market reforms. Reforms in the public sector contemplate first of all the withdrawal of the state from production activities. Rather than directly intervening in production, the state must complement the activities of the private sector (Villegas 1992:120). Thus, the state must privatize its enterprises and re-direct investment towards infra-structure works which will enhance the performance of private enterprises (eg. road construction, transportation, irrigation projects, etc.). This is in line with one of the major objectives of the SAP, namely to transform the private sector into the pivotal force in the accumulation process.

A second area of public sector reform refers to fiscal deficit reduction. To meet this objective, public spending must be reduced and state income should be increased by means of a regressive tax reform. Private savings should not be affected by the tax reform for they are likely to be channelled into investment (Villegas 1992:121).

An important aspect of fiscal deficit reduction was the reduction of public sector wages. In this regard the program attributed a great deal of the failure by public sector enterprises to accumulate capital to a supposed excess of personnel in the enterprises. It also alleged that hiring in the public sector was made on the basis of political criteria as opposed to a criteria based on economic efficiency; consequently a reduction in personnel was high on the agenda.

From the above description we can infer the major theoretical presuppositions underlying the Bolivian Structural Adjustment Program. First, the state is responsible for the socio-economic crisis as it failed to ensure capital accumulation. Consequently, state enterprises must be privatized. Second, private competition leads to economic growth for it is in the interest of each individual entrepreneur to re-invest in production and to accumulate capital. Third, the above two points imply the need to "open" the national economy to free competition among private entrepreneurs.

Underlying the program there is an assumption that competition among individual private entrepreneurs will necessarily lead to "national" economic growth¹. More important perhaps, there is an explicit assumption that Bolivian private entrepreneurs are indeed interested in accumulating their capital "within" the country. The historical evidence presented in chapter II does not corroborate this assumption. Rather, the evidence suggests that in Bolivia the dominant trend for private capital has not been one geared towards endogenous accumulation but rather the tendency has been towards capital flight. Particularly throughout the 1970's private capital tended to flee the country under the main mechanism of conspicuous consumption imports and through direct deposits in foreign accounts.

Our second critique to the theoretical premises underlying Structural Adjustment refers to the assumption that the cause of the crisis lies in the failure of the state enterprises themselves. This position, in our view,

¹This old liberal tenet has been heavily and effectively criticized by re-known economists including John Maynard Keynes. In his book The End of Laissez-faire (Keynes 1927) Keynes presents a systematic critique of this central notion of liberal economics that the general growth of society is in correspondence with the individual self-interest of private competitors. Indeed he goes as far as to suggest that there can be no equal competition in a monopoly dominated economy. A similar view can be found in the work by Polanyi The Great Transformation (Polanyi 1944). More recent critiques include the work by Baran and Sweeze Monopoly Capital (Baran and Sweeze 1966) and Ramos "Aspectos Generales del Modelo neo-liberal" (Ramos 1985).

fails to acknowledge the historical reasons accounting for such apparent failure. The financial bankruptcy of both COMIBOL and YPFB has more to do with the consistent failure by successive governments to re-invest in the primary sector, and to the resource draining policies of the Banzer regime, than to any inability inherent to the enterprises themselves.

In regards to the "opening" on the national economy to outside competition, we share the view of a number of authors that opening an underdeveloped economy to competition with highly integrated economies is the equivalent to economic suicide (Salame 1984; Ominami 1986; Tokman 1986 and Grebe Lopez 1992 among others). As these authors have argued, these economies are simply not in a position to compete with international products that can be produced at much lower prices as a result of the incorporation of highly sophisticated technology into the productive bases of more developed economies. In the case of Bolivia, withdrawal of state protectionism has meant the closing down of a number of local manufacturing enterprises who lost out to international competition. In the case of the state productive sector it has meant the virtual privatization of the primary sector which is now increasingly becoming the property of multi-national corporations.

vi. Conclusion

This chapter has attempted to trace some of the key historical reasons accounting for the Bolivian crisis of the 1980's and the link between the crisis and the application of an IMF/World Bank designed program of Structural Adjustment. It has been argued that the crisis can only be explained in terms of the intertwining of two levels of determinants; national and international. From this perspective, the paramount importance of the lending policies of international finance, and particularly their conditionality stipulations were seen as encouraging of further borrowing by highly repressive governments among which the Bolivian government was a case in point. This chapter has attempted to show that the internal model of accumulation of the seventies (i.e. one which rested on external borrowing) has been largely responsible for the contraction of a debt the country was in no position to pay back. This link between international finance and the local dominant elite is our view key to the accumulating tensions which by the early 1980's brought about an unprecedented economic crisis.

A second international force conditioning the crisis has been recognized in the persistent dependence of Bolivia on the international market.

At another level, this chapter has addressed the internal political processes which opened up the way to the

application of a Structural Adjustment program. In this respect economic and political circumstances neatly intertwined to produce a result that at a different point in history would have been inconceivable. The little space of political manoeuvre left to the UDP government was largely determined by the economic inheritance of a bankrupt state. The result was increased tensions between the government and the very social actors which had brought it to power, followed by the near disintegration of the Bolivian left. It must be recalled that this was not simply an automatic result of a constraining economic situation, for the key actors had entered the period on extremely fragile grounds, having been politically exhausted by the long years of repression and having experienced profound internal divisions.

