

**NOLTEY**

**THE MNR PARTY  
AND THE  
VILLARROEL  
ADMINISTRATION:  
1943-46**

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by

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## ABSTRACT

The Movimiento Nacionalista Revolucionario (MNR) party and its leader, Víctor Paz Estenssoro, played a major role in Bolivian politics for twenty-two years beginning in 1942. In that year, the MNR members of congress pushed for an investigation which revealed the harsh tactics the executive branch had used to suppress the Catavi miners' strike of December 1942. This investigation brought notoriety to the nascent MNR party. It also brought considerable backing from the lower and middle classes of Bolivian society. In 1943 the MNR united with a group of middle-rank army officers to overthrow the government of President Enrique Peñaranda del Castillo (1940-43).

On 20 December 1943 the MNR and a small military faction toppled the Peñaranda government and installed as President army Major Gualberto Villarroel López. Three leading members of the MNR subsequently received ministerial appointments to the Villarroel cabinet. However, the selection of a military man as President indicated a dominating influence by the armed forces.

Villarroel and his military colleagues in the executive branch wielded most of the power during the

two and one-half year administration. Civilian political influence was concentrated in the MNR, first in the cabinet and later in the legislature. However, the final word in government policy rested with the army.

International developments likewise weakened the MNR position in the administration. The United States considered MNR members of the junta to be pro-Nazi and therefore unsympathetic toward the Allied cause. Only after the junta cleansed itself of MNR membership did the United States extend its recognition in June 1944. Despite these developments, the MNR later returned to assume some positions of authority.

After winning control of congress in July 1944 and returning to the cabinet at the end of that year, the MNR introduced a number of socio-economic and political reforms. However, disagreement in policies between the MNR and the military and opposition from big business interests prevented full implementation of the reform decrees and legislation.

A combination of factors eventually resulted in the downfall of the Villarroel regime. Weakened by the nonrecognition problem, disagreements within the MNR-military alliance, and inability to substantially increase tin revenues, the government made a serious

error in late 1944 with its brutal reprisals following a small revolt in Oruro. The gradual revelation of the details surrounding the Oruro incident occasioned the loss of much popular support for the government. Discontent reached a peak in July 1946 when a mob murdered Villarroel and hung his corpse from a lamp-post in front of the Presidential Palace. MNR leaders were forced into hiding or exile to neighboring countries.

## PREFACE

What is today the nation of Bolivia gained its independence from Spain in 1825 but more than a century passed before most of its inhabitants acquired their full rights as citizens. It was not until well into the twentieth century that Bolivia's Indians, comprising about 73 percent of the population, took an active role in shaping the destiny of their homeland. As late as the 1940s Bolivian Indians had practically no political influence and in general received little protection under the law. Their social position was so inferior that they could not walk on some of the principal streets in La Paz. When the Indian found it necessary to approach a fair-skinned member of the upper-class society, he had to kneel to address his superior and kiss the hand of the person with whom he wished to converse.

Indigenous Bolivians suffered an economic plight parallel to their social standing. A few owned the land they worked or lived on Indian communal lands. But the vast majority served a landed oligarchy which held large tracts sometimes encompassing two or three million acres on which the peasants labored as virtual serfs. Indians

living within these private estates worked for a period of one to five days a week in return for the right to till a small plot of land for their own needs. The same indigenous population worked the nation's tin mines.

A few mining entrepreneurs profited in the exploitation of the mineral wealth of Bolivia while Indian workers had to endure long workdays under poor conditions for subsistence wages. Just three men-- Simón Iturri Patiño, Carlos Víctor Aramayo, and Mauricio Hochschild--controlled 80 percent of the national tin production. Mineral exports between the years 1900 and 1950 usually accounted for 95-99 percent of all exports, with tin making up 70-75 percent of this figure. Tin was therefore essential for the acquisition of foreign exchange used to purchase foodstuffs and other imports. Most profits went straight into the pockets of the mine owners, and Bolivia remained a poor country where the three tin barons used their money and influence to persuade political leaders to keep export taxes low and the exchange rate favorable. This maximized ore production profits and permitted mine owners to use the minimum amount of foreign exchange when acquiring local currency needed to pay miners' salaries.

The masses lacked the means to alter this system of exploitation. Literacy requirements made most adults ineligible to vote, thereby limiting the franchise to a select minority of about 3 percent of the population. For example, in 1940 army General Enrique Peñaranda del Castillo won election to the presidency by receiving the majority of a total of eighty thousand votes cast from a population of nearly three million. Only the educated, propertied, upper- and middle-class white or mestizo (mixed-blood) elite cast their ballots in 1940. Soon after this election, a small group of politically active young intellectuals united to form a new party dedicated to remedying some of Bolivia's socio-economic and political inequalities.

The following chapters discuss the birth and early accomplishments of this new political movement which called itself the Movimiento Nacionalista Revolucionario or MNR party. By 1942 the MNR had formulated a strongly nationalistic platform aimed at eliciting the backing of first the middle class and then the Indian masses who worked in the mines and on the landed estates. During the administration of President Gualberto Villarroel López (1943-46), the MNR won control of congress where it pushed through reform legislation, passage of which

would have been inconceivable just a few years before. This was an unprecedented move by a major political party. Traditionally, political parties served only the interests of landowners and mining entrepreneurs. Now a new breed of politician appeared, a type unwilling to be swayed by bribes or special favors. These men of the MNR shook the foundation of Bolivian society with their emphasis on equal representation for all their countrymen and much more government control over the mining industry.

There is no detailed historical investigation of the MNR and the Villarroel administration available in English, and the best Spanish language source, El presidente colgado by Augusto Céspedes, is a political defense of the MNR. It mentions the main events of the period but the work is biased and incomplete. Main events such as the problem of the Villarroel government obtaining United States recognition and social reforms passed by the Bolivian congress between 1943 and 1946 are not examined in detail. The following will therefore contribute to an effort to fill a gap in available literature on the topic.

This study has yet another objective. It will provide perspective for the later events of the social

revolution of 1952-53 when the MNR returned from six years of exile to lead the destruction of a social system that had changed little since Bolivian independence. Beginning in 1952 the MNR first overpowered and disarmed the military, then displaced the old political oligarchy, decreed universal adult suffrage, and nationalized the privately-owned mining empire, bringing it under direct state ownership and control. The massive landed estates were also nationalized and the land distributed to the Indians. While these changes culminated during the twelve years the MNR controlled the government between 1952 and 1964 the process had its beginnings in the period 1941-46.

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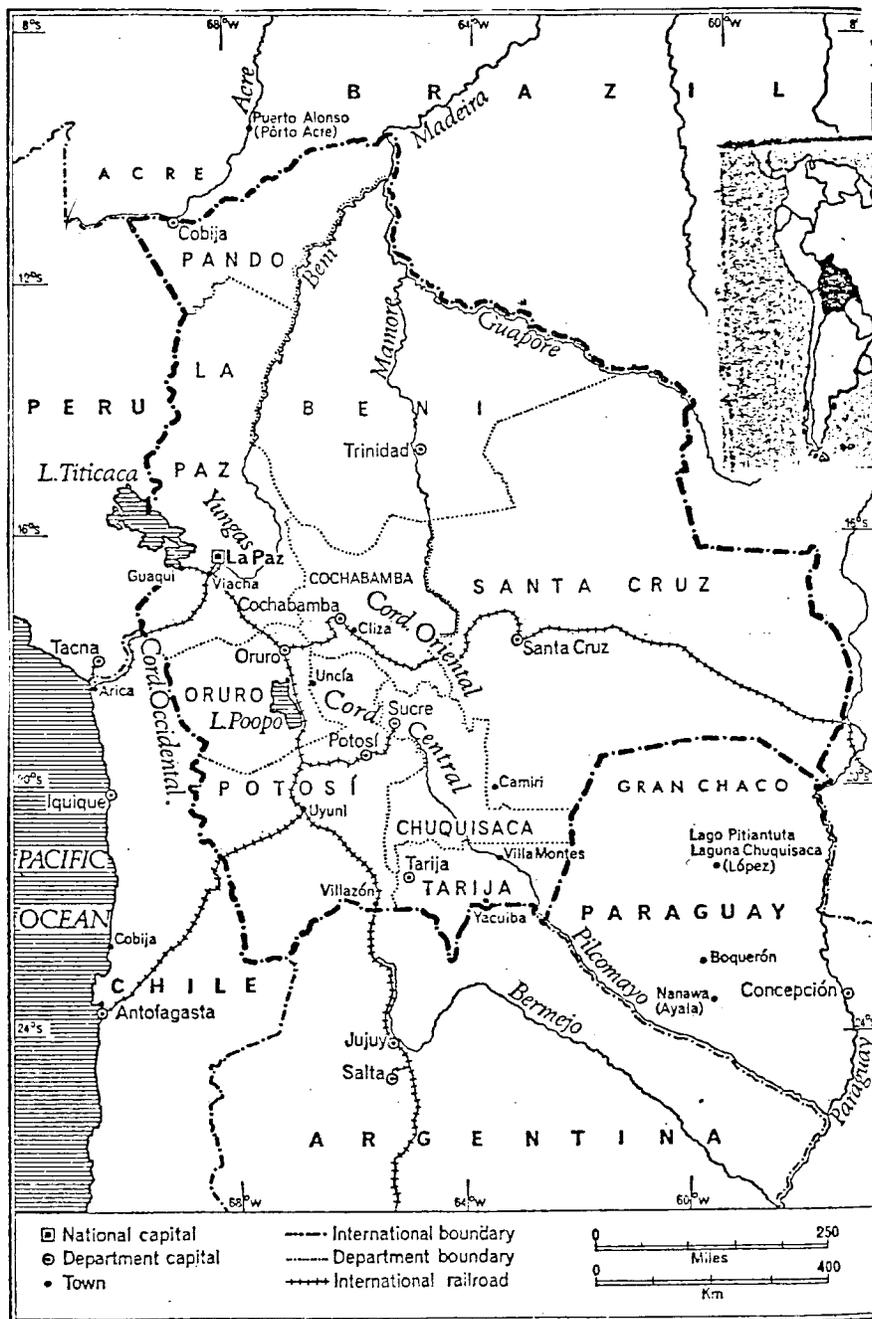
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## CHAPTER I

### THE MNR PARTY AND THE DOWNFALL OF PRESIDENT PEÑARANDA

Bolivia, the home of the MNR and center for the events of the following study, lies in the heart of South America. The fifth largest country on the continent, it remains one of the least populated nations of the world, with just over ten persons per square mile.<sup>1</sup> Of its nearly 4.7 million inhabitants more than half are Indians, most of them belonging to two groups: the Quechuas and Aymaras.<sup>2</sup> The next largest segment of the population, the mestizo class, developed from miscegenation between Indians and Spaniards. Most Indians and mestizos live on the altiplano, a lofty, semi-arid plateau ranging in elevation from ten thousand to fourteen thousand feet above sea level. In the northwestern part of the altiplano, situated at twelve thousand feet, is the nation's principal city of La Paz which holds the distinction of being the highest capital in the world. It was here in April 1940 that army General Enrique Peñaranda del Castillo assumed office as constitutionally elected President of Bolivia.

