

# **VICTOR PAZ ESTENSSORO**

**A POLITICAL BIOGRAPHY**



**VICTOR PAZ ESTENSSORO**  
**A POLITICAL BIOGRAPHY**

by  
**Joseph C Holtey**

**With an Introduction**  
by  
**Robert J. Alexander**

Copyright © 2012 Joseph C Holtey  
All rights reserved

Previously copyrighted © 1987 with the title  
A POLITICAL BIOGRAPHY OF VICTOR PAZ ESTENSSORO  
All rights reserved

Library of Congress Control Number: 2012920817

ISBN 978-1480099784

ISBN 1480099783

Manufactured in the United States of America

victorpazestenssoro.com, Prescott, Arizona

# Contents

<b>Introduction by Robert J. Alexander</b>	<b>vii</b>
<b>Preface</b>	<b>xiii</b>
<b>Chapter 1 YOUTH AND EARLY POLITICAL CAREER</b>	<b>1</b>
From War to Politics . . . . .	4
The Founding of the MNR . . . . .	13
<b>Chapter 2 THE VILLARROEL YEARS AND EXILE</b>	<b>23</b>
The United States Refuses Diplomatic Recognition . .	24
Executions of November 1944 . . . . .	29
Social and Labor Legislation and Parallel Reform Efforts, 1944–1945 . . . . .	31
Tin Contract Negotiations, 1943–1946 . . . . .	37
Monetary and Fiscal Policies of the Villarroel Government . . . . .	39
The Demise of Villarroel . . . . .	42
Paz Escapes . . . . .	44
Exile . . . . .	45
The Beginning of a Social Revolution . . . . .	55



# Author's Acknowledgements

The author wishes to thank Doug Loucks for his assistance in the preparation of the PDF file of this book for publication. Also, the author wishes to express his appreciation to his daughter, Joana Holtey, for her design and production of the cover for this book. Finally I wish to acknowledge the generous contribution of Professor Robert J. Alexander (1918–2010), the noted scholar of Latin American history, who in 1987 kindly did me the favor of writing the introduction to this book.

# Introduction

by

## Robert J. Alexander

Víctor Paz Estenssoro has been one of the most important Latin American political leaders of the twentieth century. The author of this political biography, Joseph Holtey, is certainly correct in saying that Paz Estenssoro was the most important Bolivian politician of the century. An extensive political biography of him is therefore overdue and is to be welcomed. There is none in English so far, and Spanish attempts at a biography of Paz Estenssoro date from the period prior to his last presidency.

The real high points of Paz Estenssoro's half-century political career came in the 1952–56 period, his first presidency, and in his last presidency starting in 1985. Although there are great apparent contrasts between these two phases of his career, there are also consistent elements running through them.

In 1952, Paz Estenssoro first came to power as head of a genuine Revolution, and led it for four years. The Revolution over which he presided, and of which he was the preeminent but by no means exclusive leader, is widely regarded as one of the three most profound social transformations in twentieth century Latin America, others being the Mexican Revolution and the Castro revolution in Cuba.

In some ways, the Bolivian National Revolution was more profound a process of change than either the Mexican or Cuban upheavals. Its centerpiece and most enduring achievement was the agrarian reform. Quite literally, it gave the land in the Altiplano (highlands) of Bolivia back to the Indians from whom the Spanish conquistadores and their biological and historical heirs had taken it over a period of almost four and one-half centuries.

Two observations about the Bolivian agrarian reform are worth noting. First, it was carried out with great rapidity, being



completed de facto within two years, and de jure (with actual land titles being passed to the Indians) within a decade and one-half at most. In contrast, the agrarian process in Mexico spread over half a century and perhaps is not yet completed.

The second observation about the Bolivian agrarian reform is that it was undogmatic. Some of the *Movimiento Nacionalista Revolucionario* (MNR) leaders had extensively studied the Mexican agrarian reform, and in 1952–53, while writing their own land reform legislation, the MNR government brought in Mexican advisers. The Bolivian agrarian reform commission, headed by Vice-President Hernán Siles, concluded that the Mexican reform had erred in setting up the *ejido*, in which the peasants had only strictly delimited use rights to the land. They, therefore, decided to allow the peasants themselves to decide whether to farm their land individually, in cooperatives, or communally. Thus, the government imposed no strict pattern on the agrarian reform beneficiaries, no *ejido*, and even less the kind of Soviet-style state farms established in Cuba by Castro.

There is little doubt about the fact that the peasants widely gave Paz Estenssoro credit for giving them back the land. For years afterwards, his picture was to be found on the wall of innumerable peasant households.

Yet, there was one important flaw in the Bolivian agrarian reform. Neither Paz Estenssoro nor any of the other major MNR leaders realized that, although the return of the land to the Indians was a necessary condition, it was not a sufficient condition for the agrarian reform to be successful in all regards as they hoped it would be. To bring the peasants more fully into the broader national economy as quickly as possible, it was necessary to supplement control of the land by them with credit and technical advice and encouragement, a true extension service. For such a program to be successful, it would have had to be carried out on a “micro” basis, that is, by people willing and able to work with each of the peasant communities on a long time basis, to encourage them to overcome their innate conservatism with regard to changing their traditional ways of cultivation,

and their suspicions about people from outside their communities, rather than on the grand scale of a program imposed from La Paz.

But the MNR leaders never fully realized this need. I recall a conversation with Víctor Paz Estenssoro in La Paz in 1972, in which I tried to convince him of the importance of such a credit/technical advisory program for the economic development of the highlands and economic incorporation of the Indian peasants. He remained unconvinced. The outcome has been that, although the agrarian reform was a magnificent triumph of social justice and converted the Indian peasants into one of the two major political powers in the country—the other being the military—the full economic integration of the Indian peasant of the Altiplano moved ahead at a leisurely pace in the generation following the Bolivian National Revolution.

In the period between Paz Estenssoro's second and third full presidencies, his career was a turbulent one. It was marked by many situations in which he was proclaimed to be politically dead, but each time, like the phoenix, he arose once again from his ashes.

Joseph Holtey presents a good picture of the accomplishments, particularly in the economic field, of Paz Estenssoro's second administration, from 1960–64. However, he will hopefully pardon me for noting another aspect of that period which, in the longer run, in my estimation, proved to be tragic. This was the fatal splintering of the MNR, and the share of the responsibility for that which must be borne by Paz Estenssoro.

In the early years of the Bolivian National Revolution, well into the Siles administration, it was widely believed that there was agreement within the MNR leadership that the four principal figures in the party—Paz Estenssoro, Hernán Siles, Walter Guevara Arce, and Juan Lechín—would alternate in the presidency, presumably in that order. That would have carried the succession through 1968, by which time either new leaders would have appeared, or the sequence could have been repeated in some order.

But the sequence was broken in 1960 when, instead of Walter Guevara Arce getting the MNR nomination, Paz Estenssoro returned from London to claim it. Perhaps only the four men involved (and who, as this is being written, are still alive) know exactly why the events of 1960 took place. But the events did occur, and they brought the first serious split in the MNR. Although, as the biography indicates, there had been much factional fighting in the preceding years, until 1960, it had been kept within the party, and all of the MNR leaders had united against outsiders. Paz Estenssoro certainly shares some of the blame for this ceasing to be the case and for the split of 1960, when Guevara Arce broke away to form his own party.

So does he for the events of 1964, that culminated in the downfall of the MNR. It was widely believed at the time that Juan Lechín had agreed to be Paz Estenssoro's running mate in 1960 on the promise that Paz Estenssoro would support his candidacy in 1964. Grave doubts about whether that promise would be fulfilled were raised by the passage in 1962, with the support of Paz Estenssoro, of a constitutional amendment allowing immediate reelection of the president. Whether Paz Estenssoro reneged on his promise to support Lechín in 1964, as he later claimed, because of threats of the United States to cut off all further economic aid if Juan Lechín ever became president, I don't know. But in any case, as this biography clearly points out, Paz Estenssoro's decision to do so totally isolated him from the rest of the top party leadership, led to another disastrous split in the MNR—when Lechín broke away to form his own party, and to the downfall of the MNR regime.

Between 1964 and 1985, Paz Estenssoro was more or less in the political wilderness. Much of that time he spent in exile, principally in Peru, where he was a professor in several universities, although he also spent a year or more in the United States, again as a professor or researcher. However, wherever he was, he continued to lead a substantial faction of the much-split *Movimiento Nacionalista Revolucionario* and was its candidate in the 1978, 1979, 1980, and 1985 presidential elections. He came

in second in the first three of these campaigns, but finally he was elected president in 1985, taking office in August of that year.

When Víctor Paz Estenssoro resumed the presidency, the economic, social, and political situation was chaotic to the extreme. President Hernán Siles, who had won the 1978 election, but had been prevented by the military from assuming power until the latter part of 1982, had been totally incapable of dealing with the problems that faced him and had given up, calling new presidential elections a year before the end of his term.

In August 1985, when Paz Estenssoro resumed the presidency, inflation was totally out of control (perhaps the best illustration of that was the postage for a very small paperback book I received at the time from Bolivia, which amounted to over 1.5 million Bolivian pesos). The growing and processing of coca (source of cocaine) which had been fostered by the military regimes of the late 1970s and early 1980s, had come to earn more foreign exchange than anything else. The mining industry was in shambles, with financial losses imposed by the Miners Federation generating a large part of the inflationary pressure, a situation complicated by a fall in the international price of tin. Payments on the foreign debt were suspended.

In addition, the political situation was characterized by the presence of scores of small parties, the total breakup of the coalition with which President Siles had governed for nearly three years, and the decimation of Siles's own party. There was also a threat to Bolivian national integrity from the elements in Santa Cruz and other parts of eastern Bolivia who were threatening to bring about secession of that part of the country from the republic.

President Paz's response to this situation was draconian. He started by drastically cutting government expenditures, closing some of the largest and most uneconomical mines, and establishing a new currency. He also beat down a confrontation with the Miners Federation—of which Juan Lechín soon lost control to the Communists after being its leader for nearly half a century—and the *Central Obrero Bolivia* (COB).

In financial terms, this program was successful in greatly reducing inflation and restoring the convertibility of the Bolivian currency. However, the cost in terms of unemployment and in worsening living conditions of much of the urban and mining workers was high. Yet, surprisingly, popular reaction against this program was very limited. Efforts of the Mining Federation and COB to launch general strikes against the program—which had been successful against President Siles’s measures to solve the economic crisis—were largely a failure against Paz Estenssoro.

The last administration of Paz Estenssoro seemed at first glance to be a stark contrast to his first period in power. But perhaps there were at least two continuing strains that linked them. Throughout his presidential career, he was always an exponent of building on basic social, economic, and political change to bring about economic development. Also, throughout his career he was a nationalist.

Certainly, economic development was impossible under the conditions of 1985, and even the continued existence of the nation might have been in question had those conditions continued. The question facing Paz Estenssoro when he returned to power was whether he had any alternatives to the kind of program that he decided to implement. It is by no means clear that he did.

Paz Estenssoro succeeded in bringing back some degree of stability to the Bolivian economy, and laid the basis for pushing forward key elements of the Revolution he led almost four decades before. On the basis of agrarian reform, which, although slowly, is bringing the Indian peasants into full participation in the national economy, and of the development of the economic life of the Eastern departments of the republic, which the first MNR regime got under way, it will be possible for the general economic development of Bolivia to proceed. Furthermore, by resolving the dire economic crisis he faced when returning to power, Paz Estenssoro helped another of the fundamental objectives of the Bolivian National Revolution of the 1950s and early 1960s—that is, the establishment of the basis for political

democracy in the republic—by assuring the legitimate election of his successor.

However, whatever are the ultimate results of Paz Estensoro's third full period as president of Bolivia, he will go down in the history of his country as the person who presided over the process of "giving the country back to the Indians." He is without question one of the most influential twentieth century leaders of Latin America, and whatever his errors of omission and commission after leaving the presidency for the first time in 1956, his achievements during the Bolivian National Revolution are beyond dispute. Joseph Holtey has well sketched his life and achievements in this volume.

—Robert J. Alexander  
Rutgers University

# Preface

Víctor Paz Estenssoro is the central political figure in modern Bolivian history, yet there exists nothing approaching a comprehensive study of his political career which has spanned a half century. This political biography, therefore, fills a void by relating the major events in the career of the leader of Bolivia's twentieth-century social and economic revolution.

The author began his research for this book during the period between June and August 1973 in La Paz, Bolivia, with ten hours of taped interviews with Dr. Paz. Additional years of research followed, during which the author searched major libraries in both the United States and Bolivia for source materials, and held more interviews with Paz, most recently in 1984 in Washington DC.

This book, finally, is an effort to tell the story of a leader who worked to build a united Bolivia from a country seriously divided politically, socially, and economically. To study Paz is to study his homeland, a nation torn from within, a country requiring a compromiser and pragmatist like Dr. Paz to unite it into a genuine twentieth-century nation state.

# Chapter 1

## YOUTH AND EARLY POLITICAL CAREER

Víctor Paz Estenssoro is the most important political figure in twentieth-century Bolivian history. Four times elected constitutional president of the republic and active in politics since 1937, he has guided his country through one of the most sweeping social revolutions in modern-day Latin America. His MNR (*Movimiento Nacionalista Revolucionario*) party has labeled this process of change the Bolivian national revolution, a process that has drastically improved the socioeconomic and political structures of the nation since 1952. To study the life and times of Dr. Paz, therefore, is to examine the major events that have shaped Bolivia into a modern nation state.<sup>1</sup>

Víctor Angel Paz Estenssoro was born on October 2, 1907, in the picturesque city of Tarija in southern Bolivia. His parents were Domingo Paz Rojas, a bank employee, and Carlota Estenssoro de Paz.

During the first twelve years of his life, Víctor Paz enjoyed a peaceful and fruitful childhood. His father worked in a bank in Tarija and supervised the small estate of San Luis located at the edge of town. In these surroundings, Víctor enjoyed the benefits of a pleasant rural environment and the educational opportunities offered by the community of Tarija.



Paz received a comprehensive early education, beginning with classes at a small, private school where he learned to read and write and to handle some arithmetic. His studies continued at the Tarija Grade School and on into high school at the Colegio Nacional de San Luis Gonzaga. However, the boy's stay at Colegio San Luis was cut short after only two years because of a job transfer for his father in 1921.<sup>2</sup>

Víctor Paz had to endure a major change in environment at the age of thirteen when his father received an appointment as administrator of the Banco Nacional of Oruro, about 700 kilometers to the north of Tarija. The entire family—Don Domingo, Doña Carlota, Víctor, José, and Alina—moved from the scenic beauty and moderate climate of the Tarija valley to the altiplano city of Oruro. Located on a barren, high plateau, Oruro offered a contrastingly harsh landscape and cool year-round temperatures associated with its elevation of over 12,000 feet above sea level. The city's chief contribution to the national economy centered on its mining industry.