The following chapter will round up the argument we have thus far developed, namely that Structural Adjustment is not in discontinuity with the historical trend to undermine a model of development based on a highly interventionist state. This trend has been persistent in the Bolivian model ever since the revolution attempted to create an independent nation. The first signs of this trend appeared in the mid 1950's when the landed oligarchy was re-articulated around the medium-size mining companies. As seen in chapter II, the emergence of the medium-size mining sector implied the de-nationalization of an important number

of mines. It also initiated a trend whereby the Bolivian state lost control over the commercialization of minerals. In the 1970's this tendency took a slightly different form. It now became a matter of using the state sector as much as possible to promote the boom of private sector activities. It also became a matter of borrowing as much as possible on behalf of the state. Despite this clear trend to undermine state control over the economy, no-one under the revolutionary period, nor under the authoritarian period would have mentioned the idea of "privatizing COMIBOL". This was simply inconceivable given the highly politicized nature of Bolivian civil society. This level of politization, we believe, had its main ideological referents on the presence of a powerful trade-union movement and a deeply rooted nationalist sentiment that permeated all of society. Once the left collapsed, the sentiment did not count any more. The government that succeeded the UDP - ironically an MNR government- went ahead to crush down the COB -the very COB it had once handed the power to the party. And it proceeded to privatize the very mines it itself had nationalized back in 1952. The following chapter will focus on this intersection between de-nationalization and class struggle as exemplified in the Bolivian situation in regards to the application of the Structural Adjustment Program.

Chapter V

The Impact of Structural Adjustment on the Bolivian Proletariat

i. Introduction

The nationalized mining sector has historically occupied a strategic place in the Bolivian economy. Until the mid-1980's, this sector made the largest contributions to GNP as well as to the total value of exports. Since 1985, when the government began to implement Structural Adjustment policies, contributions have been drastically reduced, thus causing a sudden change to the structure of exports.

Corresponding to this shift in exports, a major shift in the composition of the labour force has occurred, particularly in those sectors which constituted the core of the nationalized sector. With the collapse of mining, state enterprises began to experience drastic budget cuts, including de-investment and personnel reduction. Over the last few years privatization of the state sector has been high on the agenda. While budget cuts first begun in the mining sector, they soon became generalized to the entire nationalized economy. Most affected of all were CBF (Corporacion Boliviana de Fomento), COMIBOL (Corporacion Minera de Bolivia), YPFB (Yacimientos Petroliferos Fiscales Bolivianos) and ENTA (Empresa Nacional de Transporte). As the main generators of export revenues, these sectors were strategic to the survival of the Bolivian economy.

According to COB estimates between 1985 and 1987, a total of 112 factories corporated under the CBF closed down their businesses, while the remaining ones reduced their operations to levels significantly below their production capacity. This implied the elimination of 26,000 jobs in this sector as the number of workers went down from 42,000 to 16,000 (CEDOIN-COB 1988:100).

The hardest hit sector, however, was the mining sector. Having experienced steady declines in production since the late seventies, this sector continued to deteriorate in the 1980's. From 18,621 tons in 1980 production went down to 10,061 tons by 1985 (see table 5.1). But it was with the introduction of Structural Adjustment in 1985 that tin production suffered its sharpest decline. From 10,061 tons in 1985 it went down to 2,200 tons in 1987. This represents merely a fifth of the volume produced in 1985.

Table 5.1

COMIBOL: Annual Tin Production

<u>Year</u>	<u>Total Production</u> (In metric tons)	<u>Index</u> (Base: 1976 = 100)
1976	20,592	100
1980	18,621	90
1981	18,587	90
1982	15,493	75
1983	16,030	78
1984	12,533	61
1985	10,061	49
1986	4,232	20

Source: COMIBOL statistics, in UNITAS 1987:87.

The counterpart to this sudden contraction in production was a contraction in employment levels in the mining companies. Between June 1985 and December 1986 the number of workers employed by COMIBOL decreased from 27,559 to less than 7,000 employees (COMIBOL statistics, in Aguilera 1990:270). This figure corresponds to nothing less than 67% of the total labour force employed in the mining industry.

Petroleum industry workers, construction workers, telecommunication workers, bank workers, employees of the public administration and public school teachers, all were to experience the negative effects of government budget cuts during that period. It has been estimated that in the public education sector job losses reached the figure of 75,000, while another 10,000 workers lost their jobs in the public administration sector, and 2,000 in the Central Bank of Bolivia. Even the private mining industry was affected as job losses registered for that period are 6,000 (CEDOIN-COB 1988:39,116).

The significance of these changes can be better grasped when comparing the number of unemployed people in 1987 to that of previous years. According to CEDLA estimates (Centro de Estudios para el Desarrollo Laboral y Agrario), in 1984, out of a total population of six million people and an economically active population of 2,008,700 people, a total of 303,000 (i.e. 15%) were unemployed. By 1987 the number of unemployed had climbed to 468,460 (i.e. 22%), while the

population had only increased to 6,740,417 (Farah 1992:80). Under these circumstances, the problem of under-employment has become a serious concern reaching extremely high levels in the early 1990's. For those still employed the problem is no less serious as the level of their wages has been greatly compressed given the immense availability of unemployed labour.

The above presents the overall employment situation as it was transformed in the two year period between 1985 and 1987. The period corresponds to the first two years since the imposition of Structural Adjustment measures in Bolivia. It is important to enquire into the dynamics that made possible such dramatic outcome, and it is precisely this aspect that this chapter intends to expand on. Our main argument is that there is an actual link between the sudden explosion of unemployment rates to skyrocketing levels and the policies of Structural Adjustment initiated by the Bolivian government in 1985. Such link is not a mechanical outcome but rather subscribes itself within the overall strategy of privatization of the nationalized economy. While we have provided an overall picture of the changes in the most important sectors that made up the nationalized economy, we cannot look into each one of these as this would entail an exhaustive exercise which lays outside of the scope of this thesis. We will, however, focus on the state mining sector for two main reasons. First, the state mining

sector had historically occupied a central place in the Bolivian model of accumulation. As such it was central in determining what happened to the rest of the economy. As mentioned in the previous chapter, a key objective of the Structural Adjustment Program was precisely to eliminate this direct intervening role of the state. Secondly, from a political point of view, the mining sector clustered the most developed fraction of the Bolivian proletariat, both in terms of their long tradition of radicalized militancy and direct confrontation with the state and also because the Miners Federation (FSTMB) played a central role within the COB (Central Obrera Boliviana), the largest labour organization in the country. Not without reason the miners were known as the "avant garde" of Bolivian labour. Striking at the miners was logically a necessary condition to the imposition of the new economic policy of structural adjustment as this meant the removal of organized working class resistance.