MAP 1



Bolivia

The events of the Peñaranda administration provide an introduction to the discussion of the Movimiento Nacionalista Revolucionario (MNR) party and later developments during the presidency of Major Gualberto Villarroel López (1943-46). In 1940 six of the founders of the MNR were elected to the Bolivian lower house of congress (Chamber of Deputies); January 1941 marked the birth of the MNR as a political party; in 1942 the Catavi Massacre gave the MNR an issue which it used effectively to discredit Peñaranda and his cabinet; and in December 1943 the MNR along with a small group of middle-rank army officers overthrew the Peñaranda government.<sup>3</sup>

President Peñaranda lacked the political expertise to silence or discredit his opposition. His entire life had been spent as a professional soldier, not as a politician. Born in 1892 near La Paz, he began his career at the age of sixteen when he enrolled in military high school. By 1934 he had risen through the ranks to become commander in chief of Bolivia's armed forces embroiled in the Chaco War (1932-35) with Paraguay. His post as leader of the armed forces was not an easy one to fill since at the time of his appointment Bolivia had little hope of a military victory.<sup>4</sup>

Despite the country's deteriorating position in the war, Peñaranda did not receive much criticism. His countrymen already saw clearly at the time he took over that inferior leadership by his predecessors had brought Bolivia to the brink of disaster; so when the fighting stopped in 1935 with the Bolivian military disgraced, public opinion tended to exonerate Peñaranda of much of the blame. He was therefore able to muster sufficient support, especially from among the wealthy, propertied, voting minority, to win a clear victory in the presidential contest of 1940. Once in office, however, he was to endure a stormy presidency as the result of criticism from discontented elements in the Chamber of Deputies (Cámara de Diputados).

The Bolivian electorate showed their dissatisfaction with the inferior political leadership during the Chaco War by voting into office in 1940 a number of independent deputy (diputado) candidates. The independents accused political opponents who had held congressional offices during the war years of having bungled the war effort. They said members of traditional parties had listened only to big business whose interests had been centered on avoiding payment of taxes rather than on Bolivia winning the war.<sup>5</sup> Since few

citizens had escaped the hardships of the wartime period, even the privileged ones who held the franchise had been shaken enough by the conflict to shift support to anti-establishment candidates. Independents argued effectively that former congressmen served only the selfish goals of business and therefore must be replaced by new political leaders.<sup>6</sup> Unable to interrupt this rhetoric expressed during the normal election process without endangering his position as future constitutionally elected President, Peñaranda had little hope of preventing a confrontation between his administration and hostile members of congress. Among the most outspoken of his critics were six deputies who numbered among the founders of the MNR party.<sup>7</sup>

Bolivia's party of the masses, the MNR, grew up and matured into an identifiable political party during the Peñaranda presidency. Its beginnings go back to sessions of congress in 1940 when a few young intellectuals from Bolivia's middle-class society found they had enough in common to warrant forming a special group advocating some economic, social, and political changes in Bolivia. The MNR's basic aims were brought out in an early document which recorded the founding of the MNR. A handwritten account of a meeting on 25 January 1941

stated the reasons for the formation of the MNR party. It said that those attending the meeting saw grave dangers present in Bolivia because of the traditional policies of the nation's leaders. They therefore resolved to found a political party which would defend national interests and struggle for just government.<sup>8</sup> Four months later on 10 May 1941 the MNR published an announcement stating its intensely nationalistic sentiment. It said the MNR was a patriotic movement emphasizing the Bolivian nationality and advocating more governmental influence in the distribution of profits obtained through exploitation of Bolivia's natural resources.<sup>9</sup>

The MNR's platform was summarized in the following seven points:

1. Demands for cancellation of privileges which permitted non-Bolivians or foreign businesses to exercise special rights enabling them to export tin and wolfram at excessive profits while paying very low export taxes
2. Denunciation as unpatriotic 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 such 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; 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 wages for civil servants and an end to child labor
6. A change in ownership in agricultural lands so the indigenous farmer who tilled the land had some right also to ownership
7. A plea for backing from all laborers, teachers, farmers, and society as a whole so that by working in common these goals of the MNR could be realized<sup>10</sup>

The MNR enlisted support for its ideals from additional independents who entered the Cámara de Diputados after the 1942 congressional elections. President Peñaranda's hands-off policy during the elections permitted dissident forces opposed to his political orientation to reach a near majority in the

Chamber of Deputies, constituting a serious threat to the normal operation of his government. Their voices echoed through congressional halls in 1942 as deputies called for many changes, especially in the area of economic policy.<sup>11</sup>

MNR leaders and their sympathizers reflected a strong nationalism that demanded maximum government supervision of extraction and exportation of Bolivian natural resources. They called for a reversal of Peñaranda's close cooperation with the United States regarding the low prices paid for Bolivian wartime exports of tin, wolfram, and rubber, all strategic raw materials vital to the Allied cause. Three entrepreneurs who directed most of Bolivia's extractive mineral industry were singled out as prime examples of selfish business leaders who exploited national tin reserves virtually unmolested by government regulations.<sup>12</sup> The MNR wanted more of their earnings channeled into government coffers. The President's enemies in congress accused him of allowing private enterprise to operate free of any administration supervision. Adamantly opposed to such a laissez-faire position, the MNR used an effective constitutional weapon to harass Peñaranda and his cabinet. The MNR was able to summon nearly

every cabinet minister at one time or another to stand before congress and endure a trial atmosphere as each had to answer accusations that they were bowing to the wishes of economic imperialists.<sup>13</sup>

Bolivia's 1938 Constitution endowed its Chamber of Deputies with an interpellant recourse which it used repeatedly between 1940 and 1943 to summon numerous cabinet appointees to answer for actions unpopular with that house of congress. As stated in Articles 80 and 81 of the Constitution, the legislative prerogative of interpellation gave congress the right to question officers of the executive branch concerning their official conduct and policies. In response to a written request from one of its committees or members, either the Senate or the Chamber of Deputies, with a simple majority in favor, could exercise its right to summon cabinet members to legislative chambers. Congressmen could then question the ministers to obtain the desired information, whether for purposes relating to legislation, investigation, or censure.<sup>14</sup> Legislators from the lower house who were unsympathetic toward the President took advantage of these powers to plague his cabinet ministers with so much interpellant pressure that Peñaranda averaged two major cabinet reshufflings a

year during his presidency. Chief among those ardent debators in the Chamber of Deputies was the leader of the MNR party.

Víctor Paz Estenssoro (1907- ) led the MNR from the time of its inception. Trained in law and economics, Paz made up for his late start in politics by his considerable display of energy once he did enter Bolivia's political arena. Shortly after completing military service in the Chaco War he returned to his native Tarija and, at the age of thirty, won a seat as that area's representative to the Constitutional Convention of 1938. Following his term as delegate, he won the race for deputy from Tarija in 1940 and in 1942 was re-elected to the lower house.<sup>15</sup> Paz maintained his official leadership of the newly founded MNR during this period as diputado. Under his direction the party fared well during the Peñaranda administration, with one major exception consisting of a foreign-instigated hoax which connected the MNR with Nazi and subversive elements.<sup>16</sup>

The Nazi Putsch episode of July 1941 provided Peñaranda with a rare opportunity to take the offensive in his political battle with Paz's group. On the eighteenth of July, United States Ambassador Pierre de Lagarde Boal delivered to the Bolivian government a

photocopy of what United States intelligence sources claimed was a letter to the German minister in La Paz from Major Elías Belmonte Pabón, the Bolivian military attaché in Berlin. The Belmonte letter, as it appeared in the 20 July 1941 La Paz newspapers, recommended a July coup to liberate Bolivia from its weak government of excessively capitalistic inclination.<sup>17</sup>

The document went on to attack Bolivian government leaders for their compromising attitude toward the United States and the economic policy of the Allies which infringed on the sovereignty of Latin American nations wishing to trade freely with all world powers. Allied control of transportation routes and marketing practices forced Latin American nations to sell their exports only to the Allies at prices below what could be obtained from Axis powers. Both Great Britain and the United States placed undue pressure on Bolivia to make sure its strategic raw materials sold at low prices. Therefore, continued the letter, Bolivia must rid itself of Peñaranda even if it meant revolution. 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 minister in the form of a return address, the opening salutation, and

Belmonte's signature. However, in addition to the text itself, the United States Ambassador stated that the source of the document merited full confidence even though the State Department could not guarantee the authenticity of the Belmonte signature since its files held no sample of his handwriting.<sup>18</sup>

Belmonte, the central figure in the dispute over the alleged correspondence, was a controversial officer whom Peñaranda had assigned to Germany to get him out of the country. Trained during the 1930s by German military advisors, Major Belmonte had participated in a military coup which took over the Bolivian government in 1936 and in another similar action in 1937. Belmonte's political philosophy clashed with that held by Peñaranda whose close ties with the United States contrasted with the position of some earlier military regimes which preferred closer ties with Germany over the United States.<sup>19</sup>

On the basis of the document supplied by the United States and the subsequent confirmation by the Bolivian military that the signature on the letter was that of Belmonte, the Peñaranda government proceeded on 19 July 1941 to declare the German minister persona non grata and to expel him from the country. The German Ambassador protested, stating that he had engaged in no

correspondence with Belmonte and knew nothing about any conspiracy. He added that the Belmonte letter was apocryphal and fabricated outside of Bolivia by a foreign country.<sup>20</sup> Within forty-eight hours the German minister boarded a train for Chile. His departure did not end the incident since many Bolivians were accused as accomplices in the alleged Nazi Putsch supposedly scheduled for late July.

Using powers derived from a state of martial law declared on the twentieth of July, the Peñaranda government launched an attack on its major opponent, the MNR. Police closed three periodicals sympathetic toward the MNR including the daily newspaper La Calle. The editor of this latter publication 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 given before the Cámara, he charged the ruling administration with deceit and suppression of all criticism.<sup>21</sup>

Paz accused the government of instigating a crisis situation through the use of evidence consisting of what the MNR 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, the suggestion of someone obviously unfamiliar with the terrain of La Paz.<sup>22</sup> 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 and proceed with its efforts to undermine Peñaranda's base of power. In early August, Paz stood before the Chamber of Deputies reproaching the Peñaranda administration for what he termed favoritism toward big business interests in Bolivia.

A Cámara debate concerning alleged fraud in a contest for one of that chamber's seats in the 1942 congressional elections gave Paz and his colleagues a sounding board for their political views. Paz claimed that the election for deputy from the southwestern Bolivian Province of Sud Lípez should be nullified because one of Bolivia's rich tin mining magnates had intervened to assure that his candidate would win. Paz said local police officials had prevented all but the winning candidate from campaigning in Sud Lípez and that

such action warranted a finding that the election was invalid. Therefore, he continued, the new deputy should be denied his seat in the Chamber of Deputies. Paz went on to denounce the corporations which controlled most of Bolivia's tin mining industry, as well as government passivity which permitted the businesses to interfere in constitutional elections. A final vote on the nullification of the Sud Lípez election illustrated anti-government power in the Cámara: the MNR resolution for nullification carried forty to thirty-seven. This vote of 14 August 1942 gave Peñaranda a preview of future performances from the MNR members of congress.<sup>23</sup>

Antagonistic deputies challenged executive policies from August of 1942 until the lower house recessed in late November. The Ministers of Foreign Relations, Finance, and Economy each testified in late August before the Chamber of Deputies in defense of the administration's growing economic cooperation with the United States.<sup>24</sup> On 2 September 1942 the Ministers of Government and Labor tried in vain to convince Paz and other representatives that Peñaranda and his cabinet had no obligation to intervene in the settlement of a strike by the Bolivian newspaper workers' union, the Minister of Labor commenting that labor salary disputes were none

of his business.<sup>25</sup> Paz countered with an accusation that the government persistently refused to help labor secure higher wages but did not hesitate to spend huge sums from the national treasury to make a cash settlement with Standard Oil of New Jersey in payment for that company's assets nationalized in 1937.<sup>26</sup> Finally, these and subsequent interpellations brought such an intense pressure on Peñaranda's ministers that after testimony on various topics the exasperated cabinet resigned en masse on 26 November 1942. Nevertheless, troubles for the Peñaranda administration had only begun. A new cabinet faced even more severe tests.