The cruel and hard life of the Oruro mine workers, as seen by Víctor Paz, left a profound impact on the Tarijeño teenager. For the first time in his life, he came to know and understand the slave-like existence of Bolivia's tin miners. This first-hand contact left such a strong impression on Víctor that it severely tarnished a childhood dream of studying civil engineering. Paz knew that he would have to start as a mining engineer as a prelude to entering his desired profession. Because road and bridge construction were extremely limited at that time in such a poor country as Bolivia, mining was the only available starting point for a career in civil engineering. Yet, after his exposure to the mining industry, Paz wanted nothing to do with it, even if it meant that he would have to give up his dream and look toward a new vocation.<sup>3</sup>

Paz gradually became attracted to the legal profession. At the age of fifteen, a high school diploma from Oruro's Colegio Bolívar in hand, Paz registered at the Universidad Mayor de San Andrés in the capital city of La Paz. Any remnants of a desire to

study engineering were gone by 1924, not only as a result of his Oruro experience but also because of a financial crisis within the family. Don Domingo, in that year, suffered a serious economic setback with the bankruptcy of a mining company in which he had invested heavily. This meant that no surplus funds were available for sending Víctor abroad to study; in fact, Víctor had to seek employment to remain in the university and complete his law studies.<sup>4</sup>

Paz worked at various jobs to support himself during his student years. He began as an assistant in one of the offices of the Bolivian National Bank, and then worked as a stenographer in the Chamber of Deputies of the Bolivian congress. Still later, he found employment as a secretary at the Tiahuanaco Museum of Archeology in La Paz. Of these experiences, the work in the lower house of congress left the deepest impression on the young law student. As part of his duties, he worked with the Commission of Petitions where he saw numerous indigenous country people being exploited, their land being taken away from them by unscrupulous minor authorities who ignored old documents dating back to colonial times. In later years, Paz would play a major role in a nationwide attempt to further peasants' rights in Bolivia.<sup>5</sup>

Working his way through the university did not delay completion of Paz's law studies. Already in 1927 he finished at San Andrés, took his final exams, and received the official title of attorney at law.

It is worthy of special note that, considering his later distinguished career in national government, Paz had little interest in politics at that time. His attitude differed from the typical student who was often taken by and infatuated with the nation's political machinery. Paz sought only to be an accomplished attorney, involved in law rather than in politics, and more concerned with clients than with constituents. However, he soon discovered that the practice of law in Bolivia's capital city offered little promise for someone lacking connections with the tightly knit association of La Paz attorneys. The young lawyer,

therefore, had to seek out his livelihood elsewhere.<sup>6</sup>

Víctor Paz had but one path open to him—government employment. It was there that his family and friends could help him get started. His father had left his bank job in 1928 to successfully run for a senate seat representing Tarija in the national congress. During this same period, Paz's uncle, José Paz Rojas, was elected to a seat in the lower house of congress.

Víctor Paz first worked for a short time in the Office of Economic Statistics as a consultant in law. From there he moved to various other posts dealing with national economic studies, a field Paz enjoyed very much. Paz had always been fascinated by economics, and he would use his gift of economic insight during the rest of his life of service to his country. However, at that time in 1930, his vocational preference centered on law and economics rather than on his family's traditional interest in politics.<sup>7</sup>

The decade of the 1930s would be characterized by events that would drastically change the history of Bolivia and also the unfolding of Víctor Paz's life. Paz had to work especially hard during the early years of the decade to help support his family following the death of his father, Senator Domingo Paz Rojas. Don Domingo became very ill in 1930 and did not survive the year.

Paz, as the eldest son, subsequently assumed the responsibility of sustaining and directing the affairs of the Paz family. For the next year, Paz worked in the capital to support Doña Carlota, José, and Alina, all of whom remained in Tarija temporarily until Don Domingo's estate could be settled and housing could be found for the entire family in the capital city.

In 1931, Paz obtained a job as undersecretary in the Ministry of Finance. This, however, became a very brief appointment because he refused to play politics and would not actively support the ruling party. This brought about his dismissal and an offer of a different position in the government comptroller's office. Paz was working in this position when, in 1932, the Chaco War erupted between Bolivia and its southeastern neighbor, Paraguay.

### From War to Politics

Paz initially became involved in the war while exercising his capacity as employee of the comptroller's office. Part of his job had to do with directing the disbursement of salaries along the fighting lines. In this work, he became familiar with a series of outposts stretching from Tinfunqué eastward, including forts Muñoz, Saavedra, and Alihuata. His employment with the comptroller's office ended in 1933 when he enlisted in the active military service following Bolivia's official declaration of war on Paraguay.<sup>8</sup>

Before any draft brought him to the war front, Paz returned to Bolivia's capital city in 1933 to voluntarily enlist as a regular soldier in the Bolivian First Army Corps. Soon afterward he was back at Fort Muñoz near the Pilcomayo River in what was then southeastern Bolivia. As a soldier, Paz advanced in rank within a year to corporal, and in 1935 was promoted to sergeant.

Paz saw considerable action while in the service. While in the First Army Corps, he fought in the battles of Condado and Ballivián. After a short period of leave in Villamontes, his military unit was transferred to the Second Army Corps which fought in the battles of Twenty-seventh of November, Charagua, and Parapetí. Some of the officers under whom he served included Colonel Fernández, commander of artillery of the Second Army Corps; Captain Antonio Seleme; Lieutenant Luis Rodríguez Bidegaín; and Lieutenant Humberto Moreno Palacios. Finally, the armistice came in 1935, bringing with it Paz's discharge and the journey home.<sup>9</sup>

Paz returned to his native Tarija in 1935 filled with the postwar spirit of uneasiness over the incompetence of Bolivia's wartime leaders and a desire to participate in some way in improving Bolivia's decadent social, economic, and political structures. The war laid bare for the nation to see the weaknesses and decayed condition of an oligarchical power structure which had run Bolivia for nearly 100 years. At the time of the Chaco War, a few mining entrepreneurs controlled a central government

elected by 2 or 3 percent of the population. The war exposed this system as a national scandal. Paz resolved to someday enter the political arena to take an active roll in bettering this unjust political situation. He, therefore, remained in Tarija only a short time before traveling to the capital where he could more easily obtain a position in the Bolivian governmental organization.

Soon after Colonel David Toro Ruilova took over as president of Bolivia in 1936, Paz received an appointment as general secretary of the newly founded Office of Labor Insurance Savings, and in 1937, he became undersecretary of finance. Shortly thereafter, Paz played a role in the founding of the Bolivian Mining Bank, established to promote loans to small businessmen interested in exploiting the extraction of Bolivia's mineral wealth. This bank would become a state entity a few years later, important in promoting small, private mining ventures. Eventually, in the 1950s, it would play a major role in the nationalization of the nation's major mining enterprises. Paz's stay with the Ministry of Finance was cut short in July 1937 when Colonel Germán Busch Becerra eased out Toro as chief executive. This left Paz without a job.

Soon, however, he took a position with the powerful mining firm of Patiño Mines. Paz's new work began in the legal and public relations section of this mining firm that controlled a major part of the nation's entire tin mining industry. During his employment, Paz witnessed congressmen from both houses, and even Supreme Court justices, coming to collect their secret payments for favoring this financial giant. At Patiño Mines, Paz saw into the heart of Bolivia's real power base, and he knew that he was powerless to do anything about the situation as long as he remained with the company. Unswayed by his employer's offer of an increase in salary, or even its offer to endorse Paz if he had political aspirations, Paz left the company and set out on his own to enter politics.<sup>10</sup>

An opportunity to run for office came in early 1938 when President Busch proposed the convening of a Constitutional Convention to reform Bolivia's Constitution and to legalize

Busch's own position as president. Paz sought familiar ground by returning to his native Tarija where friends placed his name on the ballot as their department's representative to the upcoming convention.

With the help of a local, experienced politician, Eucarpio Nieva, Paz went straight to work campaigning at the local level. Nieva, an expert in the art of vote-getting, guided Paz well. They visited Tarija neighborhoods together, going from house to house, meeting people at every opportunity, approaching each person as an individual in a manner that would assure the constituent that Paz and Nieva were the best men to speak for the voters' interests.

Typical of campaigning activities were small gatherings where the candidate would supply the food and drink in return for a congenial audience to hear his speeches. Candidates would try to survive four or five of these gatherings each weekend, where they were obliged to eat and drink as though each gathering was the only event of their day so as to avoid offending the hosts. Thus, Paz received his initiation into the world of local politics. His sacrifices brought their reward when he won election as one of the two deputies representing Tarija at the upcoming Constitutional Convention. Paz soon thereafter made the trip to the capital to begin a long, successful political career.

Upon his arrival and attendance at preparatory sessions of the 1938 convention, Paz's reputation as a capable statesman had already been established. Augusto Céspedes, a fellow deputy at the convention, describes the young delegate from Tarija:

In the reunion of the first informal session of the assembly, I had the opportunity to shake the hand of Víctor Paz Estenssoro. He was there as a deputy representing Tarija, preceded by a prestige characterized by precocious political maturity and competence. I had heard of him as a man who, as yet quite young, held important posts in the Finance Ministry and who afterward worked for Patiño Mines, an employment which he left

after a brief period, entering the political arena of Busch as a militant Republican from the group led by Gabriel Gosálvez.<sup>11</sup>

Changes had occurred by this time in Paz's family as well as in his political life. His bride of two and one-half years, Carmela Ceruto, had borne two children—Miriam, the eldest, and Ramiro—both born in La Paz. Although enjoying the happiness of having two additions to the family, the young statesman suffered the loss of his mother who died in the midst of his race for deputy. In fact, his political opponent in the contest for deputy tried to exploit her death by spreading a rumor that Paz was withdrawing from the race because of his mother's death.

In 1938, legislator Paz became part of a revolutionary process to rewrite the document upon which Bolivia's government would base its actions for years to come—the Bolivian Constitution. From the start of the 1938 Constitutional Convention, Paz spoke for moderation and reform. When, in early June, the topic turned to financing government projects, Paz warned that the currency manipulation used to finance many of these endeavors was a very serious game even for a central government. He pointed out that one of the principal factors that had led to the depreciation of the Bolivian currency since the Chaco War was over-construction in almost all areas of the nation, the vast majority of which was financed through government loans and increases in the money supply. Paz warned that funding public works projects by printing money leads to trouble. He, therefore, proposed a three-year moratorium on loans from the Central Bank. If loans became a necessity, they should be obtained from foreign lenders or local commercial banks.<sup>12</sup>

Paz championed practicality and caution at the various sessions of the Constitutional Convention. When a proposal came forth that would have required the channeling of all sales of exported minerals through the Bolivian Central Bank, he was quick to emphasize that in name only did this financial institution belong to the state. Because, in reality, the superstate of Bolivian mining entrepreneurs controlled the majority of the

bank's directorate, any attempt to use it as an instrument of reform would be fruitless. Also, any serious effort by the convention to impose radical changes in state control of foreign exchange transactions and exports would undoubtedly bring a negative and forceful reaction from the powerful mining companies, prompting the eventual destruction of the entire work of the convention. Although it is the state which in justice should direct the extraction and sale of the national wealth, observed Paz, to propose immediate implementation of this action would be an effort in vain. What is evident, he said, is that the superstate could at will foment a crisis that would prevent the promulgation of the entire Constitution of 1938, a vital, moderate document needed for future reforms. He ended his comments by saying that it would be preferable at that time in Bolivia's history to gain small conquests socially and economically.<sup>13</sup>

Before the convention dissolved, Paz would be quite pleased with the strides made in instituting important changes to the former Constitution. One addition, article 15, included the revolutionary definition of private property. On July 26, 1938, lights burned in the convention chambers until 8:00 in the evening as delegates completed work on a modern concept of private property rights. The new article made the possession of private property contingent on the service the property gave to society as a whole. Expropriation of private property by the state, accompanied by adequate compensation, would be permitted should the public good necessitate such action. Large tracts of nonproductive, privately held lands that served no purpose other than the aggrandizement of its owners could be seized and divided by the state for use in crop cultivation by small farmers.<sup>14</sup>

Besides preparing a new Constitution, the convention promulgated separate legislation of considerable importance. For example, a group calling itself the *Partido Socialista Independiente* (PSI)—made up of Paz, Augusto Céspedes, Walter Guevara Arze, Julio Espinosa, Araoz Campero, Rodolfo Costas, Carlos Salamanca Figueroa, and Alberto Rodo Pantoja—was instrumental in formulating and pushing through to a vote a



reform law dealing with the wheat millers' favored position for obtaining scarce foreign exchange. Since 1929, the milling industry had been able to secure large amounts of foreign currency at an advantageous exchange rate. Paz's group sought to remedy this situation through direct state control of flour importation and processing, thus preventing central government loss of its very limited reserves of foreign exchange to millers who made huge profits at government expense. The delegates proposing this change in the law hoped that the state would pass along its savings to the consumer by lowering the price of bread, a product essential for the public's well-being.<sup>15</sup>

The convention voted into law the Wheat and Flour Bill in October 1938. It eliminated a monopolistic system of wheat importation and its processing into flour. It replaced the old 1929 legislation with a law encouraging flour production at reasonable prices by allowing more than a select group of import firms access to foreign exchange for wheat imports. A few weeks later, after the close of the convention, President Busch signed the new bill into law. This piece of legislation represented the last major accomplishment of the 1938 Constitutional Convention.

After the convention, Paz continued to advise the Busch administration, even during the months following Busch's self-proclaimed dictatorship in late April 1939. Then, in May, Paz was pleased to see Busch issue Bolivia's first labor code, the so-called *Código Busch*, authored by Roberto Jordán Cuéllar. This important social legislation gave laborers legal protection that continued in force long after the end of the Busch administration.<sup>16</sup>

However, it was another event which occurred about the same time that clearly showed Paz's role as adviser and also illustrated the personal character of President Busch. The event had to do with Santiago Schultze, then minister of finance. In May 1939, Schultze proposed that Busch issue a decree which, at first glance, appeared to tighten state regulation of exports, thereby facilitating maximum state acquisition of foreign exchange for use by the central government. The preamble to the

proposed law said that there existed in the world a great demand for strategic metals such as those exported by Bolivia. Therefore, Bolivia should take advantage of this situation to obtain as much export tax revenue and foreign exchange for the national treasury as possible. The body of the proposed decree contained complex tables to be used for determining the appropriate tax on each mineral exported and the percentage of foreign exchange received by exporters to be turned over to the government in return for Bolivian currency. Busch read the preamble, assumed the decree would be beneficial to the state, and declared it the law of the land. However, Busch erred.

Paz and his colleagues from the *Partido Socialista Independiente* carefully studied the new decree, saw that Busch had been tricked by Schultze, and went to the president to point out what had happened. Busch at first refused to listen, saying that these former convention delegates sought only to cause dissension within the executive branch in revenge for having been rebuffed when Busch declared himself dictator and dissolved congress. The delegates explained that this was not their intention, and to prove their point, the members of the group persuaded Busch to order the ledgers be brought from the customs house for his review. These showed the amounts of taxes paid and the money collected before the decree. To Busch's amazement, the records provided convincing support for the allegations made by Paz and his colleagues.<sup>17</sup>

Busch, a man of violent reactions, exploded in rage, ordering the immediate execution of his finance minister. The president paced up and down his office like a caged lion, while, behind him, his cabinet members scurried, pleading for Busch to spare Schultze's life. To everyone's relief, the president soon calmed down and withdrew his death penalty order. However, he subsequently dismissed Schultze and appointed Fernando Pou Mont, a man sympathetic with the ideals of the *Partido Socialista Independiente*, as his new minister of finance.<sup>18</sup>

It was not long before Pou Mont authored the most extraordinary pronouncement to come from the brief Busch dictatorship

of April-August 1939. This law, the most significant reform law to follow the close of the Constitutional Convention, dictated that mining companies turn over to the state 100 percent of their foreign exchange earnings from mineral exports. The state would pay for these earnings in *bolivianos* at the prevailing rate of exchange.<sup>19</sup>

The Bolivian Central Bank was to administer this Decree of June 7, 1939 with the nationalized Mining Bank acting as official purchaser of all foreign exchange. As intermediary in the sale of all of these exported ores, the Mining Bank would intercept the foreign exchange as it was paid to the exporter and pay the Bolivian mine companies in local currency. This closely controlled system of ore sales would assure an abundant supply of scarce foreign exchange income for the central government.