ii. The Policies of Structural Adjustment

Structural Adjustment in Bolivia was imposed by means of the promulgation of a series of decrees, the fundamental objective being the privatization of the nationalized sector. Every decree set the precedent to the following one and every decree spurred violent confrontations between the workers and the state. In this escalating conflict, the

capacity of resistance of organized labour was progressively eroded, both through the utilization of open repression and the systematic manipulation of an employment policy that succeeded in eliminating most jobs in the public sector. From here, we can infer the three main elements for our analysis in a) the instruments of structural adjustment policies in the decrees themselves, b) the struggles between the workers and the state around these decrees, and c) the undermining of working class resistance. In the following pages these points will be considered. Even though the new economic policy was consolidated around many decrees, we will only refer to those ones we consider as fundamental. We believe that in the analysis it will become apparent that, although the workers movement was already undergoing a deep trade union crisis, the final pauperization of this important political actor is intimately linked to a deliberate political will on the part of the government to undermine the viability of the miners federation as a key counter-hegemonic actor. It will be argued that the FSTMB was systematically attacked on two fronts; socially through the undermining of the "physical" capacity of resistance among workers -by means of a draconian wage policy that drove them to starvation and despair. Politically, their resistance was eroded by the utilization of open repression and by the ability of the government to shrink the size of

the FSTMB to the point where it lost its traditional status of "avant garde" within the COB.

a) Supreme Decree 21060

Supreme Decree 21060 was proclaimed in August the 29, 1985 and it provided the overall framework for the restructuring of Bolivian society within the world view of a free-market neo-liberal orthodoxy. Accordingly, emphasis was placed on price liberalization, including both the price of labour (or wages), and the price of money (or exchange rate). Derived from price liberalization was the implementation of "free contracting", a practice "...whereby the fixation of salaries and contracting practices were left at the mercy of the employer... He was now in a position to contract or rescind labour contracts any time at his own will" (Ramos 1985:42, my translation). This practice was in direct contradiction with the Bolivian Labour Code which prohibited the arbitrary removal of a worker from a permanent position. It was also in opposition to the tradition of collective bargaining between labour unions and employers. Other essential aspects of 21060 decree referred to the opening up of the national economy to outside markets by means of the free circulation of imports/exports. Something that was to have deep consequences on the working class as a whole as many industries were forced to close

down or reduce their production capacity, not being able to compete with the lower prices of foreign goods.

As part of the privatization strategy, 21060 decree reduced the budget for the four strategic sectors. In regards to the mining sector, the new decree dictated a reduction of investment and wages in all the 14 enterprises that made up COMIBOL. In this context the new policy of "free contracting" translated itself into a process of "rationalization of personnel" on an individual basis between the employer and the worker. Initially, salaries were frozen and changes were made to important salary components which were to result in a sudden drop in the purchasing power of wages.

An important wage component of the mining sector was the subsidization of essential food items. Until 1985, 28 items had been subsidized. 21060 decree reduced subsidies to 4 essential items leaving the prices for the rest at the mercy of the "workings of the market". Salaries remained frozen but prices were rising at increasingly higher rates. The obvious result was a drop in the purchasing power of wages. Other important salary components removed by DS 21060 were the seniority bonus and the "salary in species". The latter was specially important as a complement to the meagre nominal wages in the mines, as it represented 50% of the value of nominal wages (FSTMB 1986:13)

It is important to mention that DS. 21060 also made provisions to initiate the decentralization of COMIBOL into private co-operatives with autonomous management. The new cooperatives would no longer be under the administrative control of the state. Generally this applied to all of the state industries but in the case of COMIBOL decentralization also entailed the sale of mineral reserves to private owners and the transfer of commercialization rights to local power groups that were typically linked to extra-national forces.

By November of 1985, investment, production supplies, and wages had been greatly compressed and production in the mines became virtually paralysed. That same year 2,180 mine workers lost their jobs (UNITAS 1987:28). A similar situation was occurring with YPFB and other sectors where personnel reductions slowly started taking place. The basis had been established for the unleashing of a wave of firings and forced job resignations that soon extended throughout the entire economy.

b) Political Struggles Surrounding DS. 21060

According to a 1986 document written by the National Executive Committee of the Bolivian Mine Workers Federation (FSTMB) "...personnel reduction was not a mere technical consequence of closing down the mines but rather it made an integral part of the political will to restructure the

national economy in favour of private capital" (FSTMB 1986:11, my translation).

Mine workers had historically played a crucial role in the confrontations between the working class and the State as the militant nucleus of the COB. The central position of the Miners Federation within the COB is an important aspect which has been explored in greater detail in the first two chapters of this thesis. The point to be made now is that the weakening of the miners unions, which were federated under the FSTMB, meant the weakening of the backbone of organized Bolivian labour. This was the first condition to the task of de-nationalizing the state sector. Let us take a closer look into the dynamics of this process.