A few days after the swearing in of the newly appointed cabinet 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 21 December 1942. The first days of December were filled with optimistic reports of initial success in government efforts to resolve a massive walkout involving thousands of tin miners. Workers in Oruro went back to their jobs on the second of December; and six days later similar news came from Potosí. However, one last significant mining complex of Catavi near Oruro remained on strike. Nearly nine thousand Catavi workers

would not retreat from their demands for immediate payment of a year-end bonus and the reopening of management-operated supply stores where employees bought food and other necessities at discount prices.<sup>27</sup> But mine owners kept negotiations deadlocked with their statement calling for a return to work as the prerequisite for any further discussion. President Peñaranda responded 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. The Minister of Labor claimed that when troops and workers clashed on the twenty-first of December the soldiers' bullets killed or wounded no more than forty-nine strikers.<sup>28</sup> Other sources placed the casualties as high as seven hundred.<sup>29</sup> 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 a thorough inquiry with a public examination of all the facts as soon as congress convened eight months later in August 1943.<sup>30</sup>

An interpellation backed by the majority of the deputies brought numerous cabinet members before the lower house for a month of interrogations beginning 13

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 felt that the administration's actions showed a partiality toward mine owners.<sup>31</sup> As one Bolivian historian 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>32</sup>

The interpellation gave deputies the opportunity to question the entire Peñaranda cabinet which presented itself before the Chamber of Deputies at 4:00 P.M. on 18 August 1943.<sup>33</sup> The first deputy to speak prefaced his questions by saying that the executive branch had acted in an oppressive manner and was therefore worthy of the strongest sanctions for the way it contributed to the Catavi Massacre. Peñaranda's Minister of Government responded by accusing the diputado of speaking for a small political group consisting of nothing more than a cell of the Third International, obedient to orders from Russia.<sup>34</sup> The chamber's galleries at this juncture of the proceedings came alive with shouts and jeers directed at the cabinet member. This type of

emotional response by spectators became a common occurrence in subsequent sessions. Two days later the Cámara had to adjourn early after onlookers became so involved that proceedings were completely disrupted.<sup>35</sup>

Order had been restored to the lower house chambers by Monday afternoon of the twenty-third of August as spectators in the galleries listened attentively to two lengthy discourses accusing members of the cabinet of being indirectly responsible for the deaths at Catavi. The first speaker, Alfredo Mendizábal, a deputy from Cochabamba sympathetic with the MNR cause, analyzed the events leading up to the Catavi Massacre.<sup>36</sup> His remarks provided a summary of how certain cabinet officials blocked peaceful efforts by mine unions to negotiate their complaints prior to the work stoppage of December 1942.

Mendizábal explained that on 30 September 1942 the Sindicato de Metalúrgicos y Oficios Varios de Catavi, acting as the bargaining agent for the Catavi miners, petitioned the Labor Minister for a hearing at which it could present workers' grievances. For forty-eight days the Labor Ministry had ignored this petition. Mendizábal stated that this peaceful attempt at a solution was ignored because the government would listen only to

promptings from a few powerful and influential mining firms whose primary interests centered on a ruthless exploitation of Bolivia's mineral wealth. The Labor Ministry's delay, observed the deputy, exemplified the administration's general indifference toward the plight of labor. Mendizábal claimed union officials were snubbed at every opportunity.<sup>37</sup>

After much government procrastination, labor leaders were told they could come to La Paz and present their case in November 1942. Mendizábal recounted to the Labor Minister and the Cámara how the labor delegates endured continued humiliation as they were subjected to eighteen more days of silence from the Labor Ministry. Deputy Mendizábal maintained that the Peñaranda administration purposely disregarded employees' cries for a readjustment of their wages: "From September thirtieth to December ninth of 1942 government officials had sufficient time to resolve the workers' petitions, but they did not do so."<sup>38</sup>

Mendizábal next cited as unwarranted Peñaranda's declaration of martial law to silence press criticism and public outrage following the Catavi tragedy. In January of 1943 a month after the incident, the President decreed a state of martial law which remained

in effect until April of the same year. He issued another decree a short time later. This second decree was issued before the end of 1943 so, said the deputy, it violated Article 34 of the 1938 Constitution which clearly established as illegal a second declaration of martial law within the same year without previous congressional approval. The fact that congress was not in session did not excuse the chief executive since the Article required legislative action even if a special session of congress had to be called to acquire the necessary approbation.<sup>39</sup> In summary, Mendizábal said Peñaranda knowingly violated the Constitution but "the military has become accustomed to tearing up the Constitution as if it were an old rag."<sup>40</sup>

Mendizábal's most serious charges came at the end of his discourse when he referred to those responsible for the Catavi Massacre. He cited Articles 169 and 170 of the Constitution which stated that the army was entrusted with the preservation of order within the nation and along its borders. The military was to perform this duty under the ultimate command of the President. Therefore, observed Mendizábal, in the case of Catavi, the soldiers only followed orders when they fired upon the miners: "The army is the people armed and

cannot shoot its own brothers without being forced to."<sup>41</sup> Mendizábal terminated his commentary with this statement and the deputy from Tarija, Paz Estenssoro, rose to speak.

Paz reiterated accusations voiced previously while stressing what he termed the manifest partiality of the government in the service of the large mining companies and its employment of violent tactics for solving social conflicts, a political maneuver which Paz said culminated in the Catavi Massacre.<sup>42</sup> He went on to attack the favoritism of the cabinet toward businesses whose common aim was to extract excessive profits at the expense of Bolivia and its people. For more than two hours, he spoke out against the administration's alleged disregard for the well-being of Bolivia's masses. To back up his argument, Paz quoted statistics from a then recently published International Labour Organization (ILO) report on labor conditions in Bolivia.<sup>43</sup>

The ILO report provided Paz with an up-to-date and reputable source of information regarding the plight of the Bolivian working class. Early in 1943 the ILO, an internationally financed association dedicated to the promotion of social justice in all countries, had acted as consultant for a Joint Bolivian-United States Labour

Commission organized to conduct a survey of working conditions in Bolivia. The Commission arrived in La Paz on 2 February 1943. It had completed its study by mid-March. Shortly thereafter it prepared a report from which five months later Paz quoted extensively.

Pointing to the Commission's findings, Paz expounded on the destitute life of the majority, lower-class population of Bolivia, which lacked even basic food commodities necessary for their nutritional needs. Paz read to the Cámara a section of the report which described the diet of the average Bolivian worker as falling considerably below international minimal standards considered necessary for good health. A diet characterized by corn, wheat, and potatoes lacked the essential dietary elements found in meats, vegetables, and dairy products. In general, the ILO Commission concluded that the average consumption of all varieties of food in Bolivia was low in relation to the need, even when expressed in terms of quantity. Paz claimed that this report served to prove that the Peñaranda administration failed to consider the needs of the masses. His regime instead cared more for the selfish objectives of a small number of private mining companies that wielded excessive political influence.<sup>44</sup>

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

Threatening speeches delivered by Paz in the Chamber of Deputies held considerable meaning since by August 1943 he and his colleagues of the MNR party had allied themselves with a secret military brotherhood called Razón de Patria or Radepa.<sup>46</sup> Many of the young officers belonging to this group had been imprisoned together in Paraguay during the Chaco War. Their disillusionment with the war contributed to Radepa members assuming views similar to those expounded by the MNR in its party platform.<sup>47</sup> They too wanted a change to more competent political leadership which would endorse the MNR's nationalistic stance, condemning excessive foreign influence in internal politics and economics. Radepa and the MNR also wanted relief from Bolivian governments at the service of tin mining enterprises. These two groups--the MNR as the civilian political faction, and Radepa's contingent of dedicated army officers--schemed and awaited the day when their

opportunity would come.<sup>48</sup> During a series of meetings held in November and December of 1943 Radepa and MNR leaders made formal plans which included decisions as to who would assume the respective government offices left vacant after their envisioned coup.

How the various posts were to be apportioned served to indicate the relative power of Radepa in comparison to the MNR. Reserved for Radepa was the office of President and Ministries of Defense, Public Works, and Education. MNR party bosses received assurances that they would fill the vacancies in the Ministries of Agriculture and Finance, the latter being reserved for Paz. Also, an MNR member would hold the position of General Secretary to the governing coalition or junta.<sup>49</sup> A prestigious cabinet post, that of Minister of Government, had to be left for Major Alberto Taborga Terrazas, Chief of the La Paz Traffic Police.<sup>50</sup>

Confident that they could confine the revolt to the capital city, the conspirators realized that Taborga had to be part of their forces. As head of the well-armed and disciplined Traffic Police, he constituted an essential ally in any coup in La Paz. The plotters contacted the ambitious Taborga who agreed to betray Peñaranda in exchange for an important post in

the future junta government. Yet Taborga was not the only high official ready to turn against the President.

General Antenor Ichazo, Army Chief of Staff and confidant of the President, had personal aspirations for the presidency, whether by way of general elections scheduled for 1944, or sooner if he could win enough backing from administration opponents.<sup>51</sup> Cognizant that Paz and the MNR possessed a growing influence as champions of the masses and discontented middle class, Ichazo secretly made contact with Paz to determine whether the MNR would join with him in a bid for power. Since both men came from the same area of Tarija in southern Bolivia, Ichazo thought he could take advantage of this fact to make friends with Paz, possibly enlisting the MNR chief in a scheme to overthrow Peñaranda. Paz met once with the general, but nothing came from their meeting since the young politician learned enough to satisfy himself that Ichazo would not be a serious threat to his own ambitions.<sup>52</sup> Nevertheless, despite the fact that the coalition sought by Ichazo failed to materialize, the Ichazo-Paz meeting and other similar activities eventually produced such an atmosphere of crisis in the government that Peñaranda implemented defensive measures.

As various factions schemed to depose the chief executive, Peñaranda began reacting to the influx of rumors suggesting subversive plotting. By November 1943 the President's suspicions had been sufficiently aroused for him to call a meeting with the officers of his cabinet to discuss a counter-plan aimed at thwarting any attempted coup. The following month, on the thirteenth of December, he declared a state of emergency which placed all areas of national importance, such as the press and military garrisons, under close government surveillance.<sup>53</sup> Peñaranda drew up a general order three days later, effective 26 December, that would have transferred any suspected military personnel to garrisons distant from the capital.<sup>54</sup> To silence the opposition press, authorities closed down La Calle, a major La Paz daily which consistently featured articles critical of the administration. The same fate befell the small, pro-MNR periodical Pregón. Meanwhile, the Radepa-MNF conspiracy decided upon 21 December, the first anniversary of the suppression of the Catavi mine strike, as the date for the coup. At the last minute, this had to be moved up two days to avoid counter-measures being adopted by Peñaranda.

During the night of 19-20 December 1943 the MNF -

Radepa-Taborga coalition successfully executed a coordinated, practically bloodless coup d'état which overthrew the Peñaranda government. The revolt began late Sunday evening, the nineteenth of December, when MNR militants seized the La Paz telephone exchange. Armed only with a few revolvers, the conspirators overpowered the staff at the exchange and proceeded to interrupt vital communications between army posts in and near the capital.

Once in command of the single most important communications link in La Paz, the MNR confounded and disorientated Peñaranda's defenders. A key army detachment at the Viacha railroad junction fifteen miles from La Paz received false telephone messages informing the commander there that all was lost and that any type of maneuver would be fruitless since the President had capitulated. Similar calls to garrisons in Calama, Illimani, and Escolta within the capital left any military personnel confused or neutralized.<sup>55</sup> In the meantime, the Transit Police under Taborga captured prominent officials including Ichazo who responded to a telephone call telling him to go to the home of Peñaranda where he would be needed to direct the revolution.<sup>56</sup>

Rebellious forces under the personal direction of Taborga captured Peñaranda at his residence. At 2:30 A.M. on Monday, the President received word at home that anti-administration forces were in the process of taking the capital. His attempt to contact the city army garrisons failed because the telephone exchange had already been taken. He then shouted to his guards, normally a contingent of thirty soldiers. They had deserted, and in their place stood Taborga and traffic policemen. After delaying as long as possible, Peñaranda submitted to a hopeless situation by accompanying his captors to the General Police Office. There the rebels unsuccessfully tried to persuade Peñaranda to formally renounce his office. While Peñaranda and most of his cabinet endured the confinement of the Traffic Police Office, the rebellion continued into the daylight hours of Monday morning.