Expropriation of the Bolivian Central Bank in the first week of August 1939, a bank which up to that time had been under the influence of private business interests, solidified state supervision of the entire procedure. Paz became one of the Central Bank's new directors through an appointment that expanded the authority he already held as president of the Mining Bank.<sup>20</sup>

Paz's hopes of implementing effective reform measures through his new, expanded authority were suddenly shattered by the death of president Busch in August 1939. On the morning of August 23rd, rumors of Busch's apparent suicide swept through the city of La Paz. An announcement came in the afternoon of the same day that the president had died from a head wound inflicted by a bullet fired from his own revolver. An immediate cover up of the events surrounding the death of Busch prevented the nation from ever satisfactorily resolving the question of whether Busch was murdered or committed suicide. Busch's passing left all government appointments contingent on the wishes of the next chief executive.

General Carlos Quintanilla, commander-in-chief of the armed forces, took over as interim president immediately after Busch's death. Although he promised to carry out the programs begun by his predecessor, Quintanilla's brief months in the presidency

(August 1939 to March 1940) were characterized by a lack of movement toward effectuating the Busch reforms. To the contrary, the president moved toward a close alliance with Bolivia's landed and mining oligarchy.

During the Quintanilla administration, Paz retained his position as president of the Mining Bank and member of the directorship of the Central Bank, but he found himself greatly limited by the executive branch's passivity toward implementation of the changes begun by the Busch regime. For example, the Decree of June 7, 1939 became dormant because of Quintanilla's close association with the traditional political machine. However, some semblance of a democratic process remained as evidenced by the president's October 1939 proclamation that general elections be held in March of the following year.

One month after the announcement, Paz got an opportunity to energetically express his political views during a parade that took place in November 1939. On the afternoon of the event, Paz was serving as chairman of a meeting of the directors of the Mining Bank. Someone suddenly interrupted the meeting with the announcement that sympathizers of the political factions favoring the oligarchy were staging a manifestation concurrently with the parade. Paz, Guevara, and others present left the gathering to observe the political group led by a band marching down Comercio street.<sup>21</sup>

Seizing upon this opportunity to carry out their own manifestation, Paz and a number of anti-establishment colleagues took a position in front of the band that led the march toward the Plaza Murillo. Paz's group heckled the pro-oligarchy faction while the band unwittingly acted as a buffer between the two antagonistic groups. Tempers were high by the time this entire mass of people reached the plaza. When the crowd of marchers reached the open area in front of the Cathedral and the presidential palace, the ranks closed and Paz's group stepped back to let the band pass, thereby exposing the pro-government marchers to the direct ridicule of the crowd led by Paz. Insults shouted by both factions eventually resulted in fighting and accompanying

general disorder. At this point, police officials fired some shots into the air, frightening the crowd and causing it to disperse.<sup>22</sup>

This November incident was significant because it brought together a number of distinct factions opposed to the mining and landed oligarchy's influence on Bolivian politics. Paz's group was composed of previously ununited factions sharing the ideals that emerged from the 1938 Constitutional Convention and from decrees such as that of June 7, 1939. A group of university students, many of them former students of Paz, also participated in the counter-manifestation. Paz had been giving courses in economic history at the University of San Andrés in La Paz since early 1939. Many of his students became followers of his teaching which stressed the government's indifference toward urgently needed reforms.

As the most influential and best-known participant in the November incident, Paz received strong criticism from the oligarchy in the form of articles published in *La Razón*, one of La Paz's leading newspapers owned by the oligarchy. The day following the march, this paper stated:

Government employees led by Víctor Paz Estenssoro, president of the Mining Bank and adviser to the Central Bank, shouted slogans against the marchers, the present administration, and the army, and struck two of the marchers.<sup>23</sup>

Paz answered the article in *La Razón* with his own version of the events as published in *La Calle*, the capital's second major daily. Here, in an open letter to President Quintanilla, Paz and Walter Guevara publicly stated their ideological position regarding their active participation in the demonstration. Paz claimed that their actions were proper as public servants defending the best interests of reforms begun by Busch and endorsed by the present chief executive at the time he took office. When elements supporting the oligarchy marched through the streets of La Paz, mocking post-Chaco War reforms, it was time to react, wrote Paz. His letter stated that these reactionary elements stood for

the promotion of foreign exploitation of Bolivia and its citizens. Those demonstrators supporting the oligarchy endorsed private interests in the business community that had long worked for their own selfish financial gain at the expense of Bolivia. These same individuals looked toward Europe rather than to their own country and sought only to leave Bolivia and enjoy their wealth in a foreign land. This rebuttal letter was signed by Paz and Guevara.<sup>24</sup>

The incident of November 1939 was soon forgotten amid news of active campaigning by the candidates in the upcoming general elections of 1940. In the March 1940 presidential race, an alliance of traditional political parties, calling itself the *Concordancia*, presented General Enrique Peñaranda del Castillo as its candidate. This former commander-in-chief of Bolivia's armed forces during the Chaco War had the firm backing of traditional factions within the armed forces, the landed oligarchy, and the mining interests. These groups won over Peñaranda to their way of thinking, leaving him in complete support of the old political machine which had ruled Bolivia since decades before the Chaco War.

Although Peñaranda won easily over the other presidential candidates, the victory by the *Concordancia* was far from total, as could be seen in the results of the congressional races. Scars left by the loss of the Chaco War brought a revolutionary change in political thought in Bolivia, manifesting itself in the election of a number of anti-establishment and independent candidates to the Chamber of Deputies in 1940.

A change in the mood of the voters was demonstrated by the election of an unprecedented number of reform-minded candidates. Some of the newly elected deputies, such as Paz, had served earlier as delegates to the 1938 Constitutional Convention where they first had enunciated their constituents' disillusionment with blundering wartime direction by the nation's traditional political machine. These former delegates were joined by equally radically minded legislators who ran as independents. The election returns showed that not even the privileged few

who held the franchise escaped the hardships resulting from the Chaco War; many reacted by shifting their votes to candidates who spoke for a change in the Bolivian political system. This brought the election of men such as Víctor Paz Estenssoro (Tarija), Rafael Otazo (La Paz), Germán Monroy Block (Ingavi), Fernando Iturralde Chinel (Iturralde), and Atilio Molina Pantoja (Tarija). Because Peñaranda could not interrupt the normal election process without endangering his own position as constitutionally elected president, he and his backers had to tolerate the election results which placed candidates such as Paz in the lower house of congress.<sup>25</sup>

The combined forces opposed to Peñaranda's political philosophy reached a near majority in the Chamber of Deputies, constituting a serious threat to the normal operation of his government. Their rhetoric echoed through congressional halls during his administration as deputies voiced a need for radical changes in Bolivia's social, political, and especially economical structures.

### The Founding of the MNR

Bolivia's party of the masses, the *Movimiento Nacionalista Revolucionario* (MNR), grew up and matured into an identifiable political party during the Peñaranda administration. Its beginnings went back to the days of the *Partido Socialista Independiente* when Paz and a small group of fellow delegates to the 1938 Constitutional Convention combined forces to form a political faction dedicated to drastic reform legislation. Under Paz's direction, the founders sought to form a middle-class movement to introduce needed reforms. Several of the founding members of the MNR later came from this faction. The MNR pledged to defend not only middle-class interests but also the needs of city workers and rural peasants against what this party termed the corrupt politics and national exploitation perpetuated by a small political oligarchy.<sup>26</sup>

The MNR's basic aims were expressed in a document relating the events of an early meeting attended by the founders of the party. The text of the letter reads:

In the city of La Paz, at 12 o'clock noon on the twenty-fifth of January 1941, Víctor Paz Estenssoro, Carlos Montenegro, Rafael Otazo, Augusto Céspedes, Jorge Lavadenz, Jorge Araoz Campero, José Cuadros Quiroga, Hernán Siles Zuazo, and the undersigned secretary, Alberto Mendoza López, gathered at the home of Doctor Víctor Paz Estenssoro. After an exchange of ideas concerning the political situation in Bolivia and the grave dangers present because of the traditional policies of those ruling the nation, those in attendance resolved to found a political party to unite Bolivia's young intellectuals in a struggle for just government. From the beginning this movement must be independent from extremist socialist and communist influences and separated from Bolivia's traditional parties. No contact will be attempted with the Socialist Party, which meets in convention on the twenty-seventh of this month.

It has been decided that this new political party should reveal itself to the public in stages, beginning with a pronouncement in the congress by those representatives here present. Said pronouncement must encourage a political orientation which will consolidate a movement in defense of our national interests.

Later the meeting recognized as part of this political movement the above-named individuals, as well as the Honorable Representatives Carlos Salamonca and Germán Monroy Block.

It was decided to issue a denunciation of the socialist convention of the twenty-seventh of this month, a denunciation which will conclude with a statement by Rafael Otazo against this convention. Named president of the committee was Don Víctor Paz Estenssoro, general secretary the undersigned, and Don Carlos Montenegro as editor of future statements.



The next meeting will convene on Tuesday, the twenty-eighth of this month, in the home of Doctor Hernán Siles Zuazo. We welcome Rafael Otazo as a member of our group.

Signed:

Víctor Paz Estenssoro  
President

Alberto Mendoza Lopéz  
General Secretary<sup>27</sup>

Thus began the formation of the MNR. During 1941, several members of congress began to put together a party platform. This activity coincided with a series of reform-orientated articles published in *La Calle*, under the direction of Armando Arce, Carlos Montenegro, José Cuadros Quiroga, Augusto Céspedes, and Nazario Pardo Valle. These men were all nationalistic in orientation and voiced a need for bettering the situation of Bolivia's labor force. They were preoccupied with the need for workers to receive a living wage, and asked that the mining interests leave more of their profits inside Bolivia.<sup>28</sup>

In May 1941, the MNR published a statement of its intense nationalistic sentiment:

The under-signed citizens of Bolivia, called together under the direction of Víctor Paz Estenssoro, state that they have formed a patriotic movement with socialistic orientation directed to emphasize the Bolivian nationality.<sup>29</sup>

Paz and his colleagues adamantly denounced foreign influence in Bolivia, called for a land distribution system granting the indigenous peoples possession of their own land, and demanded that all citizens be given the right to vote in national elections. In short, this young political faction called for the formation of a Bolivia for the Bolivians.<sup>30</sup>

In an effort to gain a broad base of support, the MNR stressed that it represented not just another party but rather a movement advocating increased rights for the common man. A political

party in Bolivia often defended the interests of merely one particular social class, whereas the MNR spoke for the majority of Bolivians, whether they were members of the middle class, urban labor, or peasant farmers.

The MNR's nationalistic platform advocated a *revolución nacional* (national revolution) as the means to accomplish its aims. Its national revolutionary program included the following points:

1. Demands for cancellation of privileges which permitted non-Bolivians or foreign businesses to exercise special rights enabling them to export tin and tungsten at excessive profits while paying very low export taxes;
2. The denunciation as unpatriotic of any foreign influence in internal Bolivian politics, news reporting, or economic policy, and a demand that all foreign companies register their employees and provide the Bolivian government with a detailed description of their work and salaries;
3. Opposition to Jewish immigration because immigrants allowed to enter Bolivia to become farmers were instead going into small businesses in competition with native Bolivians;
4. Emphasis on the movement's confidence in the people of Bolivia, as the native Bolivian would defend the common good before his own and could thereby build a nation where social justice ruled;
5. Insistence upon higher salaries for civil servants and an end to child labor;
6. A change of ownership in agricultural lands so that the indigenous farm worker who tilled the land had some right also to ownership;

7. A plea for backing from all teachers, laborers, farmers, and society as a whole so that, working in common, all these goals of the MNR could be realized.<sup>31</sup>

MNR leaders and their sympathizers professed a strong nationalism that demanded maximum government supervision of extraction and exploitation of Bolivian natural resources. They called for a reversal of Peñaranda's close cooperation with the United States which included an attitude of acceptance of low prices paid for Bolivian tin, wolfram, and rubber, all strategic raw materials vital to the Allied cause.<sup>32</sup>

The MNR's accusations of economic exploitation especially applied to three powerful entrepreneurs—Carlos Víctor Aramayo, Maricio Hochschild, and Simón Iturri Patiño—who directed the vast majority of Bolivia's extractive mineral industry, and to Peñaranda for his lack of concern for this situation. The president's enemies in congress accused him of encouraging private enterprise to the extreme of allowing it to operate free from any effective government supervision. Supporters of the MNR wanted more export earnings from mineral ore production channeled into government coffers.<sup>33</sup>

Adamantly opposed to Peñaranda's *laissez-faire* economic position, the MNR fought the executive branch with an effective weapon provided to congress by the Bolivian Constitution. The document endowed the Chamber of Deputies with an interpellant recourse which it used repeatedly between the years 1940 and 1943 to summon numerous cabinet appointees to congressional chambers to answer for actions unpopular with the lower house of congress. As stated in articles 80 and 81 of the Constitution, the legislative prerogative of interpellation gave congressmen the right to question officials of the executive branch concerning their conduct and policies as members of the government. In response to a written request from one of the committees or members from either house of congress, with a simple majority of the deputies or senators in favor, cabinet ministers could be summoned to legislative chambers. Congressmen could

then question these officials to obtain the desired information, whether for purposes relating to legislation, investigation, or censure. Legislators from the lower house who were unsympathetic toward the president took advantage of these powers to plague his cabinet members with so much interpellant pressure that Peñaranda averaged two major cabinet reshufflings a year during his presidency.<sup>34</sup>

Chief among the ardent debaters in the Chamber of Deputies were the MNR deputies who, by 1942, included Fernando Iturralde Chinel, Alberto Mendoza López, Rafael Otazo, Víctor Paz Estenssoro, Roberto Prudencio, and Julio Zuazo Cuenca. Paz led the group from the time of the establishment of the MNR party.<sup>35</sup>

Under Paz's direction, the party fared well overall during the Peñaranda administration, with the major exception being a serious distraction resulting from a hoax instigated by British intelligence which connected the MNR party with Nazi, subversive elements in Bolivia. The Nazi *Putsch* episode began in July 1941 when Douglas Henderson, United States ambassador in La Paz, provided Peñaranda's foreign minister with a photocopy of a letter purportedly sent to the German minister in La Paz. This letter was supposedly from Major Elías Belmonte Pabón, the Bolivian military attaché in Berlin. The so-called Belmonte letter, as it appeared in the July 20, 1941 La Paz newspapers, recommended a July coup to liberate Bolivia from the Peñaranda government.<sup>36</sup>

The document went on to attack Bolivian government leaders for their compromising attitude toward the United States and economic policies which infringed on the sovereignty of Latin American nations wishing free trade with all world powers. The text of the letter did not identify by name the conspirators who were to take part in the revolutionary plot. It mentioned only Belmonte and the German ambassador in the form of a return address, the opening salutation, and a signature, allegedly by Belmonte. Ambassador Henderson stated in La Paz that the source of the document merited full confidence even though the

State Department could not guarantee the authenticity of the Belmonte signature because its files held no sample of his handwriting.<sup>37</sup>

On the basis of the document supplied by the United States and the subsequent claim of the Bolivian military that the signature on the letter was that of Belmonte, the Peñaranda government a week later declared the German ambassador *persona non grata* and expelled him from the country. The departure of the German ambassador did not end the incident because many of Peñaranda's political opponents were accused as accomplices in the alleged conspiracy to bring down the government. Peñaranda, encouraged by the United States Department of State which believed the MNR to be pro-Nazi, took full advantage of this opportunity to discredit and persecute the MNR party.<sup>38</sup>

Using powers derived from a state of martial law declared on the day of the letter's publication, the executive branch launched an attack on its major opponent, the MNR. Police shut down three periodicals sympathetic toward the MNR, and the daily newspaper *La Calle*. The editor of this newspaper, Augusto Céspedes, and three members of his staff numbered among those arrested and imprisoned. Congressman Paz escaped arrest only because of his parliamentary immunity. Paz at once took his fight to congressional chambers where, in a series of speeches, he charged the ruling administration with deceit and suppression of all criticism.<sup>39</sup>

Paz accused the government of instigating a crisis situation through the use of evidence consisting of what he termed an obvious fabrication. Referring directly to the Belmonte letter, the congressman scoffed at the ridiculous nature of its contents which spoke of a large-scale use of bicycles to facilitate the quiet nighttime movement of revolutionaries through the streets of La Paz. Yet the city's steep avenues made such an idea absurd and capable of being suggested only by someone unfamiliar with La Paz's location on the slopes of a narrow river valley. His pleas for a thorough investigation of the Belmonte letter failed to bring results; but in the meantime other aggressive actions allowed

the MNR to push the Nazi *Putsch* incident into the background because a domestic political issue furthered its efforts to undermine Peñaranda's base of power.<sup>40</sup>

In late 1942, a widespread strike by tin mine workers set in motion a series of events culminating in an incident that would be remembered as the Catavi massacre of December 21, 1942. The first days of December were filled with optimistic reports of initial success of government efforts to resolve a massive walkout involving thousands of miners. Within a few days, the workers in Oruro and Potosí returned to their jobs, but miners at the huge complex at Catavi near Oruro remained on strike. The 9,000 Catavi workers refused to retreat from their demands for immediate payment of a year-end bonus and the reopening of management-operated supply stores, or *pulperías*, where employees bought food and other necessities at discount prices. Labor negotiations became deadlocked when mine owners issued a statement calling for a return to work as a prerequisite for any further discussions.