When DS. 21060 was first promulgated in August 1985 the spontaneous response of labour was to go on a national strike. Both the COB and the FSTMB, denounced the decree as an attempt to eliminate COMIBOL and a fatal blow to Bolivian organized labour. The strike was successful during the first 48 hours as important sectors joined in, thus bringing the country to nearly complete paralysis. Soon, a curfew was declared and the government proceeded with the imprisonment of union leaders and activists. Even though the strike continued inside the mines, this first battle was lost. The original demand for abolishing DS 21060 was dropped and replaced by a demand for the freedom of political prisoners. This initial victory by the government

over the workers opened the doors to the immediate application of DS 21060 policies.

c) Decree 21137

Later in 1985 a further decree was promulgated which was to further facilitate the process unleashed by 21060 decree. The new decree, better known as the "Relocalization Decree" directly affected state employees by consolidating wage reductions and the practice of "free contracting" in the state sector. The new decree was directly aimed at the reduction of personnel, particularly in the mining sector, factory workers and public administration employees.

The main instruments of DS 21137 were the adoption of a rigid policy of wage controls, and the removal of subsidized food supplies and other important wage components. To better appreciate how badly this policy affected the miners let us take a closer look at how the different components of miners wages were negatively affected.

Until 1985 wages in this sector included a basic salary component, a secondary wage component, and a series of bonuses which included a seniority bonus, a production bonus and a special bonus for those employed in remote areas. A key component to the miners wages was the access to subsidized food supplies as most mines are located in isolated areas and have no access to food stores. Food supplies were distributed by the company on a regular basis

to heads of families. This old practice had started even before the revolution, its implementation and preservation was the result of long and hard fought struggles by the organized miners. These struggles had also been symbolic of the capacity of the unions to achieve important social conquests. DS 21137 directly attacked the system of food subsidies, undermining not only the economic but also the symbolic value of this important conquest.

DS 21137 consolidated the basic wage, the secondary wage and certain bonuses into a single basic wage. Other bonuses which were not consolidated were nevertheless significantly reduced. At the same time, following the government's objective to cut on wages as a means to stop inflation, wage increases were strictly prohibited in the companies. Perhaps the most dramatic change, however, was the virtual removal of food subsidies and the negative effects this had on the purchasing power of the miners wages.

As mentioned earlier, 21060 decree had reduced subsidized food items to only 4 items and workers had been compensated in monetary value for those items no longer under subsidy. Compensations had been made based on 1985 market prices, and remained frozen at that level despite the fact that inflation was climbing at a 66% rate (Pastor 1991:213). Taking into consideration the increase in food prices and the shrinking salaries of the miners, UNITAS

estimates that the purchasing power of wages in this sector deteriorated at a rate of 75% between June 1985 and June 1986 (UNITAS 1987:36). The moment soon arrived when the miners were in debt with the company as deductions were taking increasingly larger portions of their wages. The situation deteriorated to the point where 57% was deducted in payment for the "accumulated debt" (UNITAS 1987:36-7). Food supply in the mines became increasingly more scarce while the prices of those products still available were levelled up to current market prices. Deliverance of food produce became tremendously irregular with bread being the only product delivered on a regular basis⁵.

By November 1986 distribution offices in the mines were virtually empty and the whole of a miner's wage was not enough to cover half the cost of the food items which had been previously under subsidy. Miners were forced to resort to a number of means in order to deal with their new circumstances. Typically families engaged in the cultivation of potatoes and the raising of domestic animals. They also resorted to bartering and to the sale of household items and family clothes. Gradually, family members became incorporated into informal economic activities outside the

⁵An example of this irregularity is shown in the case of the Santa Fe Mining enterprise where food deliveries between August and October of 1986 were as follows: 3 kgs. of beef and 5 kgs. of pasta for August; 5 kgs. of sugar and 3 lts. of cooking oil for September; 3 kgs. of meat, 3 kgs. of rice; 1 kg. of lard and 2 kgs. of sugar for September (UNITAS 1987:85).

household. "The sole objective of these strategies was to compensate for the deficiencies of nominal wages as a means to increase the amount of food in the household which was necessary to confront hunger... The incorporation of new economic activities did not, however, allow for the coverage of more than minimal nutritional needs" (UNITAS 1987:116, my translation).

November of 1986 also coincided with the Government's deadline for a "compensation package for voluntary resignations", a new "benefit" offered to those miners who, of their own accord would quit their jobs. The package essentially consisted of a US\$ 1,000 indemnization bonus plus an increase of US\$ 100 per each five year period of employment in the company. Other components included a transportation bonus, and a provision for "debt forgiveness" for the miners outstanding payments to the company (i.e. for previously subsidized foods). In the following month a total of 16,444 mine workers lost their jobs. Some were forced to quit, others decided to opt for an early retirement, most simply quit out of despair under the burden of an ever increasing debt and sheer starvation. Adding to the 2,800 workers who had lost their jobs in the previous year, the total of unemployed miners increased to 19,244. The figures provided in table 5.2 are representative of the sudden contraction in employment that occurred in COMIBOL between June 1985 and December 1986.

Table 5.2**COMIBOL: Employment Distribution**
June 1985 to December 1986

<u>Province</u>	<u>Number of Employees</u> June 1985	<u>Number of Employees</u> December 1986
Potosi	13,230	3,405
La Paz	6,791	2,151
Oruro	7,418	3,420
Cochabamba	35	13

TOTAL	27,474	8,989

Source: UNITAS 1987:44. Based on COMIBOL statistics.