The victorious leaders of the revolt congregated at the office of Radio Nacional in the Plaza Venezuela at 7:00 A.M. to address the nation. Paz and others spoke of the end of repressive measures such as those employed by the Peñaranda regime to maintain powerful tin barons in control of the nation and its economy.<sup>57</sup> They spoke further of the need for order now that



government resistance had almost ended and the rebels were preparing to assume officially the control of the central government.

Paz, Taborga, and the other MNR-Radepa leaders gathered at the Presidential Palace in the early afternoon of Monday, 20 December 1943 to proclaim their victory and participate in the swearing-in ceremony for the new Bolivian President and his cabinet. Peñaranda had been dispatched by train to exile in Chile, all resistance had ceased, and the junta held firm control. The junta formalized its position by joining together for an official ceremony at 3:00 P.M. at the Palace. The respective cabinet members took their oath of office and a virtually unknown military officer, army Major Gualberto Villarroel López, took over as President.<sup>58</sup>

Villarroel was born 15 December 1908 in the valley of Cochabamba about 280 miles southeast of the capital. Very little is known about his family background. Records show he entered military school in 1925. Three years later he graduated top in his class with the rank of lieutenant. He fought in the Chaco War, returned home with the rank of captain, and by 1940 was a major.<sup>59</sup> In 1943 he led the Radepa faction which helped depose Peñaranda, thereby making it possible for him to take

office as President of Bolivia.

Thus did rule by a military figure championing traditional socio-economic and political behavior fall prey to a combined nationalistic military-civilian force promising basic changes for Bolivia. MNR militants, comprising the civilian contingent of the force, set the stage for the successful revolt by effectively enlisting popular support for a program offering a better life for the middle and lower classes through tight government control of the nation's tin exports and its economy.

Perhaps more than any other single development during the Peñaranda years in the Presidential Palace, the Catavi Massacre contributed to the weakening of his hold on the government. This incident gave his opponents, especially the MNR, an opportunity to mount against his administration an effective campaign of destructive criticism. The eleven months following the Massacre found the President in a deteriorating situation, unable to counteract MNR accusations that his regime had compromised its obligations to the fatherland and in particular to the Bolivian laboring class.

Between 1940 and 1943 the MNR under the leader-

ship of Paz had succeeded in spreading a nationalistic social ideology which contributed significantly to the end of the Peñaranda government. This process laid the groundwork for later reform measures made law during the Villarroel administration after that regime obtained diplomatic recognition and some economic cooperation from an unsympathetic, powerful nation far to the north.

## Notes for Chapter I

<sup>1</sup>William Carter, Bolivia (New York: F. A. Praeger, 1971), p. 3.

<sup>2</sup>Encyclopaedia Britannica Book of the Year, 1978 ed., s.v. "Bolivia," by Michael Wooler.

<sup>3</sup>The Chamber of Deputies had a total of 109 members.

<sup>4</sup>David H. Zook, The Conduct of the Chaco War (New Haven: Bookman Associates, 1960), pp. 237-48. A long-standing border dispute with Paraguay over the Gran Chaco area of southeastern Bolivia broke into open warfare in 1932. By the time a formal truce ended the fighting in July 1935 Bolivia had suffered a humiliating defeat by the outnumbered Paraguayan army. With the signing of the Treaty of Peace in July 1938 Bolivia officially recognized the loss to Paraguay of ninety thousand square miles of its Chaco territory.

<sup>5</sup>Herbert S. Klein, Parties and Political Change in Bolivia, 1880-1952 (Cambridge: Cambridge University Press, 1969), pp. 332-33.

<sup>6</sup>José Fellmann Velarde, Historia de Bolivia (La Paz, Bolivia: Los Amigos del Libro, 1970), pp. 285-300; Augusto Céspedes, El dictador suicida (La Paz, Bolivia: Editorial Juventud, 1968), pp. 144-57.

<sup>7</sup>Deputies Fernando Iturralde Chinel, Alberto Mendoza López, Atilio Molina Pantoja, Germán Monroy Block, Rafael Otazo, and Víctor Paz Estenssoro made up the MNR delegation in the Chamber of Deputies. Luis Peñaloza Cordero, Historia del Movimiento Nacionalista Revolucionario, 1941-1952 (La Paz, Bolivia: Editorial Juventud, 1963), p. 35.

<sup>8</sup>Ibid., pp. 38-48.

<sup>9</sup>Ibid., p. 39.

<sup>10</sup>Mario Rolón Anaya, Política y partidos en Bolivia (La Paz, Bolivia: Editorial Juventud, 1966), pp. 273-76.

<sup>11</sup>Augusto Céspedes, El presidente colgado (La Paz, Bolivia: Editorial Juventud, 1971), pp. 106-10. One of the reasons the MNR won no senate seats in the 1942 election was that there were so few--only nine--being contested that year.

<sup>12</sup>The MNR often referred to Simón Iturri Patiño, Carlos Víctor Aramayo, and Mauricio Hochschild as examples of how private business interests were allowed to grow too big and powerful. Born in Bolivia, Patiño (1860-1947) lived permanently abroad after 1929. He controlled 50 percent of the Bolivian tin industry by 1940. Aramayo and Hochschild were both born in Europe but spent some time in Bolivia where they together controlled 35 percent of Bolivian tin production. Klein, Parties and Political Change, pp. 34-36, 119-21; Céspedes, El presidente, pp. 21-34.

<sup>13</sup>Bolivia, Congreso Ordinario de 1943, Redactor de la H. Cámara de Diputados, Agosto y Septiembre (La Paz, Bolivia: Escuela Tip. Salesiana, 1944), 257-93 (hereafter cited as Redactor, Diputados, 1943). The letter H in this title stands for Honorable.

<sup>14</sup>Ciro Félix Trigo, ed., Las constituciones de Bolivia (Madrid, Spain: Instituto de Estudios Políticos, 1958), p. 436.

<sup>15</sup>José Fellmann Velarde, Víctor Paz Estenssoro: el hombre y la revolución (La Paz, Bolivia: Editorial Don Bosco, 1952), pp. 57-113; José Antonio Llosa M., Víctor Paz Estenssoro, adalid de la revolución nacional (La Paz, Bolivia: Publicidad Nueva Bolivia, 1960), pp. 7-32.

<sup>16</sup>Cole Blasier, "The United States, Germany, and the Bolivian Revolutionaries (1941-1946)," The Hispanic American Historical Review 52 (February 1972): 26-54. Blasier carefully documents his contention that British intelligence fabricated the Belmonte letter.

<sup>17</sup>Alberto Ostría Gutiérrez, Una revolución tras los Andes (Santiago, Chile: Editorial Nacimiento, 1944), p. 134. Boal served as United States Ambassador to Bolivia from March 1942 until September 1944. A career foreign service officer, Boal held numerous lesser posts for the State Department in various Latin American countries prior to 1942. U.S. Department of State, Biographic Register of the Department of State, 1945 (1945), p. 27.

<sup>18</sup>Blasier, "The United States," HAHR, 34-40. Here Blasier's examination of German foreign office correspondence reveals that the German minister in La Paz had no knowledge of this letter.

<sup>19</sup>Ibid., 27-28. German military advisers trained and sometimes led the Bolivian army during the Chaco War. Presidents Colonel José David Toro (1936-37) and Colonel Germán Busch Becerra (1937-39), both Chaco War veterans, were admirers of the German military and sought German economic support.

<sup>20</sup>New York Times, 26 July 1941, p. 7.

<sup>21</sup>Céspedes, El presidente, pp. 86-88.

<sup>22</sup>Bolivia, Congreso Ordinario de 1941, Redactor de la H. Cámara de Diputados, Agosto y Septiembre (La Paz, Bolivia: Escuela Tip. Salesiana, 1942), 346-48. The city is built on the slopes of a narrow river valley.

<sup>23</sup>Bolivia, Congreso Ordinario de 1942, Redactor de la H. Cámara de Diputados, Agosto y Septiembre (La Paz, Bolivia: Escuela Tip. Salesiana, 1943), 69 (hereafter cited as Redactor, Diputados, 1942). Paz accused Mauricio Hochschild of illegal activities in Sud Lípez to assure the election of deputy candidate Torrico Lemoine.

<sup>24</sup>Ibid., 297-317. For a critical description of the MNR during this period, see: George Jackson Eder, Inflation and Development in Latin America, Case Study of Inflation and Stabilization in Bolivia (Ann Arbor: University of Michigan, 1968), pp. 22-32.

<sup>25</sup>Redactor, Diputados, 1942, 373. Juan Manuel Balcázar was Minister of Labor.

<sup>26</sup>Ibid., 371.

<sup>27</sup>Porfirio Díaz Machicao, Historia de Bolivia: Peñaranda, 1940-1943 (La Paz, Bolivia: Editorial Juventud, 1958), p. 76; Juan Manuel Balcázar, Los problemas sociales de Bolivia: La "masacre" de Catavi (La Paz, Bolivia: By the Author, 1947), p. 21. The supply stores referred to in the text were called pulperías.

<sup>28</sup>Balcázar, Los problemas, pp. 67-68.

<sup>29</sup>Redactor, Diputados, 1942, 257.

<sup>30</sup>Céspedes, El presidente, pp. 124, 142-43. The Catavi Massacre is discussed at length in: Jerry Knudson, "The Impact of the Catavi Mine Massacre of 1942 on Bolivian Politics and Public Opinion," The Americas 26 (January 1970): 254-76.

<sup>31</sup>Redactor, Diputados, 1942, 257-59.

<sup>32</sup>Díaz, Historia de Bolivia: Peñaranda, p. 91. Author's translation.

<sup>33</sup>Moisés Alcázar, Crónicas parlamentarias (La Paz, Bolivia: By the Author, 1957), p. 198. Those cabinet members present were: Tomás Manuel Elío (Foreign Relations), Pedro Zilveti Arce (Government), Joaquín Espada (Housing), Juan Manuel Balcázar (Labor), Arturo Galindo (Agriculture), Rubén Terrazas (Education), Gustavo Carlos Otero (Economy), General Sanjinés (Public Works), and General José Candia (Defense).

<sup>34</sup>Ibid., p. 199. Pedro Zilveti Arce made the accusations in response to questioning by congressman Ricardo Anaya Arze, head of the Partido de la Izquierda Revolucionaria (PIR), a Marxist party founded in 1940.

<sup>35</sup>Ibid., pp. 200-211.

<sup>36</sup>Mendizábal remained in congress for many years following his first election victory in 1942. By 1947 his constituency from Cochabamba promoted him to a Senate seat. Trigo, Las constituciones, pp. 491, 528; Rolón, Política y partidos, pp. 401-20.

<sup>37</sup>Alcázar, Crónicas, p. 211.

<sup>38</sup>Redactor, Diputados, 1943, 254. Author's translation.

<sup>39</sup>Trigo, Las constituciones, p. 426.

<sup>40</sup>Redactor, Diputados, 1943, 255. Author's translation.

<sup>41</sup>Ibid., 258.

<sup>42</sup>Ibid., 259.

<sup>43</sup>International Labour Office, Labour Problems in Bolivia: Report of the Joint Bolivian-United States Labour Commission (Montreal: International Labour Organization, 1943).

<sup>44</sup>Ibid., p. 38; Redactor, Diputados, 1943, 263.

<sup>45</sup>Redactor, Diputados, 1943, 293. On 10 September 1943 a motion before the Cámara to censure the cabinet failed to carry by one vote. Alcázar, Crónicas, p. 207.