President Peñaranda reacted to the impasse by decreeing a state of martial law and sending troops to Catavi with instructions to maintain order. Accounts of what took place after the soldiers arrived varied a great deal. Juan Manuel Balcázar, minister of labor, claimed that, when workers and troops clashed on December 21st, the soldiers' bullets killed or wounded no more than forty-nine strikers. Other sources placed the casualties as high as 700. The MNR capitalized on the incident by vehemently denouncing the killings as a slaughter of innocent men, women, and children, marching in a peaceful demonstration. Paz called for an inquiry with a public examination of all the facts as soon as congress reconvened.<sup>41</sup>

An interpellation backed by the majority of the deputies brought numerous cabinet members before the lower house for a month of interrogation beginning in August 1943. Besides questioning cabinet officials about the alleged violation of miners' rights during the Catavi strike, congressmen sought to review the constitutionality of Peñaranda's unilateral declarations of

martial law. The MNR claimed that the administration demonstrated partiality toward mine owners at the expense of the workers. As the Bolivian historian Porfirio Días Machicao put it: “It seemed as if nine thousand Catavi miners had been transplanted to the halls of congress in order to loose their sentiments injured by the tragedy of the year before.”<sup>42</sup>

Paz accused the cabinet ministers of manifest favoritism in the service of the large mining companies by employing violent measures to solve social conflicts, a way of doing things that culminated in the Catavi massacre. For more than two hours—an unprecedentedly lengthy discourse for deputy Paz—he hammered at the government’s alleged disregard for the well-being of Bolivia’s masses.<sup>43</sup>

Quoting statistics to back his arguments, Paz referred to the then recently published Bolivian-United States report on labor conditions in Bolivia. Early in 1943, the International Labour Organization acted as a consultant for a joint study of working conditions in the nation. Paz quoted extensively from the report, stating that it showed how destitute was the life of the majority, lower-class population of his country. Laborers lacked even the basic food commodities necessary for their nutritional needs; the diet of the average Bolivian worker fell considerably below international minimal standards considered essential for good health. This report, said Paz, proved that Peñaranda failed to consider the plight of the masses; instead, his regime cared more for the selfish objectives of a few, wealthy mining corporations.<sup>44</sup>

After making his point concerning the problems of the working class, Paz concluded the four-hour house session by saying that, if Peñaranda and his cabinet were not sanctioned for their part in the Catavi massacre, then the people would react violently to free themselves from the chains of an unrepresentative government.<sup>45</sup>

Paz’s threats held considerable meaning because, by August 1943, he and his colleagues in the MNR party had allied themselves with a secret military fraternity called *Razon de Patria*, or Radepa. These young officers, many of whom former prisoners of

war together in Paraguay during the Chaco War, held views similar to those expounded by the MNR in its party platform. They, too, were disillusioned by the incompetent political and military leadership exercised by many of Bolivia's wartime leaders. Radepa's philosophical views likewise endorsed the MNR's brand of nationalism which condemned excessive foreign influence in Bolivia's politics and economy. Radepa also wanted relief from governments at the service of large business enterprises. These two groups, the MNR as the civilian political faction with an ever-widening popular appeal and Radepa's contingent of dedicated young officers, schemed and together looked forward to the day when their opportunity would come. During a series of meetings held in November and December 1943, Radepa and MNR leaders made formal plans to overthrow the Peñaranda administration; these included a decision regarding which individuals would assume the respective government offices left vacant by their envisioned coup.<sup>46</sup>

How the various posts were to be apportioned was an indicator of the relative power wielded by Radepa in comparison to the MNR. Reserved for Radepa members were the office of president (Major Villarroel López) and the ministries of defense (Major José Celestino Pinto), public works (Major Antonio Ponce Montón), and education (Major Jorge Calero). MNR party bosses received assurances that they would fill the vacancies left in the ministries of agriculture (Carlos Montenegro) and finance (Víctor Paz Estenssoro). A member of the MNR would also hold a yet new-to-be established cabinet position of general secretary to the governing coalition or junta; he would be Augusto Céspedes. A prestigious cabinet post, that of minister of government, was reserved for Major Alberto Taborga Terrazas, chief of the La Paz traffic police.<sup>47</sup>

All of this intrigue did not go unnoticed; by early December, the president's suspicions were sufficiently aroused for him to call a meeting with the military officials of his cabinet to prepare a counter-plan aimed at thwarting any attempt at a coup. He soon thereafter declared a state of emergency which placed



all areas of national importance, such as military garrisons and the local press, under close government surveillance. Three days later, he drew up a general order that would transfer any suspected military personnel to garrisons distant from the capital. To silence the opposition press, authorities closed the offices of *La Calle* and the small, pro-MNR periodical, *Pregón*. Meanwhile, the MNR-Radepa conspiracy set 21 December, the first anniversary of the Catavi massacre, as the date for the coup. At the last minute, this had to be moved up nearly two days to avoid the countermeasures planned by Peñaranda.

During the night of December 19–20th, 1943, the MNR-Radepa-Taborga coalition successfully executed a coordinated, practically bloodless coup d'état that deposed the government of Peñaranda. It began about 10:00 Sunday evening when Paz, Hernán Siles Zuazo, and five other MNR leaders gathered at the downtown La Paz apartment of Siles's mother. From there, the group planned to monitor and direct the activities of MNR militants, but an intercepted telephone message revealed to them that Peñaranda supporters had telephoned loyal police units, revealing their whereabouts. Therefore, just prior to midnight, all seven decided to abandon the apartment to look for safer quarters elsewhere.<sup>48</sup>

What saved the MNR leaders from capture was the successful takeover of the La Paz telephone exchange by fellow conspirators. Armed with merely a few revolvers, MNR militants overpowered the exchange's staff and proceeded to interrupt vital communications between army posts in and near the capital. Fake calls to garrisons in and around the city then left the military commanders thinking that the government had fallen to the conspirators.

In the meantime, the Transit Police under the leadership of Taborga captured prominent government officials, including the president. The coup was a complete success; Peñaranda sought exile in Chile, all resistance to the rebels ceased, and by Monday afternoon, December 20th, the new junta held firm control as Major Gualberto Villarroel López was sworn in as the

new president.<sup>49</sup>

Radepa and the MNR seized control of the government through a revolt that was rather novel in some of its aspects. For example, it came at a low cost both in casualties and in monetary terms. Most previous revolutions in Bolivia were financed by vested business interests that traditionally ruled the nation from behind the scenes. Yet the monied oligarchy played no part in this revolution; Paz calculated the total cost of the December coup at a mere 3,000 *bolivianos*, \$75.00 U.S., including the price of an airline ticket for Gustavo Chacon's flight to Cochabamba to lay the groundwork for the revolt there. This low cost was because of the lack of payment of any bribes; no generals or high officials had to be bought because those who did the fighting were the same individuals who formed the Villarroel government.<sup>50</sup>

Thus did rule by a military figure championing traditional socioeconomic and political behavior fall prey to a combined military-civilian force promising basic changes for Bolivia. MNR militants, comprising the civilian contingent of the insurgent forces, made use of the Catavi massacre to mount an effective campaign of destructive criticism centered on accusations that the Peñaranda regime compromised its obligations to the Bolivian working class. In addition, they set the stage for the successful revolt by enlisting popular support for a program offering a better life for the middle and lower classes through proposed government intervention in mineral sales to increase general revenues to be used to better the overall Bolivian economy.

The MNR, in this manner, raised support for a nationalistic social ideology bringing together many of the reform ideas that grew out of the post-Chaco War era. This process, in turn, laid the groundwork for later reform measures made into law during the Villarroel administration.

## Chapter 2

# THE VILLARROEL YEARS AND EXILE

MNR leader Víctor Paz Estenssoro stood at the forefront of reform efforts implemented during the presidency of Villarroel. Paz worked to better the national situation as a whole, but especially to improve the lot of Bolivia's masses. Attributes which enabled him to accomplish so much in 1944 and 1945 were described shortly after the successful coup in an article by a Columbian writer:

Paz expresses his ideas without abandoning a soft smile, without showing any vengeance toward his powerful opponents or hatred toward his political enemies, or enthusiasm for punishing those who offend him. Coolly and impartially does he judge men and events, as if he were merely an observing historian. And he has always been this way; in congress he did not deliver lengthy discourses as we are accustomed to in Latin America, but rather, legal briefs. Among his colleagues he is known for his lack of emotion. I was once told that his manner and reserve remained unchanged even in moments of personal danger. Emotional outbursts are foreign to him. Paz is a serious man who lives by principles, laws, and axioms.<sup>1</sup>

### **The United States Refuses Diplomatic Recognition**

President Villarroel and his cabinet, including Paz as minister of finance, saw the normalization of diplomatic relations with the United States as the most pressing, immediate need of the new administration. The United States was Bolivia's principal trading partner, purchasing most of the nation's exports; and taxes on mineral sales to the United States provided more than one-half of this Andean country's total revenues. In early 1944, the United States suspended talks with Bolivia on a new tin contract pending its decision on whether to recognize the junta government. This action clearly showed that diplomatic recognition would be a prerequisite for assured continuance of tin sales to the United States and progress in further tin contract negotiations.<sup>2</sup>

At the time the junta took office, the United States purchased an average of 61 percent of total Bolivian exports, with tin being by far the largest single item purchased. Total exports in 1943 amounted to over \$81 million, with tin sales comprising nearly 67 percent of this figure. Awareness of this made the Villarroel government anxious for immediate recognition by the United States.<sup>3</sup>

As soon as possible after the coup, Villarroel, in consultation with his cabinet, instructed the Bolivian embassy in Washington to press for a quick return to the cordial relationship existing prior to the events of December 1943. Finance Minister Paz especially wanted to stress that Bolivia wished to renew all agreements for exportation of strategic minerals, and was willing to augment production if necessary.<sup>4</sup>

United States Secretary of State Cordell Hull responded negatively to these overtures of friendship in a despatch of January 1944 addressed to the "Diplomatic Representatives of the American Republics Except Bolivia and Argentina." Argentina was excluded because it recognized the junta government on January 3, 1944. The message stated that the new Bolivian government

rose to power with the assistance of Nazi Germany and contained elements hostile to continental defense; therefore, it was unlikely that the United States would grant it recognition. Hull added that Paz was viewed as having connections with Nazi groups in Germany and Argentina.<sup>5</sup>

Hull's despatch, likewise, said that President Villarroel and at least two Radepa members of his cabinet had expressed Nazi-inspired views. Hull thought that these views were similar to those earlier attributed to Belmonte.<sup>6</sup>

Paz's own thoughts regarding Hull's position were revealed during an informal conversation at a luncheon which took place in January 1944. One of the guests later sent a confidential report of what was said to the United States Department of State via the United States embassy in La Paz. This report said in part:

On January 23, 1944, confidential source "D," who is considered extremely reliable, was invited to a luncheon where were present several members of the MNR, including Víctor Paz Estenssoro, leader of the MNR.

1. Never once did I feel that Paz Estenssoro was not speaking the truth. However, any man who displays such friendliness and charm is difficult to disbelieve.
2. Never once did I gain the impression I had been invited to supply information. There was no attempt to force statements out of me and on the other hand, Paz Estenssoro talked so freely and openly about everything, usually without prompting, that it was obvious that the only purpose of the meeting was to convince me personally that he and the MNR were intent on only one thing: a good honest government for Bolivia which would lead toward Bolivia's economic liberation as interpreted by Paz Estenssoro.

3. Never once did I note any trace of bitterness toward what had occurred. There was, of course, ample evidence that he was disappointed, but his disappointment did not prevent him from accepting a political reality, nor did he give any indications that his attitude was going to change or that Bolivia should, in his opinion, initiate reprisals, such as all-out cooperation with Argentina, rupture of existing contacts and favors to German and Axis elements within the country.<sup>7</sup>

A few days after the luncheon, Secretary Hull informed the United States embassies in Latin America that all of the nineteen republics participating in the consultations and exchange of information regarding the Bolivian revolution had stated publicly that they, too, would not grant recognition to the junta government. The State Department, therefore, continued to harden its position toward the junta.

Despite this hardline stance taken by Hull, the State Department continued to receive favorable comments from its diplomats in La Paz about at least one member of the Villarroel administration:

Paz Estenssoro as minister of *hacienda* has won almost unanimous applause for the measures he has put into practice so far, although those who have political ideas opposed to his are still fearful of what they term are his "radical" tendencies. He has the full confidence of the military element in the junta and appears to be the one member of the MNR who is doing a brilliant job in office. Political opponents of Paz Estenssoro are beginning to admit secretly he may be one of the best ministers of finance in Bolivian history.<sup>8</sup>

In February, Villarroel announced the first of a series of actions designed to convince State Department officials that the junta government could be depended upon to rid itself and the country of suspected Nazi influences and to show that the junta

would do whatever was necessary to gain United States recognition. The first announcement consisted of an expropriation decree which provided for the seizure of industrial and commercial enterprises held by subjects of Axis nations living in Bolivia.<sup>9</sup>

A few days later, the junta removed from the cabinet some of its more controversial ministers by accepting the resignation of three members labeled pro-Nazi by the United States. Only Major Alberto Taborga, minister of government, hinted in his departing words the true reason for leaving the Villarroel cabinet: "If my departure from the revolutionary junta should lessen the international lack of understanding of Bolivia, then I have once again served my country."<sup>10</sup> Taborga was replaced by Lieutenant Colonel Pacheco, head of the air force. Twenty-nine year-old Rafael Otazo replaced Carlos Montenegro as minister of agriculture, and Walter Guevara Arze assumed Céspedes' former post as General Secretary of the junta.