d) Decree 21377

Despite resistance to the new economic model, on August the 25, 1986, a third decree was promulgated which further reinforced the de-nationalization process so carefully laid down by DS. 21060 and later continued by 21137 decree. Under the rhetoric of "COMIBOL Re-structuring", the new decree (DS. 21377) directly eroded state property of the mining sector by ordering the closing down of 9 out of the 14 mining enterprises that made up COMIBOL. The remaining five enterprises were to limit their operations to maintenance and exploration, requiring a number of personnel of no more than 2,000 workers. In other words, 21377 decree attempted to eliminate 17,000 workers out of a remaining total of 19,000. Among the nine enterprises to be closed down were the Catavi and Colquiri enterprises located in the

provinces of Potosi and La Paz respectively. Both enterprises were important in terms of their productivity, but also because these districts contained the most militant fractions of the mining proletariat. Some would go as far as to say that "... the closing of Catavi alone implies a great loss both to the FSTMB and to Bolivian labour as a whole since the militant tradition in that district has been of crucial importance to the development of the proletariat's class consciousness" (FSTMB 1986:40, my translation). The third important Province in terms of the degree of politization among mine workers was Oruro⁶. Both Oruro and Potosi depended almost entirely on mining. The decree not only meant an attack on the proletariat employed by this sector but also went against the economic integrity of both provinces. Thus, the defense of the nationalized sector became an important issue to the general population in these provinces.

Decree 21377 had the effect of bringing together three main issues that became the center of political debate by early 1986. First, there was the issue of the state workers in general and miners in particular against the unemployment ridden policies of the new economic model. Second, there

⁶It is no surprise that at the end of the re-localization period (Aug 1985 - Dec 1986), when 20,559 or 67% of Bolivian miners had lost their jobs, the great majority of unemployed miners came from the provinces of La Paz, Oruro and Potosi making a total of 18,701, distributed into 9,931 for Potosi, 4,714 for La Paz, and 4,056 for Oruro. (COMIBOL Statistics, in UNITAS 1987:31).

was the regional opposition to the model, specially among the three Andean provinces of Oruro La Paz, and Potosi. Since the latter exemplified the most highly developed fractions of the proletariat, both working class politics and regional politics became intertwined into a common front in defense of the nationalized mining sector. This spurred an impressive mobilization among widely differing sectors, where the Miners Federation played a central role. A huge "March for life" (Marcha por la Vida) was organized which first started in Oruro with 5,000 workers but ended with 10,000 people as it reached the city of La Paz. "An impressive column of 10,000 people including miners, peasants, teachers, students, intellectuals and other workers from the provinces of Oruro and Potosi, had been marching for four days when the government had to order the withdrawal of military troops to let them enter La Paz" (FSTMB 1986:31).

The name "March for Life" alludes to the objectives of the mobilization: "The March for life is a march for the life of COMIBOL and the life of the provinces of Oruro and Potosi" (FSTMB 1986:28). In response to 21377 decree, the miners proposed that administrative functions in COMIBOL be transferred into the hands of the miners. Prior to the march, the Secretary of External Affairs at the Oruro Miners conference, had stated:

If the government wants to close down COMIBOL and feels incapable to administer the enterprises we demand that COMIBOL passes to the administration by the workers and that resources destined to closing down the mines -including compensations, indemnizations and operation costs- be the capital of operation to rehabilitate COMIBOL under direct supervision by the workers (Declaration by the Secretary of External Affairs of the FSTMB at the Oruro Miners Conference, August 21, 1985, in FSTMB 1986:25, my translation).

On the fourth day of the march 2,000 armed soldiers surrounded the marchers at Calamarca just a few kilometres from La Paz. The government declared a new curfew and imprisoned hundreds of labour union activists and left wing intellectuals in La Paz, Oruro, Potosi and Cochabamba. This time the pretext was that a conspiracy was being organized to overthrow the government. As in many other instances the Catholic Church had to intervene to prevent a possible massacre of the marchers (as indeed this had been the typical way of dealing with organized opposition by previous governments). After "successful" church mediations the marchers slowly withdrew. Most miners went back to their districts with a bitter feeling of frustration and the sentiment that perhaps, after all, voluntary resignation was a better option (we refer to the "compensation for voluntary resignation" described above).

The repression of the march was crucial in diverting the miners' major commitment to defend the nationalized sector in favour of the more individualistic option that resignation with indemnification represented. Needless to say,

such a change in orientation greatly undermined workers unity by arousing a number of clashes and intrigues that culminated in a virtual division of the FSTMB between those who supported collective resignation and those who insisted in defending the nationalized mining sector while maintaining a class position. In October 1966 the FSTMB Executive resigned, not wanting to take charge for the negotiation of the collective resignation of the miners. The Executive found this line to be in conflict with the political tradition of the Federation. Soon the miners from Catavi-Siglo XX initiated negotiations with the government in response to the latter's deadline for voluntary resignation fixed by November of that year. "Thus the irreversible desegregation of the Bolivian labour movement was initiated" (Lazarte 1989:171, my translation).

iii. Political Weakening of the Bolivian Labour Movement and the Loss of Trade Union Power

Without falling into dogmatism, it must be recognized that DS 21060 played an important role in the desegregation of the working class movement. Certainly the latter was already facing a deep crisis which was in part a result of long periods of repression, and in part a consequence of internal ideological divisions. The difference between DS 21060 and other stabilization programs lies in that, through massive firings and forced early retirements, this achieved

the virtual elimination of the most radical elements within the movement, specifically within the FSTMB. As a result of the contraction of its radical nucleus, the COB was to confront a serious crisis in terms of a "quantitative" reduction in membership which in turn translated itself into a "qualitative" change in the COB's functions within Bolivian civil society. From central actor in the articulation of a counter-hegemonic discourse, the COB has passed to assume the role of a secondary political actor.

Certainly the above would not have been possible without the loss of legitimacy that the left in general had experienced as a result of its erratic politics under the UDP government. Throughout that period both the COB and the UDP were suffering deep internal divisions, and moreover, uncontrollable forces had placed these actors in radical opposition, to the point where the COB demanded the resignation of Siles. The innumerable strikes and demonstrations against the government, and the inability of the latter to arrive at some sort of political agreement with the COB ended up creating an atmosphere of fatigue and pessimism among the general population. A particularly negative consequence was the political exhaustion of the popular sectors in general, and of the COB in particular.