<sup>46</sup>Céspedes, El presidente, pp. 138-39.

<sup>47</sup>Peñaranda, Historia del Movimiento, pp. 55-57.

<sup>48</sup>Interview with Víctor Paz Estenssoro, La Paz, Bolivia, 21 June 1973.

<sup>49</sup>The offices were filled by: Major Gualberto Villarroel López (President), Major José Celestino Pinto (Defense), Major Antonio Ponce Montón (Public

Works), Major Jorge Calero (Education), Carlos Montenegro (Agriculture), and Augusto Céspedes (General Secretary). La Calle (La Paz, Bolivia), 21 December 1943, p. 1.

<sup>50</sup>A friend and former aide-de-camp of Peñaranda during the Chaco War, Taborga assumed direction of the La Paz Traffic Police in 1940. Pedro Zilveti Arce, Bajo el signo de la barbarie (Santiago, Chile: Editorial Orbe, 1946), pp. 86-87.

<sup>51</sup>Ichazo had been appointed Chief of Staff by the provisional chief executive who preceded Peñaranda. Despite Ichazo's support for another presidential candidate in 1940 Peñaranda left him in office. He remained Army Chief of Staff until the MNR and Radepa took over in December 1943.

<sup>52</sup>Interview, Paz, 21 June 1973.

<sup>53</sup>Díaz, Historia de Bolivia: Peñaranda, pp. 102-11.

<sup>54</sup>Zilveti, Bajo el signo, p. 85.

<sup>55</sup>La Noche (La Paz, Bolivia), Extra, 20 December 1943, p. 1.

<sup>56</sup>Zilveti, Bajo el signo, p. 89.

<sup>57</sup>La Calle, 21 December 1943, p. 2.

<sup>58</sup>El Diario (La Paz, Bolivia), 21 December 1943, p. 8. Even Paz has never learned for certain why Radepa chose Villarroel for the presidency. All the Radepa members were virtually unknown middle-rank army officers. Villarroel was apparently the most respected among the group. Interview with Víctor Paz Estenssoro, 28 May 1977, Reseda, California.

<sup>59</sup>Alfonso Finot, Defensa de mi relato: Así cayó Villarroel (La Paz, Bolivia: Editorial Novedades, 1966), pp. 9-11.

## CHAPTER II

### NORMALIZATION OF DIPLOMATIC RELATIONS WITH THE UNITED STATES

The most pressing need confronting the Villarroel government during its first six months in power was the normalization of diplomatic relations with Bolivia's principal trading partner, the United States. That nation purchased nearly all Bolivia's tin exports; and export taxes on tin sales provided more than half of the Bolivian government's total revenue.<sup>1</sup> In early 1944 the United States suspended talks with Bolivia on a new tin contract pending its determination of whether or not to recognize the junta government. This led the Villarroel administration to consider diplomatic recognition by the United States as a prerequisite in assuring continued sales of tin and progress in the tin contract negotiations. United States withdrawal from the talks came at an especially poor time because Bolivia wanted the United States to be receptive to its requests for an extension of an important clause in their tin purchase agreement.

Villarroel and his advisors were very worried about a probable sharp drop in tin prices that would

come about in December 1944 as a result of the expiration of a 1942 amendment to the five-year (1940-45) tin-purchasing contract between the United States and Bolivia. Indicators from the United States Department of State left the Villarroel regime gravely concerned; there appeared to be little hope of a permanent extension of the 1942 amendment whereby the United States agreed to pay \$0.60 a pound for tin rather than the original 1940 contract price of \$0.435 a pound. The State Department informed the Bolivian economic representative in Washington in late December 1943 that the United States procurement agency would continue to purchase tin at sixty cents a pound only on a day-to-day basis. Concurrently, United States Secretary of State Cordell Hull instructed the procurement agency to accept deliveries of Bolivian tin in such a manner as would enable the agency to withdraw from the market without prior notice.<sup>2</sup>

Secretary Hull's actions could have been interpreted as a bluff; however, Bolivia had little choice but to take the State Department seriously. Japan controlled the Malay Peninsula, the Dutch East Indies, and Thailand so Bolivia remained the only other major world supplier of tin for the Allies. This made the

United States vulnerable to an interruption in tin imports. On the other hand, Bolivia was in a weaker position. Bolivia's shipping lanes were controlled by the Allies, its tin mining output was always shipped via the west coast of South America to the United States or through the Panama Canal to Great Britain, and the fiscal solvency of the Bolivian central government required an uninterrupted flow of tax revenue from tin sales. Bolivia was therefore very vulnerable to even a temporary lull in tin exports or drop in tin prices.

Both the Bolivian mining conglomerates and the country's treasury needed a steady influx of American dollars.<sup>3</sup> By the year 1943 the United States' share of Bolivia's total export market reached a point where the United States purchased an average of 61 percent of total Bolivian exports, with tin being by far the largest single item.<sup>4</sup> In 1943 total exports amounted to \$81,328,000 with tin sales making up \$54,988,000 of this amount.<sup>5</sup> Awareness of these facts made the Bolivian government quite cognizant of the need to obtain diplomatic recognition from the nation supplying the largest part of its foreign exchange income. In view of this, within days after the coup, the Bolivian embassy in Washington extended assurances to the State

Department that the junta would fulfill all agreements then in effect with the United States and continue to support the Allied cause with a foreign policy like that exercised by the prior Peñaranda administration.

In messages to the State Department, the junta stressed the urgency of a speedy return to the cordial relationship which existed between the two countries before the events of December 1943. The Villarroel government referred to the mutual dependence of the two nations that made immediate resumption of diplomatic and economic relations in the best interests of both Bolivia and the United States.<sup>6</sup>

Bolivia offered the Allied nations abundant quantities of strategic raw materials in exchange for dollars needed to import foodstuffs and manufactured goods. Besides tin, Bolivia exported cinchona, whose bark was required for the manufacture of quinine medication used by the Allied soldiers to combat malaria. Bolivian officials mentioned these points as they expressed an eager willingness to renew full diplomatic, economic, and cultural relations. However, such were not the sentiments of the State Department.

Secretary Hull summarized the United States position in a dispatch of 10 January 1944 addressed to

the "Diplomatic Representatives of the American Republics Except Bolivia and Argentina." In it he said that because the new Bolivian government rose to power with the assistance of Nazi Germany and contained elements hostile to continental defense, it was unlikely that the United States would recognize it.<sup>7</sup> Continuing in the same communiqué, Hull termed the MNR members of the junta pro-fascists who were inclined to glorify an all-powerful state without regard for Nazi Germany's threat to hemispheric security. Hull accused MNR leaders of having had connections with Nazi groups in Germany and Argentina. Paz, head of the MNR and at that time Minister of Finance, was said to have frequented the German embassy in La Paz and received funds from Nazi agents to disseminate pro-German propaganda through the MNR's official newspaper, La Calle. German money allegedly bought space in this La Paz daily which printed anti-Semitic and pro-Nazi articles.<sup>8</sup> Mention was also made of probable MNR connection with the purported Nazi-inspired subversive activities of Major Elías Belmonte who supposedly plotted to overthrow the Peñaranda government in July 1942.<sup>9</sup>

Hull's dispatch likewise condemned the Radepa segment of the new junta government, describing it as

being made up of officers who had been under Nazi influence as associates or followers of Major Belmonte. Secretary Hull said President Villarroel and at least two Radepa members of his cabinet had expressed Nazi-inspired views closely associated with those earlier demonstrated to Hull's satisfaction to have been stated by Belmonte.<sup>10</sup> In addition to this antagonistic attitude of the United States Department of State, actions by a Latin American-based organization further complicated the Bolivian recognition problem.

The Third Foreign Ministers' Conference of American Nations meeting in Rio de Janeiro in 1942 had authorized the establishment of the Emergency Advisory Committee for Political Defense with an aim to investigate and publicize subversive activities in the hemisphere during World War II.<sup>11</sup> The Conference selected Montevideo, Uruguay as the seat for this Committee, the latter to be made up of representatives from the United States and six Latin American republics. Committee members met for the first time in April 1942 and elected the Vice-President of Uruguay, Alberto Guani, as their chairman.

Guani (1877-1956) had been a prominent Uruguayan statesman since the time of World War I. Prior to

becoming Vice-President, he served as Uruguayan Ambassador to various European countries, President of the Assembly of the League of Nations (1927), and Minister of Foreign Affairs (1938-42). Under his direction, the Committee energetically set out to fulfill its intended purpose of developing ways of combatting the political warfare of the Axis.<sup>12</sup>

The most dramatic occasion for the exercise of the Committee's responsibility came in 1943 with its response to the twentieth of December Bolivian coup. Fearing that this particular coup represented merely the start of a possible series designed to break down the existing anti-Axis front in the hemisphere, the Committee reacted on 24 December 1943. On that date, the Committee adopted Resolution XXII which recommended that, for the duration of the war, the American nations agree to consult among themselves prior to according recognition to any new government established by force. Finding rapid general acceptance among the American states for this resolution, the Committee went even further on 5 January 1944 when it adopted Resolution XXIII, this time specifically mentioning the Bolivian revolution as an instance in which Resolution XXII should be implemented. The second resolution reiterated

the proposals set forth in Resolution XXII, adding the suggestion that usual diplomatic channels be utilized as a mechanism for effectuating necessary exchanges between the American republics.<sup>13</sup>

Thus did the so-called "Guani Doctrine" encourage American nations as a group to question whether any change in government involved a threat to hemispheric defense. Without requiring it, Resolutions XXII and XXIII suggested a joint recognition decision on the part of the Allied nations of the Western Hemisphere before any individual country would take the initiative to recognize a new revolutionary regime such as that in Bolivia. These announcements from an organization set up to monitor threats to hemispheric defense could only harm the image of the Villarroel government. Guani, therefore, received a strong rebuttal from Bolivia.

La Paz newspapers printed the full text of the junta's note of protest sent to the Committee along with editorials abhorring the treatment being afforded the sovereign nation of Bolivia.<sup>14</sup> La Calle insisted that the subject of recognition should be an individual matter for each country to decide independently and condemned the Committee for meddling in Bolivian internal affairs.<sup>15</sup> The newspaper pointed out the

incongruity between the Guani Doctrine and international justice. Guani, said La Calle, questioned the right of every nation to freely choose the type of government under which it will live. Guani was said to have ignored the basic sovereignty of Bolivia; a position of nonrecognition under the Committee proposal was equivalent to indirect intervention in Bolivian politics.

The Villarroel administration saw World War II as a fight to assure the right of peoples to select the government of their choice. Yet Resolution XXIII introduced a modern theory of prior consultation and investigation to ascertain why an independent nation desired a new administration. Bolivia saw this as a violation of the very principles for which the Allies were fighting. Under the guise of an appeal for continental solidarity, Guani sought to impose an international examination of the Bolivian conscience. Most irritating in the Guani proposal was the complete lack of representation granted Bolivia. Villarroel received no invitation to send a delegate to stand before the Committee examining the junta's actions.<sup>16</sup> While the Villarroel administration and the Bolivian press attacked the work of the Emergency Advisory

Committee, the Bolivian foreign office defended the junta against the hostile attitude of the United States.

In January of 1944 the junta responded to harsh criticism from the United States Department of State and Secretary Hull with a conciliatory statement to the State Department stressing Bolivian solidarity with continental defense efforts. The official position of the junta emphasized that the Villarroel administration in its entirety backed the Allied cause. The Bolivian foreign office said its leaders were not pro-Nazi but rather were pro-Bolivian, receiving their orientation from all parties ranging from the conservative to the extreme liberal. The junta accused former President Peñaranda of misleading the State Department by labeling as Nazi Bolivian political groups opposed to his regime. The Villarroel administration claimed to represent a new generation of men interested more in fundamental internal changes than in international developments. These men felt disgust toward political graft, desired to better the lot of the Bolivian working class, and hoped to promote an environment of social justice in their country.<sup>17</sup> The United States answer to this position was silence, a reaction indicative of maneuvers by the State Department to isolate Bolivia.