When the cabinet changes and the expropriation decree failed to bring a favorable reaction from the State Department, Paz expressed surprise. In a full-page interview in *La Calle*, Paz said that the Villarroel government had acted to serve the interests of the United States, including nationalization of Axis firms in Bolivia and resolution of the stalemated situation in quinine production—occasioned by Peñaranda's lack of interest in this area—by taking the necessary measures to actually increase production. Paz concluded by saying that the Villarroel administration had no obligation to carry through with all of these measures unless the United States expressed a desire to negotiate the issue of recognition.<sup>11</sup>

In March, the journalist José Francisco Socarrás described his efforts to interview Paz and commented on his meeting with the finance minister:

During various days I have been seeking an interview with Paz, the busiest functionary in the new government. He works day and night in the Finance Ministry, and his own associates hardly have a chance to see him for more

than a few minutes. Finally, Augusto Céspedes put me in contact with Paz.

I asked Paz if he and his party were anti-democratic. He answered that in actuality the MNR fights against a false democracy represented by governments such as that of Peñaranda which exiled or incarcerated or even assassinated workers in the name of democracy. The MNR only employed violence to defend itself and the workers of Bolivia. Referring to my leadership of the MNR, look at me; do I have the remotest similarity to a Nazi-Fascist? I am the head of a political party, which signifies the very opposite to Hitler, Mussolini, or a Franco.

After my meeting with Paz and other junta leaders, my impression was that these are young men with profound nationalistic ideals. They were convinced that their motherland was at the brink of disaster and that they saved it from a civil war. The reconstruction of Bolivia is their prime concern.<sup>12</sup>

Paz's statements and other government actions brought no immediate favorable reply from the United States, so the junta next tried the dual approach of cleansing itself of all MNR influences and announcing elections for July 1944. Villarroel issued a March decree which scheduled congressional elections for the following July, designating the second of July as the date for election of deputies and senators. The elected congress would assemble in La Paz on August 1, 1944 in the capacity of a Constitutional Convention which would normalize the political structure of the nation. His announcement stressed that the junta's announcement of elections fulfilled a promise made at the time of its takeover when it pledged that free elections would be proclaimed as soon as possible.<sup>13</sup>

The convention would function for ninety days during which it would elect a president and vice-president, consider constitutional changes consolidating the ideals of the December 1943 revolution, and dictate the laws necessary to implement new constitutional reforms. Subsequently, beginning August 6, 1945,



the newly elected deputies and senators would function as parts of an ordinary legislature. Article 5 of the decree required all congressional candidates to resign any government posts held by them at least sixty days before the upcoming July elections.<sup>14</sup>

Two weeks after the publishing of the election decree, Paz resigned as minister of finance and two MNR colleagues, Rafael Otazo and Walter Guevara, stepped down as minister of agriculture and general secretary. Each man said that he wished to abide by the directives as set forth in the election decree and devote full energies to campaigning for the elections.<sup>15</sup>

The first important action by Paz after his resignation from the cabinet was to call a party convention of the MNR to prepare for the July elections. It commenced in late April 1944 with delegates present from each of the departments of the republic, meeting at the Municipal Theater in La Paz. The first order of business for the convention resulted in the election of Paz as head of the party directorate.<sup>16</sup>

With Paz and other elements that were branded Nazi gone from the Villarroel administration and elections announced for July, the State Department began to convey positive signs to the regime in La Paz. Secretary Hull interpreted these actions as manifestations of good intentions on the part of the Villarroel government. The Secretary consequently began to study the advisability of sending a special envoy to La Paz to obtain firsthand information for the State Department with an aim to soon resuming diplomatic relations with Bolivia.

Avra Warren, the United States ambassador to Panama, was selected in early May 1944 to head a mission to La Paz. The delegation headed by Warren subsequently spent two weeks in Bolivia meeting with Villarroel and other dignitaries from the Bolivian government. Warren's final communique to the State Department noted that Bolivian authorities desired to identify their administration with the Allied cause and to prove its solidarity with hemispheric defense efforts.<sup>17</sup>

During Warren's visit, Villarroel expelled a number of German and Japanese nationals to Panama with the assistance of

the United States Air Force which supplied Flying Fortresses for the deportation process. Soon thereafter, Hull cabled the governments of Latin America with the message that the Villarroel regime wished to deport these nationals as a sign of its desire to work for the Allied cause. His message closed with assurances that the deportation process was not connected with the question of recognition.<sup>18</sup>

Meanwhile, Warren returned to Washington and submitted his formal report which was quickly circulated to the nations of Latin America. It strongly implied that the time had come for a joint recognition of the Villarroel government.<sup>19</sup>

Within two weeks of the transmission of the Warren report, along with Secretary Hull's suggestion of recognition, the American republics agreed to a joint recognition and selected June 23rd for the announcement. All the republics, with the exception of Argentina which had already done so, restored full diplomatic relations with Bolivia on the date suggested.

### **Executions of November 1944**

Less than five months after the Villarroel regime attained its main goal of obtaining United States recognition, a series of executions perpetrated by Radepa elements in the junta government marked the beginning of the end of the new administration. The November murders of several prominent individuals gave Villarroel's opponents a propaganda weapon used effectively against his government. Damaging rumors about the secret executions circulated both within Bolivia and abroad when Peñaranda supporters spread accusations that the military regime had no respect for the constitutional rights of Bolivia's citizens and used violence and murder to remain in power.

The events leading to the November killings began to unfold two days prior to the murders. On November 18th, a small group of soldiers attempted a coup centered in Oruro. Rebels seized the city's most important military installations, the railroad station, and municipal buildings. No one was hurt, no homes or

property were destroyed, and no resistance was offered by local authorities.<sup>20</sup>

Villarroel and his entire Radepa cabinet reacted swiftly and effectively upon receiving the first reports of the rebellion. The palace telegraph in La Paz established contact with Oruro, and the coup leaders were told to surrender; airplanes flew over Oruro during the afternoon, dropping leaflets ordering an end to the rebellion. Meanwhile, soldiers accompanied by militant civilian members of the MNR left La Paz by train for Oruro.

Paz and other MNR leaders decided to give complete support to Villarroel even though at that time the party held no major administration posts outside of congress. Paz spoke over the La Paz radio to publicly express his party's backing for the government. He said his party stood behind efforts to maintain public order and retain the established government in office. President Villarroel welcomed Paz's support but denied the MNR request that party militants be given weapons for use against the rebels.<sup>21</sup>

The solidarity exhibited by the various pro-government factions, combined with the lack of general sympathy for the rebel cause, brought a quick end to the attempted coup. Less than twenty-four hours after it began, the rebel leaders were fleeing toward the exterior while remnants of the revolt tried to negotiate with Radepa via the telegraph link with the presidential palace. Those negotiations ended the evening of November 19th when loyal police forces retook Oruro without incident.<sup>22</sup>

Two Radepa officers, Jorge Eguino Aliaza, head of the national police, and José Escóbar Soria, director of the La Paz city police, decided the fate of the Oruro prisoners from their command post at the communications room of the presidential palace. Shortly after midnight on the morning of November 20th, Eguino told the palace telegraph operator to send a message to Oruro: "Proceed immediately to execute the following: Colonel Pacieri; Colonel Garrón; and engineers Brito and Loayza Beltrán."<sup>23</sup> The four men were taken a short distance outside of Oruro, and each one took his turn before a firing squad.

The executions near Oruro were followed that same morning by similarly conducted murders of five men near La Paz. Those killed included senators Calvo Calvimontes and Felix Capriles, former Peñaranda cabinet members Carlos Salinas Aramayo and Ruben Terrazas, and the Chaco War hero General Demetrio Ramos Medrano. They were taken into the Yungas on the road to Coroico, ordered to stand at the edge of a steep gully, and shot to death without any due process of law.<sup>24</sup>

These murderous acts ordered by comparatively minor officials of Villarroel's government could not be kept secret for long. Before the close of 1944, some of the bodies were discovered, and the murders soon became common knowledge.

Even the MNR was accused of complicity in the executions, but Paz countered by saying that Radepa held sole control of the government from April through December 1944; the MNR had no voice in government policies and actions for the months just before, during the time of the incidents, and immediately after the killings. The members of the executive branch during the period included Villarroel, president; José Celestino Pinto, Defense minister; Major Antonio Ponce Montón, public works minister; Major Jorge Calero, education minister; and Major Edmundo Nogales, minister of agriculture. Police directors Jorge Eguino and José Escóbar also wielded considerable power within the administration during the time the MNR was absent.<sup>25</sup>

The November murders brought the administration enough bad publicity that, by late December 1944, Villarroel was able to convince his Radepa colleagues that the best way to refurbish the military's image and to restore public confidence in the central government was to allow Paz and some of his fellow MNR leaders back into the cabinet. Accordingly, just prior to the new year, Villarroel offered the MNR three ministerial posts.<sup>26</sup>

Villarroel's offer met with the general approval of the MNR leadership with the exception of Siles Zuazo, who felt that a return to the cabinet would betray the party's commitment to nonviolent action as the primary means of bettering the lives of middle and lower class Bolivian society. The military, in con-

trast, seemed to prefer the use of ruthless suppression to maintain its position. Paz answered Siles' objections by saying that, although he did not condone violence, he preferred to resume close ties with the executive branch as a means to facilitate implementation of MNR-sponsored reforms. Paz's view prevailed as three MNR ministers formally entered Villarroel's cabinet in early January 1945.<sup>27</sup>

Thus did the November killings indirectly bring about the return of the MNR to the cabinet. In addition, as Paz had hoped, the presence of the MNR later helped the party-controlled congress establish laws improving socioeconomic and working conditions for the Bolivian labor force.

### **Social and Labor Legislation and Parallel Reform Efforts, 1944–1945**

In retrospect, the major long-term significance of the Villarroel government is that, during this regime, the nascent MNR party, with the help of the president, introduced reforms clearly precursory to the social revolution carried out by the MNR less than a decade later. During 1944 and 1945, the MNR clearly showed itself ready to initiate reforms constituting a direct attack on the long-dominant mining and landed oligarchy.

Six legislative and executive decrees promulgated in 1944 and 1945 formed the basis for the social, economic, and political reform efforts of the Villarroel-Paz alliance. The Minimum Wage Decree of January 1944 began the process. Then in February came the *Fuero Sindical*, or Union Rights Decree; followed by the Voluntary Retirement Bill (November 1944); the Agrarian Law for the Department of Tarija (December 1944); and the *Ley de Alquileres*, or Rent Reduction Bill (January 1945). Finally, Villarroel issued a group of four presidential decrees in May 1945 intended to protect the rights of indigenous farm workers. These laws and parallel reform efforts represented a significant step forward in government recognition of the rights of the Bolivian laborer, whether he be employed in small industry, mining, or agriculture.

These attempts to, at least partially, reverse more than a century of exploitation of the indigenous masses by a small upper class posed a serious threat to the power structure of this latter group. A large, easily controlled mass of free or underpaid labor brought much wealth and influence to the propertied and entrepreneur class at the top of the Bolivian social structure. Although the decrees and legislation in general tended to reiterate earlier attempts at reform and failed to introduce radical departures from legislation already on the books, the genuine desire of the Villarroel administration to actually implement such ideas frightened the mining and landed aristocracy.<sup>28</sup>

Deputy Paz's words pronounced in the chambers of congress in 1944 provided notice to the monied oligarchy that changes were forthcoming:

The legalization of the Villarroel government constitutes the beginning point from which to carry out a new revolution within the law, composed of laws at the service of the populace, laws that prevent the flight of capital and oblige large companies that extract the nation's resources to leave their profits on Bolivian soil.<sup>29</sup>

It was actually Villarroel, however, who began the process of reforms with his pronouncement of the Minimum Wage Decree. It instructed that an investigative body be formed to determine the basic wage needed to sustain an average factory or mine worker and his family. The decree, likewise, empowered a Central Committee to set a minimum wage valid for a six-month period, after which it would be reviewed for possible adjustment. Authors of the January decree stated that it would be more scientific and effective than any previous minimum wage legislation.<sup>30</sup>

Villarroel claimed his decree was a major improvement because it took inflation and other changing economic conditions into consideration in establishing a minimum wage. In actuality, however, his efforts did not succeed. They failed because of the short time that he was in power, the complexity of the law itself

which confused the members of the committees established to review local wages, and his administration's failure to solve the organizational problems of forming a functioning bureaucratic machine capable of handling the project.

Subsequent announcements, such as the Union Rights Decree, provided more visible results. This law provided a tremendous impetus to the heretofore weak and disorganized Bolivian labor union movement. It did this mainly by offering employees active in labor organizations protection from employer harassment. It outlawed dismissals of union officials without due process and transfers without workers' consent. In those cases where an employer deemed it necessary to transfer or dismiss a union leader from his regular job, the action had to be cleared through the Ministry of Labor. Even a transfer from one job to another within the same company required government clearance if it involved a union official.<sup>31</sup>

The announcement of a major union conference came just a few months after workers came under the protection of the Union Rights Decree. Prior to the Huanuni mine workers' congress of June 1944, efforts at organizing Bolivia's tin workers had been generally unsuccessful because of opposition from mine owners and previous administrations. But with Villarroel's decree the largest single group of wage earners in the nation gathered to organize a formidable labor union.

MNR elements in the Villarroel government played a major role in the formation in 1944 of the *Federación Sindical de Trabajadores Mineros de Bolivia* (FSTMB) at the Huanuni tin mining complex near Oruro. This labor organization soon became the country's leading miners' union, which for many decades thereafter would fill a power vacuum long apparent in the Bolivian labor movement.<sup>32</sup>

Much of the FSTMB's success can be attributed to the able leadership of MNR party member Juan Lechín Oquendo, the man who quickly succeeded Emilio Carvajal as leader of this mine labor federation. He became permanent secretary of the FSTMB with the responsibility for day-to-day administrative

matters and contract negotiations.<sup>33</sup>

Five months after the Huanuni gathering, the national congress passed a law granting still more protection to Bolivian workers. The Voluntary Retirement Bill of 1944 offered protection in the form of severance pay rights for retiring workers. It liberalized the computation of service time to include the first three months on the job and removed ambiguities present in prior legislation.<sup>34</sup>

Congress also looked to the agricultural worker who was not covered under either the General Labor Law of 1939 or the Voluntary Retirement Bill. The day following the passage of the Retirement Bill, the head of the MNR spoke before congress in defense of a proposed Agrarian Bill for the Department of Tarija. Paz said it was needed to strengthen the legal position of Indian tenant farmers, or *colonos*, renting agricultural land in this area of southern Bolivia.<sup>35</sup>

Regarding the need for the legislation, Paz read from a recent Ministry of Labor study of peasant conditions in the Tarija area, a report that outlined the obligations of a typical peasant tenant farmer. The renters not only paid an annual sum per hectária (2.47 acres), stated the report, but also provided up to one month of free labor to the landlord plus three months of services at wages that failed to cover the peasant's expenses. This practice provided the peasant with so little income that he had to seek loans from the landlord, eventually becoming so indebted as to become an unpaid vassal of the landowner. This placed the Indian in a state of constant fear that his master might demand immediate payment or throw the farm worker off the land. Obviously, said Paz, these peasants needed protection from this exploitation by unscrupulous landlords.<sup>36</sup>

The MNR's arguments prevailed, and its proposed legislation became law in December 1944.<sup>37</sup> The law gave tenant farmers in the Tarija area the right to five-year contracts, protection from having to provide unpaid services, and a limit on rent payments to no more than one-half of any crop harvested.<sup>38</sup>



The need for the Agrarian Law for the Department of Tarija was apparent because foodstuffs comprised one-third of the dollar value of all imports in 1944. Increased farm output, therefore, had the potential for saving a large amount of central government foreign exchange reserves. MNR legislators wanted to both reform Bolivia's archaic agricultural system and at the same time strengthen the economic position of the Bolivian government.<sup>39</sup>

Consistent with its policy of seeking the backing of the middle and lower classes, the MNR next pushed the Rent Reduction Bill through congress. This legislation helped the urban masses by introducing rent controls. It proved to be efficacious because, despite rising inflation and construction costs, rents remained frozen at reduced levels throughout the remainder of the Villarroel administration.<sup>40</sup>

A final major administrative effort to aid the masses involved a government-sponsored Indian congress that met in La Paz in May 1945 and the enactment of four decrees favoring peasant farm workers during the congress. These organizational and support efforts by the Villarroel regime were a source of trepidation for the country's wealthy landowners because these constituted efforts on a national level to reverse traditional labor practices which kept the Indian workers in a state of servitude, without national organization or political power.