The workers movement of 1985 was not the same as that of 1952. The long fought struggles against the state, and the repeated failure to constitute itself into a governing

class (Co-government COB-MNR -1952-1957; Asamblea Popular 1970), together with the more recent failure of the UDP, had made of this actor a debilitated class. Its main representative, the COB, was politically burnt-out, partly due to long years of repression and exile and the discontinuities this implied in terms of organization, but also because of its own internal contradictions. When DS 21060 surprised everyone with de-nationalization and its firing policies, the COB had little strength to fight back, nevertheless, the resistance was organized, and it was violently suppressed by the government.

What remained after the initial firing wave that took place between 1985 and 1987 was a proletariat that was greatly reduced in size and strength. The great worker militias of the initial phases of the revolution are now filling in the ranks of the informal sector, with little, and very uncertain possibilities to articulate their class interests. Many have migrated either to neighbouring countries or to the interior of the country, and the memory of their once "avant-garde" power has remained as dispersed in the air as they themselves in the land. Today's FSTMB members are a new generation which no longer carries the strong tradition of a powerful working class organization. Often fearful of losing their jobs under the new modality of "free contracting" the new ranks of the COB do not go beyond relatively small sectorial demands. Even though some of its

old members still remember with much nostalgia the social project of a workers' state, the majority of its members could not even conceive of a working class politics. The problem is that their objective possibilities would not allow it either.

iv. The Social Costs of Decree 21060

Structural adjustment policies have generated a number of social costs as a result of liberalization policies. Most public sector industries (including most mines in COMIBOL, CBF factories and YPFB) were declared "unproductive" with the subsequent shutting-down of these industries. Many small private industries were simply forced to shut-down their plants -or at least significantly reduce their productive capacity- as a result of aggressive competition from foreign products. It is estimated that between 1984 and 1987 unemployment rates went up from 15% to 22% (CEDLA 1989, cited in Farah 1992:80). Only within COMIBOL did firings reach nearly 80% of the population employed by this company. Various multi-lateral organizations have become concerned with this situation and programs are being implemented to "help" those sectors which have been most affected. Particularly important are those programs aimed at creating temporary employment for former mine and factory workers, as well as other marginal groups. The new jobs typically fall within the category of so called

"informal" activities, characterized by an absence of job security, long working hours and -in most cases- a meagre income⁷. De-regulation of the labour market has implied in the Bolivian case a transformation in the composition and quality of employment. The new labour force has little or no-job stability. The new emerging trend is one of eventual work and the tendency to sub-contracting practices.

According to an economics professor from the Universidad Catolica in La Paz "in current day Bolivia approximately 80% of the economically active population is employed in informal sector activities"⁸. According to Villegas; "...the expansion of this type of employment is partly a result of the crisis and partly a consequence of the structural adjustment measures which have had a recessive

⁷During my last visit to La Paz, Bolivia (Jan-Feb 1993) I spoke with a few children working in informal activities. One of them -eight years old- worked in a small bus making its journey through the city. His job consisted of yelling out the names of the places the bus would go through, as the route changed, depending on the "demand of the day". I asked him how much he made; he responded that if he finished a round trip -from beginning to end of the city- he would get twenty cents. This is the equivalent of six cents of a US dollar. The boy made between three to four journeys a day, that is twenty four cents of a US dollar per day. Considering that an average size Bolivian family requires at least \$300 monthly to survive, the boy's "wage" appears as truly "sub-survival", worthless. Like many other children, the boy must come from a family where most members, regardless of their age, have had to take-up any possible form of income generating activity as their only possible means to resist ever increasing misery.

⁸Professor Miguel Fernandez, in an personal interview granted to the author in February 1993. Important characteristics of this population, in terms of income levels, nutritional levels, and general living standards can be found in a recent study made by the Bolivian National Statistics Institute -INE- (see INE 1992).

effect on the salaried labour market" (Villegas 1992:134, my translation). The overall effect of the "informalization" of the labour market has been, according to Fernandez, the general contraction of salaries for the whole of the Bolivian labour force (Fernandez, personal interview). Toranzo further comments on the question:

We observe that the new situation of reproduction of the labour force implies something truly horrendous in terms of how much work families will have to perform in order to meet their minimal nutritional needs. In the field of the labour market the main problem is no longer one of unemployment (everybody works in Bolivia), rather, the problem is one of under-employment and rising levels of participation rates (meaning that families need to incorporate more hours of work -and more family members- into income generating activities). All of these point towards an extreme pauperization of the labour force (Toranzo 1992:50, my translation, parenthesis added).

After considering the above situation, one comes to the conclusion that, underlying the new "job creation" policies of multi-lateral organizations, there is a legitimization process of what could be seen as pauperization of the Bolivian working class. For lack of a better concept, I use the term to refer to a generalized process of social degradation of the labour force as a whole.

v. Conclusion

This chapter has endeavoured to explore the nature of Structural Adjustment from the point of view of class struggle in Bolivia, more concretely, we have enquired into

the class nature of structural adjustment policies by looking into their concrete effects on the social and political struggle between the workers and the Bolivian ruling class represented by the State. In this sense, we followed the line of Mathias and Salama when they assert that: "The unit of reproduction of capital is the world economic system, while the unit of reproduction of class struggle is the nation-state" (Mathias and Salama 1983, my translation). Thus this chapter has dealt with this second level of analysis, namely that pertaining to the internal resolution of the socio-political conflict aroused by the implementation of IMF backed structural adjustment measures.