On 28 January 1944 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.<sup>18</sup> Subsequent actions by the State Department indicated continued United States displeasure with the Villarroel regime.

The United States increased pressure on Bolivia during the first months of 1944. The American embassy in La Paz received instructions to refuse visas to Bolivian political figures traveling with passports issued by the new government. State Department directives also brought to a halt military aid under the Lend-Lease agreement, stopped the processing of papers for Bolivian imports from the United States, and suspended most United States technical assistance programs.<sup>19</sup>

Faced with the skepticism and hostility of the State Department, the Bolivian government sought out ways to discern just what Secretary Hull wanted as prerequisites for recognition. On 28 January 1944 a Bolivian confidential agent in Washington called upon the Assistant to the Director of the Office of American Republic Affairs and was told that the junta as it then

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stood contained elements wholly unacceptable because of their Nazi taint.<sup>20</sup> The continued presence in the junta of certain individuals precluded recognition. After this brief encounter, the Bolivian confidential agent returned to La Paz with the message that Bolivia supposedly knew best what elements in the junta were undesirable to the United States and should act accordingly.<sup>21</sup>

By February 1944 developments in La Paz showed that Bolivia was ready to follow State Department wishes. Villarroel announced on the ninth of February the first of a series of actions aimed at convincing State Department officials that the junta could be depended upon to rid itself and the country of suspected Nazi influences. The 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>22</sup>

Article 108 of the Bolivian Constitution gave the basis under law justifying the expropriation decree. The article regulated commerce and industry when national security or the public good required government intervention. Villarroel's regime reasoned that since Bolivia was at war with the Axis, the expropriation

decree constituted a security measure to collaborate fully with the Allied powers.<sup>23</sup>

The President and his cabinet therefore decreed: first, that the public good required expropriation of businesses controlled by citizens of Axis nations with which Bolivia was at war; secondly, the expropriation would be conducted in such a way so as to reimburse those affected; thirdly, the possessions seized would either be transferred to Bolivian nationals who were not in any way connected with Axis firms, or be handed over to an agency of the Bolivian government; and lastly, the money obtained through the sale of these businesses would be deposited in special accounts in the Bolivian Central Bank for the duration of the war with the exception of sufficient funds to allow for the subsistence of the former owners who remained in Bolivia.<sup>24</sup> In this manner, the junta took what it considered a major step in the direction of mollifying State Department suspicions.

A few days later, on the twelfth of February, the junta embarked upon a further action along the same lines, removing from the cabinet some of its more controversial members by accepting the resignations of three cabinet ministers labeled pro-Nazi by the United

States. Only Major Alberto Taborga, Minister of Government, hinted in his departing words the true reason for his leaving the cabinet: "If my departure from the revolutionary junta should lessen the international lack of understanding of Bolivia, then I will have once again served my country."<sup>25</sup> When the cabinet changes and expropriation decree failed to bring a favorable reaction from the United States, the official government newspaper made known its surprise.

A La Calle editorial of 5 March 1944 expressed bewilderment at the continued nonrecognition policy of the United States. An unsigned editorial entitled "The Expropriation of Axis Firms and the Nonrecognition by American Nations" pointed out that Peñaranda had allowed Axis firms to take out of Bolivia as much as two million dollars in foreign exchange. Peñaranda ignored the fact that Axis businesses exchanged Bolivian currency for dollars without guarantees that the foreign exchange would be used for purchasing import items needed for business improvements within Bolivia. This resulted in the flight of foreign currency acquired by Axis diplomats under false pretenses. The State Department, continued the editorial, looked favorably upon the Peñaranda administration yet failed to give due credit

to the junta for taking essential steps toward ending the war and providing final victory for the Allies. The newspaper pointed out that recent sacrifices made by the Villarroel administration at the very least placed Bolivia in a weakened financial position since, however cautious the expropriation action, there would result a flight of capital and a temporary imbalance of national commerce.<sup>26</sup>

La Calle expressed Bolivia's pride in being among the eight American nations that had expropriated Axis commercial interests. Mexico, Cuba, Brazil, and Peru were especially careful to receive prior guarantees of compensation from the United States. Bolivia received no promise of financial aid to recover monies lost through expropriation actions. Yet, concluded the 5 March 1944 editorial, the United States treated Bolivia in a manner far inferior to treatment accorded nations such as Chile, Paraguay, Colombia, and Venezuela which had poor records relating to their efforts to cut ties with Axis firms.<sup>27</sup>

Minister of Economy Paz spoke out in the same issue of La Calle in a full-page interview relating to Paz's views on United States continued nonrecognition policy. One reporter asked Paz what guarantees Bolivia

had made on the international scene to assure its loyalty to the aims of the United Nations and the Allied cause. Paz answered that the junta, almost immediately after taking control, made known its resolution to renew all agreements for exportation of strategic minerals, augmenting this production if necessary. It accepted the United States proposal for exportation of Bolivian petroleum, resolved the stalemated situation occasioned by the Peñaranda government's lack of interest in developing quinine trade, and took the necessary measures to insure increased quinine production. Later, continued Paz, the Villarroel regime made public its willingness to nationalize Axis firms in Bolivia. Paz concluded by emphasizing that the junta had no obligation to carry through with all these measures unless the United States expressed a desire to negotiate.<sup>28</sup> His words brought no favorable result as the United States apparently desired more before changing its attitude toward recognition.<sup>29</sup>

The junta next tried the dual approach of cleansing itself of all MNR influences and announcing elections for July 1944. Villarroel issued a decree on the twentieth of March setting congressional elections for the following July. He designated the second of July

as the date for elections of deputies and senators as a means to normalize the political structure of the nation.<sup>30</sup> His announcement pointed out that this action fulfilled a promise made by the junta at the time of its takeover when it pledged that free elections would be proclaimed as soon as possible. The decree instructed elected congressmen to assemble in La Paz on 1 August 1944 in the capacity of a Constitutional Convention. This Convention would function for ninety days during which it would elect a President and Vice-President, consider constitutional changes consolidating the ideals of the 20 December 1943 revolution, and dictate the necessary laws to implement new constitutional reforms. Subsequently, beginning 6 August 1945 the senators and deputies would function as an ordinary legislature. Wording in the decree also provided for the smooth exit from the junta of the last of the MNR cabinet ministers.<sup>31</sup>

Article 5 of the decree gave the remaining members of the cabinet branded Nazi by the State Department an excuse to resign while not seeming to bow under pressure from the United States. It required public functionaries who desired to run for congressional offices to resign their posts at least sixty days before the elections.

Two weeks after the publishing of the decree, Paz resigned as Minister of Finance and two MNR colleagues stepped down as Minister of Agriculture and General Secretary.<sup>32</sup> Each man said he wanted to abide by the directives as set forth in the election decree and also devote his full energies to campaigning for the upcoming elections.<sup>33</sup>

The removal of the so-called pro-Nazi elements in the Villarroel cabinet and announcement of elections brought a positive reaction from the State Department, which interpreted these maneuvers as manifestations of good intentions on the part of the Bolivian government. Secretary Hull's only reservation regarding the junta's actions was concern over the legality of having the Bolivian congress elect the President and Vice-President. So Hull cabled the United States embassy in La Paz for clarification. The embassy's reply assured the Secretary of State that selection of the Bolivian chief executive by Constitutional Convention traditionally was more common a practice than direct election.<sup>34</sup> This satisfied Hull that continued discussion of recognition would not indirectly condone a violation of the Bolivian Constitution by possibly insinuating that the United States would approve of any

unconstitutional procedure. Following the clarification of the election process, Hull began to study the advisability of sending a special envoy to Bolivia in order to obtain a firsthand report on the situation in La Paz.

In early May of 1944 Avra M. Warren, the United States Ambassador to Panama, was selected to head a mission to La Paz to study the Bolivian situation with a view to possible renewal of diplomatic relations. A career Foreign Service officer, Warren had served in various Foreign Service posts in Argentina during the 1930s, was United States Ambassador to the Dominican Republic (1942-43), and in March 1944 was appointed Ambassador to Panama.<sup>35</sup> The delegation headed by Warren left for Bolivia on 4 May 1944.

Ambassador Warren notified Secretary Hull on the eighth of May that he had attended two meetings with Villarroel during both of which the President expressed a desire to cooperate in every way with the United States in return for normalization of diplomatic and commercial relations. Warren's communiqué further noted that the Bolivian government regarded United States recognition as a fundamental need and would trade deportation of Axis nationals in return for such

recognition.<sup>36</sup> The Ambassador added that the Villarroel administration wanted to identify itself with the Allied cause and prove its solidarity with hemispheric defense efforts through detention and expulsion of Axis nationals.<sup>37</sup> Unanimous cabinet approval of the deportation resolution strengthened the government's commitment to follow through with this plan. The United States enthusiastically endorsed the deportation offer.

Two days after Villarroel proposed the expulsion of Axis nationals, Warren informed Hull that steps were being taken to prepare a schedule so that German and Japanese aliens could be rounded up simultaneously throughout Bolivia. The Commander of the United States Sixth Air Force made available the necessary planes and personnel to fly the detainees to Panama. The deportation took place on the eighteenth of May using American Flying Fortresses. Concurrently, Secretary Hull cabled the governments of Latin America explaining that the Villarroel regime wished to deport these Axis nationals to show its desire to work together with the Allied powers.<sup>38</sup> Hull's communiqué stated that the United States helped the Bolivian government in the deportation process at the request of Villarroel. His message closed with assurances that the deportation was

not connected with the question of recognition.<sup>39</sup>  
Ambassador Warren arrived back in Washington on 23 May 1944 to report on his trip.

His formal report as circulated to the nations of Latin America on 2 June 1944 strongly implied that the time had come to recognize the Villarroel regime. The report described Paz and the MNR as pro-Nazi, opposed to the United Nations, and sympathetic toward Axis subversive activities in South America. Therefore, Warren concluded, the inclusion of the MNR in the junta government prevented the extension of recognition to the Villarroel administration.<sup>40</sup> Warren went on to say that the recent action of dropping the MNR members from the cabinet removed the main obstacle preventing normalization of diplomatic relations.<sup>41</sup> This and other actions by the Bolivian government showed its accord with the Allied cause.

The Warren report mentioned a second reason for improvement in the Bolivian situation. This further manifestation of hemispheric solidarity consisted of the junta decree providing for expropriation and nationalization of Axis-owned firms located in Bolivia. By late May 1944 several properties were already reorganized under Bolivian management. The report viewed this move

as effectively neutralizing German and Japanese incursions into the Bolivian national economy.<sup>42</sup>

Lastly, Warren praised Villarroel for his order to detain and deport eighty-one German and Japanese nationals all of whom, according to Warren, were documented enemies of the American republics.<sup>43</sup> This and other gestures, said Warren, showed an irrevocable commitment to the cause of the United Nations, warranting a reexamination of the issue of Bolivian recognition.

The final pages of the report surveyed the current political situation in Bolivia and, in so doing, strongly implied that recognition should be granted the Villarroel government. The purge from official positions of MNR members left an internal political environment conducive to actions favorable to the Allied cause. Warren added that United States intelligence sources predicted that the MNR would fare quite poorly in the July 1944 elections. This would allow Villarroel supporters and other pro-United States and United Nations elements to enter the Bolivian congress. From the point of view of the internal political scene, concluded Warren, there was no doubt that the recognition of the Villarroel government would strengthen

forces sympathetic toward the Allied cause.<sup>44</sup> Actions by the State Department subsequent to its study of the Warren report showed it was ready to grant recognition to the junta.