Indigenous workers in the 1940s were still tied to their small plot of land which they could work as their own in return for three to five days of free labor to the owner of the estate on which they lived. Indians, therefore, devoted most of their time and energies to serving the interests of their masters on large estates and in the owners' country or city homes. A century of these activities made the entire process an integral part of the socioeconomic process in Bolivia. Thus, when the Villarroel government took the extraordinary step of bringing together Indian leaders from throughout the nation for an Indian congress, all Bolivians took notice, some with wonder and fear, others with joy and anticipation.

One thousand Indian representatives gathered in La Paz on May 9th for a preparatory session of the first government-sponsored Indian congress in Bolivia's history. At this meeting the Indian leaders emphasized four areas of major concern: stopping unpaid services; making available educational opportunities for the children of farm workers; passing laws to protect the rights of workers in agriculture; and organizing an agency of the government to enforce protective legislation at the local level.<sup>41</sup>

Although Indian leaders dared not mention the idea of confiscation or distribution of land, MNR leader Siles Zuazo referred to the need for radical change in the Bolivian agricultural system:

I am of the opinion that your greatest problem is that of the land, our land that ought to belong to those who work it. Only when the revolution reaches this end that will require many years of sacrifice, will there be the definite emancipation of the peasant masses and the grandeur of Bolivia.<sup>42</sup>

Such words were too extreme to be taken seriously at that time because other members of congress and officials from the executive branch confined their suggestions to less radical thoughts. Nevertheless, the mere endorsement of the gathering by the central government held great significance; never had an administration organized and openly endorsed a meeting of so many of the leaders of the nation's silent majority.<sup>43</sup>

Labor Minister Germán Monroy Block summarized the Indian position when he spoke of the lack of legal protection for rural workers and of their inferior social standing:

The first law referring to the Indian and his lands was promulgated by Simón Bolívar in July 1825, followed by a total of 174 laws relating to the problem. Of those laws, most have never been enforced.

The Indian Congress has listed some of the continuing problems which include: objection to excessive heavy

work, including on Sundays, done by *colonos* during the entire year, preventing them from caring for their own lands and livestock; to the poor treatment received; to the obligation to provide produce at reduced prices, or at times without any remuneration from their masters; to the obligation to work on lands far from the estate, in unhealthy places, or in the mines of the landowners; to the requirement that work begin as early as four or five o'clock in the morning, continuing until six in the evening; and also to the custom of throwing the Indian off the estate once he is too old to work. The delegates likewise requested permission to build schools and they called for the abolition of unpaid personal services.<sup>44</sup>

In keeping with these requests, Villarroel proclaimed four decrees in mid-May for the benefit of the rural peasant farmers. The first executive decree, Supreme Decree 318, prohibited all tributes or free services not directly connected with peasants' work on their assigned lands.<sup>45</sup>

Supreme Decree 319, the second of the four decrees, referred to services not directly connected with farm work assignments. It abolished *pongueaje*, or unpaid personal services rendered by Indians in the homes of their landlords. This system required the peasant, in addition to his duties on the estate, to present himself on a rotating basis for a week of unpaid domestic services in the house of his master. Any member of the peasant's family could be given *pongo* duties such as cooking, sewing, gathering firewood, or other assigned tasks.<sup>46</sup>

Supreme Decree 320 reflected the government's preoccupation with the widespread illiteracy among the indigenous population, especially in rural areas. Their bosses felt more secure leaving the Indian uneducated and able to communicate only in his native tongue of Aymará or Quechua. Owners of agricultural lands and mine owners considered any Indian rebellion less likely among an illiterate and uninformed indigenous population. They, therefore, often used rural school buildings as granaries and did little to promote formal education of their workers.<sup>47</sup>

The fourth and final of the series of decrees, Supreme Decree 321, set up a commission to prepare a plan for a Code of Law for Agricultural Workers. The ministers of labor, housing, and agriculture selected the members of the commission and instructed it to present its preliminary findings before the end of the year.<sup>48</sup>

Not all of the reform efforts of the Villarroel-MNR coalition produced results, but a few brought immediate relief to the less privileged and some endured into the period following the government's demise in mid-1946. The Rent Reduction Bill kept rents low into 1947, and the Union Rights Decree permitted rapid development of mine labor federations that were later suppressed but never destroyed. Bolivia's lower classes had to wait until the social revolution of 1952 to see changes come to their full realization; these reform efforts, however, as later events would ultimately demonstrate, represented no small legacy.

### **Tin Contract Negotiations, 1943–1946**

An examination of Bolivian-United States tin contract negotiations between 1943 and 1946 contributes greatly to a full understanding of the overall economic and political situation faced by Villarroel and the MNR during that period. It was through the sale of tin to the United States that Bolivia received most of its foreign exchange used to run the central government and pay for imports of foodstuffs and manufactured goods. Taxes collected on tin ore exports made it possible for Bolivia to remain a financially solvent nation. A Pan American publication in 1945 described the country's dependence on tin:

It is no exaggeration to state that without the contributions of the mining industry the national budget would be so diminished that many branches of public administration such as schools, the army, the courts, and diplomatic service would practically disappear. The development of the country in the past 50 years has paralleled the rise of the mining industry, especially that of tin.<sup>49</sup>

With this in mind, Paz, as minister of finance, saw that the economic well-being of the Villarroel regime depended on it obtaining a maximum price for tin ore exports to the United States. Bolivia's landlocked geographic location and wartime events between 1941 and 1945 restricted the nation to a dependence on trade routes via the Pacific Ocean, through the Panama Canal, to tin smelters in Great Britain and the United States. Thus, the number of buyers for Bolivia's chief export narrowed to those two countries, with the United States in charge of all contract negotiations.

Finance Minister Paz was very concerned when contract talks for the first of two agreements completed during the Villarroel administration were suspended for six months after Peñaranda's fall because of United States displeasure with the junta takeover. This caused Villarroel and his advisers to worry about the possible nonrenewal of an important 1942 amendment to the Bolivian-United States five-year contract signed in 1940. This amendment, which had raised the price of refined tin from 43.5 to 60 cents a pound, expired in June 1943. Bolivia did continue to receive 60 cents a pound even after the fall of Peñaranda. Nevertheless, Paz feared the United States might suddenly demand a return to the lower price. He, therefore, considered it vital that this uncertainty about future tin prices be resolved before he could proceed knowledgeably with central government budget planning.<sup>50</sup>

Several months of tin contract negotiations finally produced an amended agreement favorable to Bolivia in 1945. This second amendment to the 1940 contract brought an increase of 3.5 cents per pound tin content until the June expiration of the original contract. In addition, Bolivia received a bonus of 1.5 cents per pound as an incentive to maximize its production. The amendment, likewise, provided for a retroactive increase of two cents per pound for June through December 1944 and a labor clause committing Villarroel to give some of the increased tin earnings to mine workers in the form of higher salaries.<sup>51</sup>

Shortly after the successful completion of these tin contract negotiations, events in Europe placed a dark cloud over Bolivia's hopes for sustained high tin prices. Germany surrendered to the Allies, and Japan appeared to have little chance to hold out for long against the combined Allied forces. Then Japan formally surrendered in September 1945 in the midst of Bolivian-United States tin contract talks concerning the period after June 1945.

Paz, who had returned to his job as finance minister in January 1945, sought to bolster his country's weakened bargaining position by stressing the commitments made by the United States at the Inter-American Conference of February–March 1945. He had been chief delegate for Bolivia at this Conference on Problems of War and Peace (Chapultepec Conference), so Paz knew well the pledges made by the United States to promote the continued purchases of strategic raw materials at unreduced prices even after the end of the war. He and Villarroel, therefore, instructed Víctor Andrade, Bolivia's tin contract negotiator in Washington, to remind the United States of its commitments made at Chapultepec.<sup>52</sup>

Nevertheless, proposals submitted by Andrade met with disappointing responses. United States negotiators offered a one-year contract, providing for a steady, quarterly decline in the price offered for tin to a low of 58.5 cents for the last three months of the agreement. Bolivia eventually reluctantly agreed to the United States' offer in September 1945.<sup>53</sup>

Repercussions soon followed as Finance Minister Paz was forced to announce a 20 percent cut in the 1946 budget, and Villarroel concurrently ordered a reduction in general imports to absolute necessities, as well as a wage freeze. In this way, both men prepared for an economic crisis expected as a result of decreased revenues from tin exports. Resulting economic problems eventually did contribute to the premature fall of the Villarroel regime in July 1946.<sup>54</sup>

### **Monetary and Fiscal Policies of the Villarroel Government**

A carefully planned and consistent policy of monetary and fiscal conservatism characterized most of the period during which

**Table 1**  
**Average Annual Increase in the Index**  
**of Cost of Living in Bolivia**<sup>58</sup>

<i>Period</i>	<i>Annual Increase</i>
1936–39	50.74
1940–43	23.74
1944–45	7.70
1946–52	18.28

Villarroel was president. Víctor Paz, chief architect of this course of action, led efforts to institute policies designed to balance the budget of the central government, reform the Bolivian banking system, and increase foreign exchange and gold reserves of the Central Bank.<sup>55</sup>

Paz supervised the tightening of budget practices between January and April 1944 and, subsequent to his reappointment, directed the formulation and promulgation of two important laws in 1945. The first of these laws reorganized the Central Bank, and the second took the form of a presidential decree, authored in large part by Paz, requiring mining companies to buy more local currency with their foreign exchange income. The result of these actions was a sharp decline in the rate of inflation.<sup>56</sup>

The thirty-one months of the Villarroel government was a period of relative monetary and fiscal stability. Programs instituted during his administration brought under control an inflationary spiral dating back to 1935 when the central government began printing money to supplement revenues inadequate to finance the Chaco War. After nearly a decade of deficit spending, corrective measures reduced the cost of living increase from 18 percent in 1943 to 7.7 percent in 1944 and 1945 (Table 1).<sup>57</sup>

Paz also convinced Villarroel to increase the government's share of foreign exchange income earned by the mining companies of Patiño, Hochschild, and Aramayo. This action indirectly

helped control inflation by diminishing the borrowing needs of the state; and it was felt that the mining companies had ample profits to enable them to provide more of their foreign exchange for government use. Villarroel issued Decree 280 in April 1945, requiring an increase in the amount of foreign currency mining companies had to exchange for *bolivianos*. Although prior law required tin exporters to exchange 42 percent of their gross dollar income, Decree 280 set the percentage at either 60 percent of gross or all of net earnings, whichever amount was higher.<sup>59</sup>

The next step in controlling inflation and increasing revenues was the introduction in congress of a new law to reorganize the Central Bank of Bolivia. It provided for a hoped-for permanent solution to many inflationary problems through a major overhaul of the nation's banking system; the first major reform effort since the formal establishment of the Central Bank in 1928.<sup>60</sup>

Prior to the passage of this bill, the Central Bank consisted of a single entity with one man directing both central government fiscal operations and monetary and credit transactions. Such a state of affairs resulted in satisfying budget deficits through an increase in credit from the Central Bank. It simply printed the money needed to pay state debts. This activity, for example, resulted in a 30 percent increase between 1941 and 1942 in credit obligations of the central government to the Bolivian Central Bank. A coincident development was an increase from 679.5 million to 2,588.4 million *bolivianos* in circulation during the period 1939–1945.<sup>61</sup>

Congress debated the Law of Reorganization of the Bolivian Central Bank during November 1945, with discussions consisting mainly of an interchange between Finance Minister Paz speaking for the bill's passage and members of the legislature who wished to make some changes in certain articles of the proposed law. Paz successfully defended the bill, resulting in its formal approval by congress in late 1945.<sup>62</sup>

The new law divided the Central Bank into two parts, the Banking Department and the Monetary Department. The first supervised the nation's commercial and industrial credit needs



whereas the Monetary Department took charge of central government banking transactions and decisions regarding the amount of money in circulation. This separation of functions guaranteed that decisions affecting banking activities in the community at large would have no direct influence on monetary operations of the Central Bank.<sup>63</sup>

The Law of Reorganization served to aid in the perpetuation of fiscal and monetary policies put in place by Paz and Villarroel prior to the bill's passage. Total debts of the general public to the nation's banking system increased only slightly between 1943 and 1945, from 740 to 744 million *bolivianos*; debits and credits of commercial banks in 1945 were almost unchanged from those current when Villarroel took over as president; and the central government budgets of 1944 and 1945 were balanced.<sup>64</sup>

Another phase of Paz's economic master plan was a gradual accumulation of a substantial gold reserve for use as collateral to secure international financing of public works projects and equipment imports intended to eventually free Bolivia from its dependence on tin exports. His efforts succeeded as evidenced by an increase in gold and foreign currency reserves of the Central Bank from \$19 million to \$34 million between 1943 and 1945.<sup>65</sup>

Once having established conditions within the central government that would provide it with an excellent credit rating on the international scene, Paz hoped to secure loans needed to fund major projects jointly aimed at diversification of Bolivia's economy. He saw a desperate need to free the country from its nearly complete dependence on mineral exports for its survival. Output from Bolivia's mines comprised an average of 95 percent of total exports in the years 1938 through 1945, with tin accounting for the vast majority of the value of this mine production. During the Villarroel administration, Paz was able to put into practice a philosophy which he would implement on a much grander scale during his later presidential administrations. But already at this early date, Paz strived to secure foreign loans for financing the purchase of machinery useful for increasing farm production, building roads to unite areas of production and con-

sumption, or drilling for oil. Only by way of diversification and self-sufficiency in products then imported could Bolivia avoid being at the mercy of fluctuating tin prices and the whims of the three big mining companies controlling most of the nation's mine production.<sup>66</sup>

Economic diversification required a transportation system capable of moving products from the many isolated areas of Bolivia to internal and foreign markets. The Villarroel government, therefore, gave special emphasis to the rapid completion of preliminary studies and credit negotiations connected with the construction of an all-weather highway linking the lowland food-producing area of Santa Cruz with the highland urban population centers. A truck road joining Cochabamba with Santa Cruz would connect to existing rail lines to carry foodstuffs on to Oruro and La Paz.