It is a commonly agreed upon position among the Bolivian left that the labour policy underlining 21060 decree has had as its main objective the de-nationalization or privatization of the Bolivian mines. This is in direct opposition to the claim made by structural adjustment advocates that "rationalization of personnel" and the stoppage of production was a necessary response to low productivity in the mines. A more plausible explanation would appear to be that an essential step in clearing the way for privatization was to remove political resistance by simply eliminating most jobs in this sector while at the same time rendering production to levels of virtual paralysis.

The decrees eliminated nearly 70% of the labour force employed in the mines and also the very militant core within the workers movement. The Miners Federation had historically played a leading role in labour confrontations with the state. The very revolution of 1952, which had placed nationalization of the mines at the centre of the new political project, had been the result of the decisive action of this militant proletariat. With the denationalization policies of structural adjustment, the FSTMB has lost its central role within the COB. Its drastically reduced membership constitutes today too weak a fraction to imprint a radical line of action within the organization.

The devastating effects of structural adjustment policies on the working class are a reflection of the deeper structural characteristics of the Bolivian pattern of accumulation. Largely responsible for the crisis has been the historical negligence on the part of the Bolivian ruling class to confront the deteriorating position of Bolivia's fragile insertion into the international market since the early 1960's. Strengthening the national economy by means of re-investing in, and diversifying the mining industry has never been a major concern among the Bolivian ruling class. The effect of such an option would ostensibly have entailed a progressive increase in productivity levels, which in turn would have allowed some degree of industrial diversification, and consequently a better utilization of

labour power. In this sense, the new economic policy of structural adjustment only reconfirms what has been a historical trend in the development of the Bolivian economy. If before structural adjustment the Bolivian ruling class had neglected its role as "industrializing bourgeoisie" in the typical fashion of western liberal democracies, the new economic policies of structural adjustment are continuing with, and consolidating this trend. Rather than confronting the mining problem, the Bolivian ruling class has opted for the annihilation of this crucial economic sector and for the dispossession of its labour force, handing out the industrializing task to outside actors. This is why the class issue and the de-nationalization issue cannot be separated from one another in the analysis of Structural Adjustment in Bolivia. The Government's option for de-nationalization of the mines and the violent repression of working class opposition have only served to accelerate the collapse of an ill-fated model of accumulation without necessarily offering a cure to this endemic situation.

Concluding Remarks

On The Nature of the Nationalist Project of the MNR

With the crumbling-down of the tin based model of development in the 1980's two social projects came to an end. On the one hand the MNR faced the impossibility of "realizing" its project of an independent nation-state. On the other hand, the working class lost its central position as the potential articulator of a socialist project. Neither one actor was able to fully accomplish its political objectives and one cannot help but to wonder why this was so.

Having been the main proponent of a developmentalist state the MNR ironically turned against this objective in the mid-1980's when the Paz Estenssoro government implemented a market oriented model -i.e. the one based on DS. 21060. Since its early origins in the late 1930's, the MNR defined itself as the saviour of the oppressed nation against the forces of the anti-nation represented in the mining oligarchy. the MNR's self-adjudicating mission consisted of the creation of a sovereign and independent nation that was relatively autonomous from the forces of the international market. In the first period of the revolution from 1952 until 1954, the necessary institutions were created to help make this project a reality, the essential component of this project being the strict control of the state over the country's productive sector. Thus,

nationalization was the pivotal institution in the nation building project of the MNR. The de-nationalization driven model of structural adjustment that underlined the political program of the Estenssoro government directly went against the earlier political objectives of this party. It is equally ironic that it would be Paz Estenssoro himself - leader of the 1952 revolution- who struck a fatal blow to the workers organizations in order to implement the structural adjustment program. As stated earlier in this thesis the implementation of the new model required the utilization of violent means of state coercion including the martial law and strong union repression. How can one explain this paradoxical situation? Why did the MNR turn-back on its own social project of development? And moreover, how did it manage to firmly consolidate itself as a political party while at the same time capitulating from its own original position?

From the evidence we have presented in this thesis, it should become apparent that the MNR emerged as a potential liberal bourgeoisie, i.e one in search of the possibility to constitute itself into an industrializing bourgeoisie. In time, however, this actor slowly abandoned this industrializing objective, particularly since it began to adopt IMF backed stabilization plans beginning in 1956. This is crucial in pointing out an important link between extra-national forces and the maintenance of an

underdevelopment situation within the country. As noted earlier in this thesis, the reasons for the MNR to adopt IMF plans can be traced to the extreme financial vulnerability of the Bolivian state which the revolution inherited from the old oligarchic order. All of this seems to suggest that the structural basis of dependency were indeed far too profound for the Bolivian revolution to do away with. Under these circumstances, the MNR turned towards more pro-IMF positions in order to survive as a political actor, even when this implied a capitulation of its own development project.

The MNR's adherence to the FPN in 1971, when Banzer took power after a successful coup-d'etat that put an end to the Asamblea Popular, further reconfirms the MNR's capitulation. The Frente, as it was shown earlier, constituted the alliance of the military and the remnants of the old oligarcny, now in the form of a commercial bourgeoisie which was by definition a non-industrializing class. The very social basis of this alliance, and its clear anti-working class character points at a further movement of the MNR away from its 1952 postulates. Further, in 1985, the MNR allied itself with the ADN. This ultra-right alliance re-confirms once more the trajectory of the MNR towards clearly right wing positions. The 1985 ADN/MNR Pact, better known as the "Pact for Democracy" constituted an important articulation between the petit-bourgeois

nationalists and the social strata which had constituted the very social basis of the Banzer regime back in the 1970's. This included the remnants of the old oligarchy - import/export oriented land-owners and merchants, a small aggro-business fraction, and the renewed military.