During the first week of June 1944 Hull sent a special communiqué to each of the United States embassies in Latin America. In it he included a copy of the Warren report and instructions that it be transmitted to the respective governments. Hull suggested that the Latin nations study the report and decide whether there should be any change in their present policy toward the new Bolivian government.<sup>45</sup> The Secretary of State added his comments, reviewing the simultaneous announcement of nonrecognition issued the previous January. Hull then stressed the importance of again proceeding in unison to reach any change in this nonrecognition policy, and to do so without any publicity. Although Hull stated that the United States was scrupulously refraining from making any decision before the receipt of information from the other American nations, the fact of the communiqué itself implied that the United States wished to recognize Bolivia at that time.

Within two weeks after the transmission of the

Hull communiqué, the American republics agreed to a joint recognition and selected the twenty-third of June for the announcement. Hull on the fifteenth of June had already cabled the American embassies saying that Mexico had received the report which favored recognition and that the Mexican foreign office had in turn suggested the American nations simultaneously recognize the junta government on 23 June 1944.<sup>46</sup> All the American republics, with the exception of Argentina-- which, independently, had recognized the new regime on the third of January--granted recognition to the Villarroel government on the date suggested by Mexico.

It had taken the Villarroel administration six months of diligent effort to overcome the major obstacle of obtaining United States recognition. The junta during that period saw that its economic survival necessitated the reopening of diplomatic channels with the United States. Major concessions had to be made to secure recognition.

The Villarroel government made significant internal changes in 1944 to convince the State Department of its support of the Allied cause. Villarroel offered increased production of strategic raw materials, he rid his cabinet of suspected pro-Nazi

members, expropriated Axis business firms, called elections, and arranged to expel Axis nationals. Avra Warren reviewed these actions in May of 1944 and shortly thereafter nineteen American republics, including the United States, agreed to recognize the junta regime. With diplomatic channels again open to its trading partners, the Villarroel administration could, it was hoped, now concentrate on domestic issues.

But the new regime had hardly overcome its first major challenge when an attempted coup confronted the Villarroel government with a new problem in late 1944.

## Notes for Chapter II

<sup>1</sup>U.S., Department of Interior, Minerals Yearbook, 1945 (1946), p. 743. The topic of this chapter is treated in Chapter IV in the context of the Bolivian economy.

<sup>2</sup>U.S., Department of State, Foreign Relations of the United States, 1944 (1966), 7:473-74. Cordull Hull (1871-1955) served in the United States congress from 1907-21 and 1929-33. He is most noted for his accomplishments as Secretary of State, 1933-44.

<sup>3</sup>Bolivia, Banco Central de Bolivia, Memoria Anual, 1944 (La Paz, Bolivia: Editorial Artistica, 1945), p. 61. Here it shows that in the first six months of 1944 the government imported \$4,187,000 worth of foodstuffs while Bolivian business firms imported \$9,874,000 worth of manufactured goods.

<sup>4</sup>Ibid., p. 75.

<sup>5</sup>Ibid., pp. 15, 76.

<sup>6</sup>Foreign Relations, 1944, 7:428.

<sup>7</sup>Ibid., 7:430-32. Bolivia, it may be noted, was at war with Germany and had been since April 1943.

<sup>8</sup>Ibid.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid.

<sup>11</sup>Carl B. Spaeth and William Sanders, "Emergency Advisory Committee for Political Defense," American Journal of International Law 38 (April 1944): 218-25. The Pan American Union, since 1948 known as the Organization of American States, sponsored this

conference. Previous Foreign Ministers' Conferences were held in Panama (1939) and Havana, Cuba (1940).

<sup>12</sup>Ibid.

<sup>13</sup>Ibid. Just prior to the Committee's adoption of the second resolution, Hull requested such an action in correspondence to the United States embassy in Montevideo. Foreign Relations, 1944, 7:3-5.

<sup>14</sup>Ibid., 7:3.

<sup>15</sup>La Calle (La Paz, Bolivia), 5 January 1944, p. 1; 6 January 1944, p. 3.

<sup>16</sup>La Calle, 6 January 1944, pp. 3-4.

<sup>17</sup>Foreign Relations, 1944, 7:436-37.

<sup>18</sup>Ibid., 7:443.

<sup>19</sup>Ibid., 7:449-97. The Lend-lease Act of March 1941 allowed the President of the United States to sell, exchange, lease, or lend war material to countries whose defense was considered vital to American society.

<sup>20</sup>Ibid., 7:445-47. This conversation was between Enrique Sánchez de Lozada and Lawrence Duggan.

<sup>21</sup>Ibid.

<sup>22</sup>Bolivia, Anuario Administrativo de 1944 (La Paz, Bolivia: Editorial del Estado, 1945), pp. 260-61; La Calle, 12 February 1944, p. 4.

<sup>23</sup>Ibid.

<sup>24</sup>Ibid.

<sup>25</sup>La Calle, 12 February 1944, p. 5. Author's translation. Lieutenant Colonel Pacheco, Chief of the Air Force, became Minister of Government (Interior)

replacing Taborga. Twenty-nine-year-old Rafael Otazo replaced Carlos Montenegro as Minister of Agriculture, and Walter Guevara Arce took over from Céspedes as General Secretary of the junta.

<sup>26</sup>La Calle, 5 March 1944, p. 3.

<sup>27</sup>Ibid.

<sup>28</sup>Ibid., p. 4.

<sup>29</sup>The United States never presented the junta with a definite list of what it wanted in return for United States recognition of the Villarroel government.

<sup>30</sup>Bolivia, Anuario, 1944, pp. 238-39; La Calle, 21 March 1944, p. 3.

<sup>31</sup>Ibid.

<sup>32</sup>Augusto Céspedes, El presidente colgado (La Paz, Bolivia: Editorial Juventud, 1971), pp. 178-99; Foreign Relations, 1944, 7:452. The other two MNR cabinet members who resigned were: Rafael Otazo (Agriculture) and Walter Guevara Arce (Secretary General).

<sup>33</sup>La Calle, 5 April 1944, p. 5. At this time the cabinet consisted of: Enrique Baldivieso (Foreign Relations), Lieutenant Colonel Alfredo Pacheco (Government), Jorge Zarco Kramer (Finance), Lieutenant Colonel José C. Pinto (Defense), Major Jorge Calero (Education), Major Antonio Ponce (Public Works), Gustavo Chacón (Economy), Víctor Andrade (Labor), and Major Edmundo Nogales (Agriculture). The post of Secretary General was eliminated in May 1944. Bolivia, Anuario, 1944, p. 283.

<sup>34</sup>Foreign Relations, 1944, 7:452-53.

<sup>35</sup>U.S., Department of State, Biographic Register of the Department of State, 1945 (1945), p. 302. Warren served as United States Ambassador to Finland, Turkey, and Pakistan in later years. He retired from the

Foreign Service in early 1956 after more than thirty-five years of service. New York Times, 25 January 1956, p. 16.

<sup>36</sup>Foreign Relations, 1944, 7:457.

<sup>37</sup>Ibid.

<sup>38</sup>Foreign Relations, 1944, 7:460; Alberto Ostria Gutiérrez, The Tragedy of Bolivia (New York: Devin-Adair, 1958), pp. 20-21.

<sup>39</sup>Foreign Relations, 1944, 7:460.

<sup>40</sup>Dispatch of 2 June 1944 from Washington. Department of State Archives, 824.00/3194B, 1-3.

<sup>41</sup>Ibid.

<sup>42</sup>Ibid., 4.

<sup>43</sup>Ibid., 6.

<sup>44</sup>Ibid., 4-6; Foreign Relations, 1944, 7:461.

<sup>45</sup>Telegram of 3 June 1944 from Washington. Department of State Archives, 824.00/3206A.

<sup>46</sup>Foreign Relations, 1944, 7:466.

## CHAPTER III

### EXECUTIONS OF 20 NOVEMBER 1944

A series of executions perpetrated in November of 1944 by Radepa elements in the government constituted the gravest error of the Villarroel administration.<sup>1</sup> The new government was already susceptible to criticism due to its earlier inability to gain prompt diplomatic recognition for itself. Then, with the November murders and subsequent attempt to keep secret some of the executions, opponents grasped yet another propaganda weapon for use against the Villarroel regime. Internal rumors about the killings, foreign-published accusations by Peñaranda supporters, and finally the gradual realization by the public that two senators numbered among those slain, brought so much pressure on Radepa leaders that they sought to refurbish their image by allowing the MNR's return to the cabinet in January 1945.<sup>2</sup>

Villarroel especially insisted that the MNR again be represented in his cabinet. He saw that Radepa had gone too far in its reprisals against certain of those suspected of being involved in a revolt against the government in the late fall of 1944. Accordingly, the

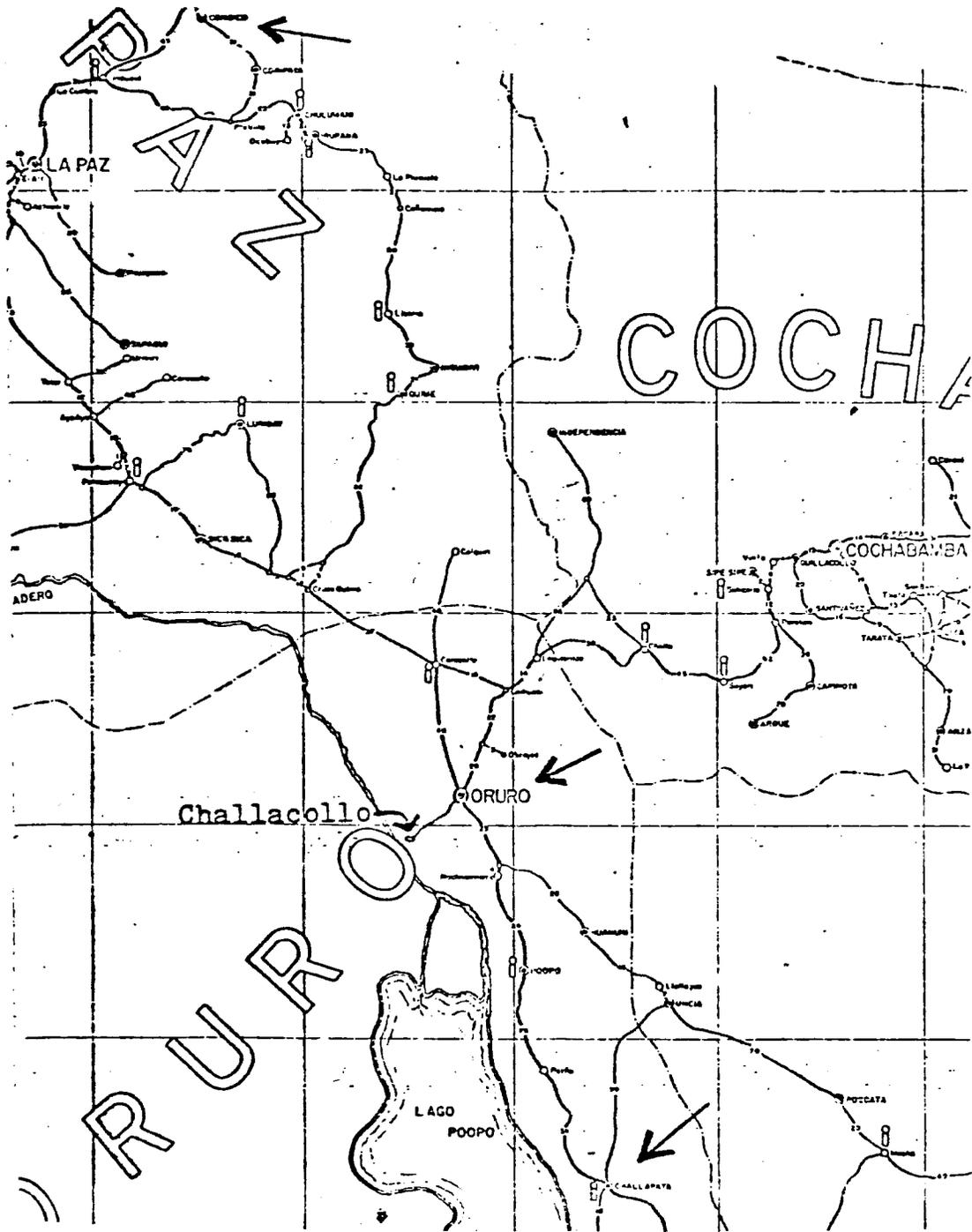
President offered the MNR three ministerial posts just before the year came to an end.