Although the lowlands were capable of producing commodities such as meat, cereals, and sugar in excess of national requirements, between 1943 and 1946, Bolivia spent an average of \$13.5 million annually on agricultural imports. This figure represented nearly one-third of the value of total annual imports.<sup>67</sup>

A major step in the building of a road joining Santa Cruz and Cochabamba occurred in 1945 when the Bolivian Development Corporation obtained a \$10 million construction loan from the Export-Import Bank. Established just three years earlier to supervise a United States-Bolivian program of economic cooperation, the corporation obtained the loan for the Cochabamba-Santa Cruz highway on the condition that the Bolivian Central Bank provide an additional \$2 million dollars in matching funds, a condition the Central Bank was in a position to fulfill thanks to efforts to build up its reserves. Final plans for the construction of the first 43 kilometers of the road were completed in May 1946, just two months before the fall of the Villarroel government.<sup>68</sup>

### **The Demise of Villarroel**

A coalition of opposition political parties, mining interests, and the landed oligarchy, taking advantage of dissension within

the executive branch and blunders of several Radepa leaders, brought about the downfall of the Villarroel regime in July 1946. Villarroel's opponents successfully engineered a complete breakdown of the power structure of the executive branch by isolating the president from the various groups protecting him. His enemies then capitalized on the disillusionment and anger of the urban populace, inciting a La Paz mob to stage a bloody revolt culminating in the assassination of the president and four of his close associates.<sup>69</sup>

Reform efforts by Villarroel and the MNR-led congress alienated powerful business groups, causing them to unite with dissatisfied political elements in a conspiracy to overthrow his government. Mining entrepreneurs and landowners fought back when challenged by increased taxation and promulgation of laws designed to protect indigenous workers in the mines and on huge landed estates. They formed an alliance with PIR—in effect the Bolivian Stalinist party—to depose Villarroel.<sup>70</sup>

The ability of the mine owners and landed oligarchy to enlist PIR in their cause was of considerable significance because, although agricultural and mining interests had money and influence, they lacked support from the general public and a group to carry out the actual revolt. PIR supplied the popular backing as well as leaders for the uprising from among its urban constituents.<sup>71</sup>

PIR leaders joined in the plot in the hope that a new government would allow them to take over cabinet posts formally held by MNR party members. They also wished to replace the MNR as the dominant party in the legislature and to gain the support of mine labor organizations taken over by MNR sympathizers. PIR leaders of the urban labor unions saw themselves as the exclusive champions of the entire Bolivian laboring class.<sup>72</sup>

The oligarchy-PIR alliance moved cleverly and swiftly with its plans to oust Villarroel. Disturbances stemming from a widespread teachers' strike in July 1946 resulted in the death of a university student, thereby giving government opponents a martyr and propaganda weapon for use against the administration.

A general situation of social unrest quickly followed the student's death.

Soon Villarroel bowed to pressure from both civilian opposition and Radepa advisers who called for the resignation of MNR members of the cabinet. However, when the president asked for the MNR ministers to resign, Paz objected to this approach; he asked Villarroel to request instead the simultaneous resignation of all cabinet members and reappointment of a new cabinet with members of his choice. That way the president would not place a stigma on the MNR, suggesting the MNR was the cause of the popular discontent plaguing the nation's capital. Villarroel denied Paz's request, forced Paz and two other MNR cabinet members to resign, and immediately thereafter announced the appointment of three Radepa officers as replacements, unaware that some of the Radepa members of his cabinet were actively plotting against him.<sup>73</sup>

By the afternoon of July 21st, anarchy reigned in La Paz as mobs of armed civilians roamed the streets in search of government supporters. While Villarroel contemplated his resignation with a false sense of security in the presidential palace, his director general of transit police was lynched in the Plaza San Pedro and the director of *Cumbre*, a small pro-government evening newspaper, was shot to death and his body hung from a lamppost in the Plaza Murillo directly below Villarroel's office windows.<sup>74</sup>

Late in the afternoon, a mob stormed into the palace, shooting anyone who dared to stand in its path. One by one the rebels encountered and shot to death the president's aide-de-camp, private secretary, and then the president himself who was found hiding among some file cabinets in his office. The assassins threw the three bodies from a second floor balcony to the street below, and the corpses were hung from lampposts in front of the presidential palace.<sup>75</sup>

### Paz Escapes

Those who instigated the murders of Villarroel and his colleagues were not yet satisfied. Radio broadcasts called for the

apprehension, dead or alive, of former Minister of Finance Paz and other MNR members prominent in the deposed regime.<sup>76</sup>

Paz and former Labor Minister Germán Monroy Block narrowly escaped with their lives on the day of the rebellion. The two men, thinking it imprudent to return to their homes on the night of July 20th, decided to stay at the private residence of an MNR party member. It was a wise decision, because they received a telephone call there early Sunday morning warning them of imminent danger; the military and police had abandoned Villarroel and bands of armed civilians controlled La Paz. Both men, therefore, remained hidden in the attic of their house of refuge during the entire day as they listened to the unfolding of the tragic events as broadcasted on La Paz radio stations. Twice they were alerted by their friends to maintain silence as malcontents entered and searched the house in which they were hiding.<sup>77</sup>

About 8:30 in the evening, Paz and Monroy made an attempt to seek asylum in the nearby Paraguayan embassy. Most people were eating their evening meal at that hour so it seemed an opportune time to escape through the deserted streets surrounding the house. The two men, therefore, disguised themselves as best they could, raised the collars of their overcoats, and pulled down the rims of their hats before leaving the house.

The former ministers reached safety, but only after experiencing some very tense moments. They encountered no one as they walked the two blocks to the embassy, approaching it from the rear to avoid any rebel guards at the front entrance. Paz recalled from one of his earlier visits that there was a garden in the rear with an iron gate opening to the street. He and Monroy ran to that entrance. Paz lifted himself over the gate and jumped into the garden on the other side. For Monroy, however, it was a much more difficult maneuver; he was a man of short stature and stout build which made it hard for him to clear the gate. He jumped up onto it, cleared the top with his head and shoulders, but his legs remained hanging over the sidewalk below the gate. The situation became quite dangerous as some

people on a balcony of a house across the street took notice and began laughing. At that moment, Paz came running with the key to the entrance, opened it, and Monroy safely entered the garden. He and Paz subsequently passed more than a hundred days trapped in the embassy.

Paz and Monroy endured one more crisis before the new government allowed their departure from Bolivia. In the midst of a day of vengeance, a band of ruffians tried to penetrate the sanctuary of the embassy in late September 1946. On that day, a mob forced its way into the La Paz city jail, seized the prisoners Major Jorge Eguino and Major José Escóbar—the men responsible for ordering the November 1944 murders—and lynched both men after dragging them numerous blocks to the Plaza Murillo. This bloodletting excited the mob to more violence as a group approached the Paraguayan embassy and shouted for the release of Paz and Monroy. Paraguayan officials responded by laying their country's flag over the steps leading into the embassy, placing a guard dressed in full regalia at the entrance, and declaring that it would mean war if anyone dared violate the premises. At that point, local police dispersed the crowd by firing their pistols into the air. No further overt threats were made on the lives of the two men prior to their secret departure from Bolivia in the first week of November 1946.<sup>78</sup>

Following Villarroel's downfall, the nation quickly returned to the social, political, and economic orientation prevailing before he came to power. Legislation improving the lot of the indigenous farm workers and miners was forgotten or ignored; tin exporters no longer complied with stringent foreign exchange regulations decreed in 1945; and officials within the government no longer discussed changing the old power structure. For the next several years, Bolivians lived as they had—almost without exception—since the days of Spanish rule: a people controlled by a small minority.

### **Exile**

Víctor Paz Estenssoro began nearly six years of exile with a brief stopover in Asunción, Paraguay, on his way to Argentina.

He, Monroy, Ernesto Villarroel, and Ismael Camacho arrived in Paraguay's capital city on their journey from Bolivia on November 3, 1946. While in Asunción, Paz made a courtesy call on Paraguay's President Higínio Morínigo before continuing on to Buenos Aires, Argentina.<sup>79</sup>

Very shortly after his arrival in the Argentine capital, Paz visited the editorial offices of *La Epoca* where he had a long conversation with the editor, Eduardo Colom. Excerpts from that interview, as reported in *La Epoca*, gave Paz's description of the coup that toppled Villarroel. Paz stated that the fall of Villarroel's government represented a barbarous interruption of democratic processes by the Bolivian oligarchy, encouraged by what he labelled the "Bradenist plutocracy." The former finance minister went on to say that the interim President Tomás Monje Gutiérrez was merely a figurehead directed by this same oligarchy.<sup>80</sup>

In like manner, said Paz, the other members of the new Bolivian government revealed its source of power: Roberto Bilbao La Vieja, minister of government, was secretary general of the National Association of Mining Industries, an organization controlled by Patiño and Hochschild; Luis Gonzalez Indaburu, minister of finance, was a member of a legal firm which represented Standard Oil, Patiño, Hochschild, and Aramayo; Carlos M. Roldan, Monje Gutiérrez's minister of public works, also served as manager of the Bolivian Power Company; and Ricardo Martínez Vargas, the new ambassador to the United States, represented Patiño's business interests in New York.<sup>81</sup>

Following the initial interviews by the press and visits with Argentine dignitaries, Paz settled down to the task of gaining a livelihood while in Buenos Aires. While searching for employment, he carefully avoided local politics, fearing such connections would compromise his status as an exiled Bolivian statesman. Instead, he gained a meager living writing for various economic publications in Argentina, Chile, and Mexico, with his major earnings coming from his job as correspondent in Buenos Aires for a Spanish economic magazine, *Revista de Economía*

*Continental*, published in Mexico.<sup>82</sup>

Paz devoted much of his time while in exile to directing MNR policies from a distance. He remained in contact with the party in Bolivia through messages sent by way of intermediaries. Sympathizers forwarded his coded messages to Manuel Barrau in La Paz through ordinary mail.<sup>83</sup>

Behind-the-scene maneuvers by the MNR party members still in Bolivia brought impressive results in the presidential elections of 1947 in which Paz received 5 percent of the ballots for president. Thus, in an environment of nearly total control by the big-three mining oligarchy, there still remained widespread support for the MNR party even from among the small minority voting class.<sup>84</sup>

Still, Paz could not be satisfied as long as his homeland remained in the grips of those who had ousted Villarroel. The Buenos Aires newspaper *Democracia*, in a mid-February issue, carried Paz's assessment of events in the Bolivian capital as they had unfolded up to that date. Paz described Bolivia as a country under a tyrannical regime led by the newly elected President Enrique Hertzog and Vice-President Urriolagoitia:

The democratic efforts of the general population can be suffocated temporarily but cannot be completely conquered. It will rise again with even greater drive as long as the causes of the people's discontent continue in existence.

With the assassination of Villarroel all the social advances made during his administration ended and the business interests of Patiño, Aramayo, and Hochschild again control the politics of Bolivia, returning the country to its prior stage of slavery.<sup>85</sup>

The article continued with Paz stressing the social advances made for the Bolivian peasant by the Villarroel government. As a major step in an agrarian reform program that one day would be a reality in Bolivia, a decree ended personal services by Indians working on rural estates. Other improvements for indige-



nous workers included better salaries and working conditions for mine and factory workers. Congress also passed a law to protect the pension rights of retired laborers. Concluding, Paz pointed out that those conquests were nullified by the new administration in Bolivia and that subsequently that was the reason the MNR continued to receive so much popular support.<sup>86</sup>

Although unable to stage a major attempt at a return to power in 1947, Paz drew great satisfaction from the strong showing of his party in the mid-December 1947 municipal elections in Bolivia. The MNR won control of city governments in Santa Cruz and Potosí. Despite the organization of an official political party by the ruling administration, voters' support for the government party was much less than expected.<sup>87</sup>

From the first days of Paz's exile, MNR leaders still in Bolivia made plans to overthrow the ruling oligarchy, but numerous delays kept the MNR from staging a full-fledged coup attempt. Finally, in 1948, Paz learned that decisive action would be possible by the end of the year, or by early 1949 at the latest. Meanwhile, his party comrades busily engaged in organizational activities throughout Bolivia, with local direction coming from seven MNR leaders working out of their headquarters in La Paz. Luis Peñaloza, as executive secretary, was the presiding officer of this group. He and his followers were to prepare the MNR revolt from Bolivia while Paz made preparations in Argentina.<sup>88</sup>

Barrau took the responsibility of gathering the necessary arms and munitions needed by the rebels. He succeeded in purchasing rifles and cartridges through black market sources in Bolivia; these supplies were then stored in the homes of MNR sympathizers awaiting the eventual coup attempt.<sup>89</sup>

Despite all the preparations and carefully made plans, no revolt would be organized until after the May congressional elections, to give the party a chance to see how it would do at the polls. The MNR showed surprising strength at the polls: one senator and nine MNR deputies were elected, whereas the party previously was represented by merely two deputies, without any MNR senators. Among the newly elected MNR deputies were

mining union leader Juan Lechín and Hernán Siles, both very outspoken MNR leaders.<sup>90</sup>

Finally, in May 1949, Paz and other exiled MNR leaders traveled from Buenos Aires to La Quiaca on the Argentine-Bolivian border in preparation for an early June attempt at overthrowing the government of Enrique Hertzog. Paz, Augusto Céspedes, Luis Peñaloza, Manuel Barrau, and about twenty other conspirators met in La Quiaca to prepare for the coup. Their plans were that Villazón, Bolivia, would be attacked from nearby La Quiaca on the morning of June 5th by MNR militants, armed with revolvers and a few sticks of dynamite, converging on various important buildings within the city. The rebels hoped to seize the local police station, state-owned oil storage facilities, the railroad station, and customs house, while another group of conspirators brought about a state of general confusion among government forces by throwing sticks of dynamite at the local army garrison headquarters.<sup>91</sup>

Paz and his colleagues hoped that Villazón could be seized and used as a rebel headquarters. From there, the rebels wanted to advance northward to the huge landed estate of Mojo where, according to a plan masterminded by Carlos Montenegro, the MNR forces would take over the estate in the name of its 800 peasant workers who lived under conditions unchanged since colonial times. A land reform would be announced, dividing the land among its workers. Then the plan envisioned a mass peasant revolt spreading northward into the heart of Bolivia.<sup>92</sup>

All these well-laid plans were frustrated because authorities on both sides of the border had been forewarned of a proposed coup attempt. Police and soldiers converged on the MNR militants before they could accomplish any of their objectives, capturing most of the conspirators just as they were about to begin their attack on Villazón.<sup>93</sup>

Paz learned of the events in Villazón while he was still at the rebel headquarters in La Quiaca and immediately prepared to flee southward away from the Bolivian border. Paz, Germán Monroy, and Clemente Inofuentes fled by truck toward Jujuy,

Argentina. From there, Paz's companions decided to continue on toward Buenos Aires, but the leader of the MNR thought it more prudent to assume a disguise before continuing. Paz, therefore, stayed in Jujuy long enough to obtain a forged identification card and then continued on to the Argentine capital.<sup>94</sup>

Despite his extra caution, however, Paz soon fell into the hands of the Argentine authorities. Immediately upon his arrival in Buenos Aires, Paz telephoned his home to speak with his wife, never guessing that their telephone was tapped. Within minutes after the call, the police arrived at Paz's place of hiding and ordered him to remain there until given further directives.<sup>95</sup>

The Argentine government responded forcefully to the MNR revolt by issuing a decree in early July that ordered certain MNR exiles to leave the country and others involved in the coup to remain within certain Argentine municipalities:

As a result of events that have taken place in Bolivia since July 1946 the Argentine republic, cognizant of the principles of international law, received into its territory as exiles the following Bolivian citizens: Víctor Paz Estenssoro, Clemente Inofuentes, Augusto Céspedes, José Cuadros, Manuel Barrau, Luis Peñalosa, Israel Camacho, and José Montaña; these exiles have violated the obligations imposed upon them by Article 16 of the Treaty of International Penal Law, committing acts endangering the public peace of Bolivia. The Argentine government invites these exiles to depart from the territory of this republic within seven days.<sup>96</sup>