It is only within this context that the sudden application of the Structural Adjustment Decree (DS 21060) becomes intelligible. Inherent to the decree there is a blatant recognition that the Bolivian dominant class was unable to realize its own project of an independent nation on the basis of a state centered model. At the heart of DS 21060 lies the de-nationalization of the country's strategic industries and their transfer to private owners regardless of their origin -foreign or local.

The reasons underlying the MNR's withdrawal from its industrialization model are intimately related to the enclave situation of the Bolivian economy. The very nature of Bolivia's dominant class, from very early in the XX century inserted in external industrial and commercial circuits, and from very early unable to overcome its complementary condition within these circuits were strong odds standing against the constitution of an industrializing bourgeoisie. In fact, neither the traditional oligarchy, nor its offspring -modern private entrepreneurs- were ever an exclusively "national" class. Instead, their interests were since very early on conditioned by accumulation

interests in the core countries of the international market. Is it at this point precisely; in the hybrid nature of Bolivia's dominant class where one finds the conjunction between internal and external determinants. In the Bolivian case -as in many other peripheral countries- such determinants frustrated the industrializing efforts of a national revolution. The consecutive stabilization packages and de-nationalizing recipes; the influence of the US and its agencies such as the IMF, the World Bank and, USAID in the diversion of credit and investment towards ventures other than industrializing ones; the re-construction of the army with IMF funding⁹; the conditions imposed by external credit on domestic policy; and the decisively anti-working class nature of the IMF stabilization plans, acted, from very early in the revolution, as detractors of the industrializing project of the MNR. They were also key instruments that undermined the strong influence the COB had been able to exert in the early stages of the revolution.

In fact, one can say that the radical positions of the MNR towards the end of the 1940's were to an important extent a result of the powerful imprint of the then vigorous miners federation -the FSTMB- which at the time counted with 36,000 members (Dunkerley and Morales 1986:93). This was an important factor that pushed the MNR to make a transition

⁹The 1956 stabilization plan actively promoted the reconstruction of the army which the revolutionary militias had virtually eliminated in 1952 (see Lazarte 1989, also Lora 1987).

from a moderate to a radical nationalist position. On the other hand, it was the extreme situation of dependence of the country vis-a-vis the international tin market, and its local agents; the landed oligarchy, which forced the MNR to assume positions beyond its original program.

It is important however to remember that the main core of the party was formed by petit-bourgeois and middle class elements and that this latter had important social links with the landed oligarchy. This partly explains the tensions between the COB and the MNR in the experience of the co-government years. In correspondence to the gradually deteriorating position of the COB within the co-government, the MNR assumed those positions which were more attuned with its own class interests.

In looking into the historical trajectory of the MNR, from revolutionary positions back in 1952 to ultra-right positions in 1985 and thereafter, it becomes apparent that although the MNR originally represented a social project that was antagonistic to that of the oligarchy, this actor slowly turned abandoned its own project of an independent nation and slowly adopted a pro-market position. Currently the MNR together with the ADN represent the most important advocates of the market model in Bolivia. There is no doubt that today's MNR is a right wing actor.

What remains then of the 1952 nationalist project? Nothing, not even its own author is there to defend it any

longer. The second important actor, the working class, does not yet know how to react before the realization -a bit too late- that in Bolivia, the creation of a relatively independent nation could not be realized under the leadership of a petit-bourgeois party for this project is much too big for its -rather limited- possibilities as a lumpen-bourgeois class (to use Gunder Frank's characterization of peripheral bourgeoisies).

On the other hand, one can ask what remains of the grand working class project of a socialist state? The answer cannot be too encouraging either. Despite its tremendous political strength, this important social actor began to see its possibilities being eroded since early in the 1950's. The co-government COB/MNR proved to be a fatal blow from which the working class has never fully recuperated. The co-government laid down the foundations for the bureaucratization of the COB and the gradual subjection of the working class under the MNR. In the years that followed the fall of the MNR government (1964) the labour movement was further suppressed, now under direct military repression. This trend continued right into the mid-1980's when Structural Adjustment gave a fatal blow to the workers movement.

It would be misleading to say that during those years the movement played a passive role, the case was quite the contrary. This movement, as this thesis has suggested

attained an impressive level of political organization showing an unusual ability to mobilize a wide range of social sectors and to shake the entire foundations of the official parliamentary system. These two characteristics of the Bolivian working class were best exemplified in the two experiences of working class hegemony in 1952 and 1970 -i.e. the co-government and the Popular Assembly-.

It is interesting to see that despite this impressive level of organization this actor was not able to constitute itself into a governing class -and therefore to imprint its own social project. Harsh and long lasting repression, particularly under the dictatorial regimes of Banzer in the 1970's and Meza in the early 1980's, recurring problems of internal division, and the corrosive influx of a nationalist ideology, were all factors that contributed to a gradual deterioration of the labour movement until its space for contestatory action became too small in comparison to its tremendous capacity for mobilization.

During the early 1980's, under the left wing government of the UDP, the first symptoms of a profound trade union crisis began to appear. This was in part a reflection of the loss of legitimacy of the Bolivian left in general, who could not contain the advancement of a devastating economic crisis. The failure of the UDP administration had the effect of greatly discouraging Bolivian civil society to continue relying on left wing formulas and class politics in

general. The result was an irremediable loss of legitimacy of the left in general and of the COB in particular. A power vacuum (vacío de poder) was left precisely at a moment when the right resurged with renewed vitality. The new Bolivian right was economically rearticulated around the new commercial and financial circuits that had developed under the Banzer regime. Politically it consolidated itself under the ADN/MNR Pact that Banzer and Paz Estenssoro had signed soon after the fall of the UDP. With the "Pact for Democracy" the space was opened for a return to a right wing regime and to the shift from a state centered model of development to a market oriented one.

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