The residences of sixteen other exiles, including Carlos Montenegro and Monroy, were restricted to cities located in the interior of Argentina.<sup>97</sup>

Paz arrived in Montevideo, Uruguay, in mid-July 1949 by riverboat accompanied by José Cuadros and Manuel Barrau; Paz's family remained behind in Buenos Aires. Owing to an outbreak of civil disturbances in Bolivia, Uruguayan authorities ordered Paz to an interior city after only a six-week stay in the

city; they wanted him away from communications channels to make it more difficult for him to voice his opinions on events occurring in his homeland.<sup>98</sup>

The revolt which caused Paz to be transferred to the city of Minas erupted in Bolivia's principal cities in late August 1949. Santa Cruz and Cochabamba fell to the rebels despite resistance from loyal military and police units. The situation grew quite serious for local Bolivian officials when some regular army and air force personnel joined the rebels, forcing President Mamerto Urriolagoitis to send reinforcements from La Paz. Despite these reinforcements, the airport at Cochabamba and several aircraft there fell into rebel hands. MNR militants subsequently announced that the planes would be used to fly Paz and other exiles back to Bolivia to lead the revolt.<sup>99</sup>

Although MNR militants were unable to carry out their threat to bring Paz back to Bolivia, they did continue to win over additional cities to their cause. The successes of MNR sympathizers and miners under the leadership of Juan Lechín continued until September when government troops finally retook the last of the cities held by the rebels.<sup>100</sup>

Paz did not remain silent during these events at home; already in August he spoke out from his city of confinement in Uruguay. He was able to get his letter to the president of Uruguay published in the Montevideo newspaper *El País*:

The revolution which has erupted in Bolivia is not an event arising from the actions of capricious individuals. Rather, the uprising has its roots in Bolivian history and the spirit of its people. Despite the electoral victories of the MNR party, the present Bolivian government suppresses this party and machine-guns its constituents. In the social area, in response to just demands from workers, laborers have become victims of murderous suppression. The people are fighting for democracy and its institutions. Such civil unrest must result when any government proclaims a faith in democracy but denies it through its actions. No other country in modern times,

with the exception of Bolivia, has dared to base its prestige as a so-called democratic regime on exiling senators, representatives, and thousands of citizens; the present regime has systematically denied the basic human rights of its citizens by suppressing freedom of speech and resorting to armed force to quell internal dissent resulting from social and political difficulties.<sup>101</sup>

Paz remained in Minas several months, a captive of this small city and its limited opportunities for an exile. Four policemen from Montevideo watched his movements day and night, but Paz was still able to make friends and establish some semblance of a normal life. He describes this nearly four-month period in Minas:

I made some friends; Uruguayans are very hospitable, good people. There was a special group with whom I met daily in the back room of the local pharmacy. We exchanged views regarding the news of each day. One member of the group, Pedro Zabalza, offered me a small, monthly loan to cover my personal expenses while in Minas.<sup>102</sup>

From Minas, Paz watched events unfold in Bolivia as President Urriolagoitia continued with the incompetency and inactivity of his predecessor Hertzog (January 1947–October 1949). Neither the executive nor legislative branch could bring the country to order socially, economically, or politically.<sup>103</sup>

The record of the 1949 Bolivian congress was extremely poor, resembling the fruitless sessions of 1947 and 1948. The official government party, *Partido de Union Socialista Republicana* (PURS), held for the first time an absolute majority in both houses of congress in 1949; yet PURS demonstrated a lack of leadership in the legislature paralleling the failures of the executive branch which could not even present a national budget for 1949.<sup>104</sup>

A series of government scandals added to the political problems experienced by PURS leaders in Bolivia. Late in 1949,

press releases cited numerous examples of bad treatment suffered by prisoners of the August–December civil uprising. The hundreds of political prisoners filling Bolivian jails were said to be experiencing overcrowded and unsanitary conditions; torture was said to be commonplace. Prisoners often remained incarcerated for several months without an opportunity for a court hearing. Finally, press criticism forced a commission from the Chamber of Deputies to inspect the La Paz city jail in November 1949; it found generally unsanitary conditions, overcrowding, and maltreatment of prisoners.<sup>105</sup>

With the coming of the New Year, 1950, the political situation in Bolivia calmed enough for authorities in Uruguay to feel safe in permitting Paz to leave the confines of Minas and travel to Montevideo. There, Paz met his wife and children who were visiting from Buenos Aires during the school summer holidays in the southern hemisphere.

Upon his return to the Uruguayan capital, Paz's major concern was to find employment so that he could maintain himself and his family. He eventually obtained employment with Lanatur, a large wool processing company in Montevideo. Paz began as controller of unprocessed wool as it left the warehouses. Later, when his employer learned of his background as former minister of finance, he received a promotion to the export offices where he dealt with accounting and banking activities connected with marketing the company's product to foreign customers.<sup>106</sup>

Paz worked for Lanatur for about a year, until January 1951 when he received permission to return to Argentina and rejoin his family in Buenos Aires. Once again, after nearly a year and a half, Paz was permanently with his loved ones and also in closer contact with MNR party activities in neighboring Bolivia.<sup>107</sup>

Shortly after his arrival in the Argentine capital, during the second week of February 1951, Paz received a surprise telegram from the delegates attending the MNR's Fifth National Party Convention in La Paz. The telegram read:

We are in the National Convention with complete representation from all the departmental leaders. The most

important objective is to decide the presidential and vice-presidential candidates. We have proposed two possibilities: you as candidate for president with vice-presidential candidate to be decided later; or Franz Tamayo president and you vice-president. Tamayo's candidacy offers more possibilities of success. A final decision has been delayed pending consultation with you. We are pleased to inform you that the Convention has unanimously reelected you as party head.<sup>108</sup>

Paz's response to the suggestion of Tamayo as MNR presidential candidate was that, as leader of the MNR, he would not run on any such ticket. Despite Tamayo's prestige as a politician and intellectual, Tamayo's political philosophy and family business interests were diametrically opposed to the ideals of the MNR party. Tamayo, as member of the 1944 Bolivian congress, debated against the Tarija land reform bill; this seemed logical because he owned a huge landed estate near La Paz where peasants labored under the worst conditions of servitude. Of course, Tamayo wanted no part of any type of agrarian labor reform legislation. Tamayo could represent a strong candidate for the presidency, but Paz saw his candidacy as a betrayal of the party platform. The MNR convention concurred; immediately upon receipt of Paz's answering telegram, the delegates affirmed him as official MNR presidential candidate for the upcoming May elections. Two weeks later, party leaders chose Hernán Siles Zuazo as Paz's vice presidential running mate.<sup>109</sup>

Once the MNR chose its party candidates, it still had the serious problem of running a campaign with a nearly empty party treasury, whereas opposition candidates had the tremendous financial resources of the wealthy oligarchy at their disposal. The solution for the MNR was to tap these same sources for its own use. MNR supporters did so by tearing down opposition posters, turning them over, and painting MNR slogans on the reverse side before reattaching the posters to billboards or the walls of urban buildings; party members, likewise, slipped MNR propaganda between the pages of daily newspapers prior to their distribu-

tion for sale. MNR sympathizers even infiltrated organizations backing opposition candidates, obtained funds supposedly for use against the MNR, and then used the money to buy material for distribution by the MNR campaign headquarters.<sup>110</sup>

The sole major source of MNR campaign materials came from the old, small printing presses of *En Marcha*, a weekly publication from the time of Villarroel. Begun under the direction of José Fellmann Velarde, Mario Sanjines, and Raul Murillo y Aliaga—with the latter having financed the operation—these presses remained despite the closure of the publication at the time of President Villarroel's fall. The MNR used the old equipment to print small posters and MNR literature supporting Paz and Siles.

The most significant help to the MNR campaign was the disunity exhibited among the parties and candidates of the monied upper class. This became especially apparent when some La Paz newspapers entered into bitter literary debates featuring presidential hopefuls from among the oligarchy. For example, Gabriel Gosálvez, the official government candidate of the PURS, clashed with Guillermo Gutiérrez Via Murguía, personal secretary of Carlos Víctor Aramayo and Aramayo's handpicked presidential candidate. Aramayo's newspaper, *La Razón*, published numerous articles featuring denunciations and accusations against Gosálvez, as the PURS candidate answered similarly via government-sponsored publications. *La Razón's* accusations of widespread use of unfair government tactics favoring the Gosálvez campaign particularly aided the MNR cause by tarnishing the image of the current administration. The Liberal Party divided the oligarchy still further with its presentation of yet another candidate, Tomás Manuel Elío.<sup>111</sup>

These actions by pro-establishment political groups indicated the extent of the oligarchy's underestimation of the MNR as a feasible opposition party. The wealthy mine owners and landed aristocracy felt sure of a final victory for one of their candidates despite the level of fighting among candidates supported by the oligarchy.



Meanwhile, in Buenos Aires, Paz worked hard during the months preceding the May elections to further his candidacy for the presidency. His major efforts centered on attempts to return to Bolivia and campaign in his homeland. His first attempt to return in early March 1951 failed because Panagra Airlines refused to allow him to board the flight about to depart Buenos Aires for La Paz. Airline officials excused themselves by saying that the Bolivian embassy in Buenos Aires advised them against allowing Paz to travel. Paz succeeded in making quite an issue of Panagra's actions when he received news coverage featuring his statement that a public transportation company such as Panagra had no right interfering with the travel of a ticketed passenger holding proper documentation.<sup>112</sup>

Paz tried again in mid-April, this time on a Braniff flight via Asunción, Paraguay. He succeeded in departing Buenos Aires on this flight, and, after a brief stopover in Asunción, the plane proceeded into Bolivian airspace. Soon thereafter, however, the aircraft received a radio message saying that Bolivian authorities would not assume responsibility for the safety of the aircraft if it attempted to land in Bolivian territory. In addition, a Bolivian air force military plane was sent to intercept the flight. The Braniff airplane reacted by turning back to Asunción where Paz had to disembark before the aircraft continued on to its final destination in Bolivia.<sup>113</sup>

MNR campaign efforts within Bolivia, the feuding among the pro-oligarchy candidates and their parties, and Paz's activities from Buenos Aires paid off with a surprising plurality of the voters casting their ballots for Paz and Siles in the May elections. The vote count showed Paz as the most popular of the presidential candidates (Table 2).

These balloting figures, as released by the Urriolagoitia government, did not give Paz a majority so, as dictated by the Bolivian Constitution, congress was to decide who would be president. Actually, Paz did win a majority—as verified in 1952 when MNR officials examined telegrams giving voting results from outlying departments that were not included in the above

**Table 2**  
**Results of the Presidential Election**  
**of 1951**<sup>114</sup>

<i>Candidate and Party</i>	<i>Votes Received</i>
Víctor Paz Estenssoro (MNR)	54,049
Gabriel Gosálvez (PURS)	39,940
Bernardo Bilbao Rioja (FSB)	13,180
Guillermo Gutiérrez (Aramayo)	6,559
Tomás Manuel Elío (Liberal)	6,441
José Antonio Arze (PIR)	5,170

figures. Nevertheless, in 1951, the MNR had to accept the election vote count as announced at that time by the Urriolagoitia Ministry of Government.<sup>115</sup>

Rather than risk Paz's election by the congress, President Urriolagoitia decided to hand the government over to the military. Just ten days after the election, the president resigned and departed for self-imposed exile in Chile. General Hugo Ballivián took over as chief executive.

Thus did the oligarchy close all legal roads to power for the MNR, a move that Paz considered decisive in allowing for radical changes later during his first administration, beginning in 1952. Had Urriolagoitia permitted the MNR to succeed peacefully, the entire oligarchical power structure would have remained intact, precluding MNR implementation of sweeping social and economic changes. This was particularly true because the May elections left PURS with much of its congressional delegation in office. In addition, the armed forces would have continued as a barrier to any serious attempt at radical reforms because its officer corps maintained a close alliance with wealthy mining and landed interests.<sup>116</sup>

For the rest of 1951 and until the ouster of Ballivián, the armed forces, under the direction of its commander-in-chief General Humberto Torres Ortíz, ruled Bolivia with an iron hand.

MNR party faithfuls, laborers, miners, or peasants who dared challenge the new government met with brutal suppression.

In the end, internal dissension provided the key to Ballivián's fall. The major loss to the administration in this discord was General Antonio Seleme, Ballivián's minister of government and, more important, head of the *carabineros* of La Paz. Seleme's defection gave the MNR what the party considered its single most important ally in the planned coup.

### **The Beginning of a Social Revolution**

Seleme's close connection with two MNR leaders made possible the coalition which spearheaded the April 1952 revolution. Paz served under Seleme for a time during the Chaco War, and their friendship continued following the end of that conflict. Also, the general and Lechín became close friends through their mutual Arab ethnicity. This latter relationship facilitated Seleme's close cooperation with Lechín and, in turn, with Siles, in the conspiracy to depose Ballivián.<sup>117</sup>

Information leaked to President Ballivián in early April 1952 caused him to request Seleme's resignation as minister of government. Seleme, in turn, immediately contacted Siles to tell him that, unless the revolt could be moved up to April 9th, the minister would not be in a position to command the military police, or *carabineros*, against Ballivián.

The army-civilian confrontation initiating the social revolution of 1952 lasted three days, from Wednesday to Good Friday. Gunfire heard during the early morning hours of 9 April alerted La Paz citizens to the beginning of the fighting. Seleme's *carabineros* and MNR militants quickly took over the city of La Paz as the main detachments of government troops regrouped on high ground at the edge of the city near the airport. The first day went reasonably well for the insurgents.<sup>118</sup>

During the next day, however, the rebels began to run low on ammunition just at a time when government troops made their

major drives toward the city. The situation for the MNR forces deteriorated on Thursday to such an extent that Seleme sought asylum in the Chilean embassy. That same evening MNR leaders gathered in the La Paz university building to discuss whether their forces and the *carabineros* could hold out much longer. The possibility of surrender was put forward as an alternative, but any idea of capitulation ended when Adrián Barrenechea said, "Before surrendering I would end my own life with a bullet."<sup>119</sup> This statement occasioned a consensus that the fight had to continue.

On Friday, the tide of battle changed in favor of the rebels when Lechín's contingent of mine workers captured a strategic position above the city along with arms and ammunition. Concurrently, Siles's forces seized a truckload of desperately needed ammunition in the center of the capital. By Good Friday afternoon, the street fighting ended with the MNR acceptance of the unconditional surrender of General Torres Ortíz.<sup>120</sup>

In Buenos Aires, Paz rejoiced at the news of an MNR victory as he received well wishes from both Bolivian and Argentine sources. Paz was especially gratified at receiving an invitation to meet with Juan and Evita Perón to discuss his intended return to Bolivia to assume the presidency. Paz's audience with the Argentine president and his wife meant not only a personal satisfaction for Bolivia's future president, but it was also historically significant in that it was one of Evita's last meetings with a foreign dignitary prior to her death three months later. Paz recalls that, despite her loss of weight and obviously weakened physical condition, Evita maintained her vibrant mental qualities as they discussed Paz's future plans as president.<sup>121</sup>

Having paid his respects to Juan and Evita Perón, Paz soon found himself on an airplane bound for his homeland. The trip to La Paz was a bit uncomfortable as he traveled in a slow, propeller-driven C147 cargo plane. The plane lacked regular passenger seats and other conveniences that would have been useful considering the crowding caused by the number of returning dignitaries who had formed Paz's Bolivian welcoming

committee. However, the trip passed without mishap, and Paz quickly forgot about the arduous journey upon his triumphant arrival in the Bolivian capital on April 15, 1952.