The MNR accepted Villarroel's invitation to return to his cabinet, but only after considerable debate within the party over the consequences of possible guilt by association with those responsible for the 20 November 1944 bloodbath. MNR party members felt Radepa had gone to the extreme with the execution of distinguished members of Bolivian upper-class society; the victims included a Chaco War hero, two senators, two former members of Peñaranda's cabinet, and other respected individuals. The events leading to these deaths began to unfold two days before the murders.

#### Revolt in Oruro

On Saturday, the eighteenth of November, a small group of soldiers attempted a coup centered in Oruro. That evening, in the town of Challapata, sixty-five miles south of Oruro, local dignitaries gathered with military officials to celebrate the anniversary of the Chaco War battle of Ingavi and the installation of a cavalry regiment of the same name. Unknown to the civilian participants, this celebration marked the beginning of an attempted coup to depose Villarroel. Soldiers of the Ingavi regiment interrupted the

MAP 3



Rebellion and Execution Sites

festivities to take prisoner the governor of Oruro and several other local political figures present at the ceremony. The Ingavi regiment then set out for the provincial capital of Oruro as the next step in the planned coup.

Rebels took the city without firing a shot. The Ingavi regiment arrived about dawn of the nineteenth of November and seized the city's most important military installations, the municipal buildings, and the railroad station. No one was hurt, no homes or property destroyed, nor did local authorities offer any kind of resistance.<sup>3</sup>

The rebel leader responsible for the success of the capture of Oruro was Colonel Melitón Brito Calvimontes.<sup>4</sup> He announced the rebels' intentions from the city on Sunday morning the nineteenth of November, describing the rebellion as an effort to restore constitutional institutions not apparent in the Villarroel regime. He denied any selfish motives or desire for a military government. Rather, he and his colleagues wished to completely rid the government of military influence. This speech and other pronouncements of that Sunday had little effect as the regime in La Paz prepared to respond to the Oruro insurrection.<sup>5</sup>

Villarroel and his entire cabinet reacted swiftly and effectively after receiving the first reports of the rebellion early Sunday morning. The Palace telegraph established contact with Oruro and the rebel leaders were told to surrender; airplanes flew over Oruro during the afternoon dropping leaflets encouraging an end to the revolt; and soldiers accompanied by militant civilian elements of the MNR left La Paz for Oruro by train.<sup>6</sup>

MNR leaders decided to give complete support to Villarroel even though at this time the party held no major government posts outside the congress. Paz and other MNR members spoke over the La Paz radio on Sunday afternoon, saying that they would defend the government with the energy which always characterized their actions. Paz added that the MNR stood behind efforts to maintain public order at whatever cost and that it was imperative that the rebels know the government's determination to resist all attacks with the courage shown in the revolution of 20 December 1943.<sup>7</sup> President Villarroel welcomed this backing but denied the request from MNR militants that they be given weapons for use against the rebelling forces.

The solidarity exhibited by the various factions

within the government, combined with a lack of national sympathy toward the rebel cause, brought a quick end to the attempted coup. By late Sunday afternoon, the rebel leaders had fled toward the exterior while remnants of the revolting forces tried to negotiate with the Villarroel regime via telegraph from Oruro. These negotiations ended at eight o'clock Sunday evening when loyal police forces took control of Oruro without incident. Soldiers loyal to the government then rounded up the last of those implicated in the abortive coup.

Two military men taken prisoner Sunday evening played no active part in the events in Oruro. They were Colonel Fernando Garrón and Colonel Eduardo Pacieri Blanco.<sup>8</sup> Government police had detained them two or three days earlier in Cochabamba. From there they were being transferred to La Paz on a train that arrived in Oruro at 11:00 A.M. on Sunday, right in the middle of the coup. The rebels released Garrón and Pacieri, telling the men to escape now that they had the opportunity. Instead, each proclaimed his innocence of any wrongdoing and checked into a hotel located in Oruro's main plaza. Sometime after 8:00 P.M., police officers came to arrest them, transferring the two to the Oruro police station. Thus did two Chaco War

veterans fall into the hands of an angry and vindictive Villarroel government on 19 November 1944.<sup>9</sup>

Two civilian members of the rebel group, civil engineers Miguel Brito Miranda and Humberto Loayza Beltrán, were likewise captured on 19 November and confined to the Oruro police station.<sup>10</sup> Villarroel government authorities charged the two men with conspiring to destroy a railroad bridge on the La Paz-Oruro route to cut off this means of transporting troop reinforcements from La Paz to the principal rebellion site.

Melitón Brito, one of the rebel leaders, had sought out his brother Miguel in mid-November, asking him to join in a conspiracy to overthrow Villarroel by dynamiting a strategically located bridge at Eucaliptus, halfway between La Paz and Oruro. Miguel, in turn, enlisted a friend, Humberto Loayza, to help him. On 19 November 1944 the two engineers traveled by automobile to Eucaliptus.<sup>11</sup>

For some unexplained reason, Loayza and Brito never destroyed or even seriously damaged the railroad bridge. They abandoned their car near Eucaliptus, apparently decided against dynamiting the target, and caught the evening train that passed by on the way to

Oruro. Pro-government police apprehended the two men at the Oruro train station when they stepped off the train, still carrying some explosive materials.

Authorities took them to the same police station where Garrón and Pacieri were already held captive. Within a few hours, orders to execute these four prisoners were sent by telegraph from the capital.<sup>12</sup>

#### Four Men Die Near Challacollo

Two Radepa officials decided the fate of the Oruro prisoners from their command post in the communications room of the Presidential Palace in La Paz. Jorge Eguino Alaiza, Director General of Bolivian Police, and José Escobar Soria, Director of the La Paz Police, headed this command center on the evening of 19-20 November 1944.<sup>13</sup> At twelve-thirty on Monday morning, the twentieth of November, Eguino told the Palace telegraph operator to send a brief message to Oruro: "Proceed immediately to execute the following: Colonel Pacieri, Colonel Garrón, and engineers Brito and Loayza Beltrán. Advise as soon as executions have been carried out."<sup>14</sup> The receipt of this message shocked the Oruro police chief.

Officials in Oruro did not wish to comply with the order.<sup>15</sup> The police chief first requested clarification

of the message. He then sent a wire saying there would be some delay as the prisoners were transported to a spot outside the city. Finally, the police chief hesitated yet another hour, hoping that his superiors in La Paz would reconsider these drastic measures. Major Eguino eventually lost his patience and sent a message stating that so much ceremony was unnecessary and that further delay would bring serious repercussions to those responsible.<sup>16</sup>

Colonel Garrón, Colonel Pacieri, and the engineers Loayza and Brito left their cells for the last time at three o'clock Monday morning. The captives were told to leave their belongings behind. Then the soldiers led the four prisoners across a patio and vestibule to the deserted street next to Oruro's police station. There a waiting automobile and a truck occupied by soldiers made up the caravan that took the men to the road leading south toward Challacollo.<sup>17</sup>

The prisoners and their executioners traveled to Challacollo, through the town, and continued to the east a few miles. At a deserted open area the vehicles stopped and all four captives received the order to get out of the car, at which time they were bluntly told they would be shot. Six soldiers formed a line, three

kneeling and three standing. One by one the victims took their turns before the firing squad.<sup>18</sup>

Garrón volunteered to be the first to die. He gave his overcoat to a soldier, telling him to give it to his son as it was the only thing Garrón had to leave his family.<sup>19</sup> Garrón then declared that no minor police official would order his death; rather, he shouted the orders to aim and fire.<sup>20</sup>

Next, Pacieri advanced to a spot in front of the firing squad. Those present later testified that his last words were that he was ready to die, an innocent man murdered in repayment for defending Bolivia on the Chaco battlefields.<sup>21</sup>

Brito and Loayza met similar fates. Brito gave his watch and money to one of the soldiers, requesting that the items be given to his widow. Those were his only words before being shot. Loayza begged for pardon, but he too died without ceremony.<sup>22</sup>

Soldiers buried the four bodies in shallow graves and quickly returned to Oruro to report the completion of their mission. At 6:15 A.M., Eguino received word from Oruro that authorities had carried out the executions.

Coroico Murders

The four deaths near Challacollo were quickly followed by similar murders of five men near La Paz on the same night of 19-20 November 1944. Those executed included two senators, two former cabinet ministers, and a Chaco War hero. Their executions near Coroico during the early morning hours of 20 November 1944 provided Villarroel's opposition with concrete evidence to back up their contention that Villarroel ruled through the use of terror and oppression.

Events in La Paz leading up to the deaths of the five men began soon after the arrival of the first reports of trouble in Oruro. Government security forces rounded up a number of administration opponents immediately upon hearing of the attempted coup. By Sunday evening of the nineteenth of November, dozens of prisoners crowded the Calama Barracks in La Paz.

Included among those held captive was senator Luis Calvo Calvimontes. Sixty-five-year-old Calvo was a distinguished member of the La Paz upper-class society whom voters from Chuquisaca province had elected their senator in the general elections of July 1944.<sup>23</sup> He and his fellow prisoner, Felix Capriles, were only a few months into their terms as congressmen by November

of 1944.

Capriles, a well-known attorney, sports promoter, and senator from Cochabamba, was a likely suspect as a conspirator in the coup. While in congress, he vigorously opposed Villarroel's August 1944 election to the office of President, arguing that congressional selection of the chief executive was unconstitutional. However, neither he nor the other four men in his prison cell were ever shown to have played an active role in the coup prior to their apprehension and detention.<sup>24</sup>

Imprisoned along with Calvo and Capriles were two former members of Peñaranda's cabinet: Carlos Salinas Aramayo and Ruben Terrazas, formally Minister of Foreign Relations and Minister of Education, respectively. Both men had fled to exile in December 1943 but had returned to Bolivia a few weeks before the Oruro revolt.<sup>25</sup>

The fifth member of the ill-fated group imprisoned in La Paz was General Demetrio Ramos Medrano.<sup>26</sup> The Villarroel government never explained why it detained this highly respected soldier, former minister, and active member of local civic and cultural organizations such as the Red Cross and Potosí Geographical Society. Nevertheless, on the night of 19-20 November 1944 the

La Paz authorities machine-gunned him to death along with four companion prisoners.

Calvo, Capriles, Terrazas, Salinas, and General Ramos had no idea that they were being summoned to their deaths when a soldier awoke them at one o'clock in the morning of the twentieth of November. An army major in command opened their cell door at the La Paz Calama Barracks and told them to dress quickly as Major Eguino wished to question them. The soldier added that there was no need for the men to take anything with them since they would be returning to their cell in half an hour. Calvo and Salinas protested, saying they were not common criminals and had a right to an undisturbed sleep.<sup>27</sup> Once dressed, each of the prisoners had his hands tied tightly behind his back. Soldiers led the five out of the Calama Barracks to a waiting police vehicle.

The journey to the execution site was uneventful. No one spoke more than a few words during the sixty-mile trip into the Yungas on the road to Coroico. At 5:30 A.M., just prior to dawn, the police truck pulled to a stop at a point in the road where the edge of the highway dropped abruptly three hundred feet to a river below. The prisoners received the order to get out of

the truck.

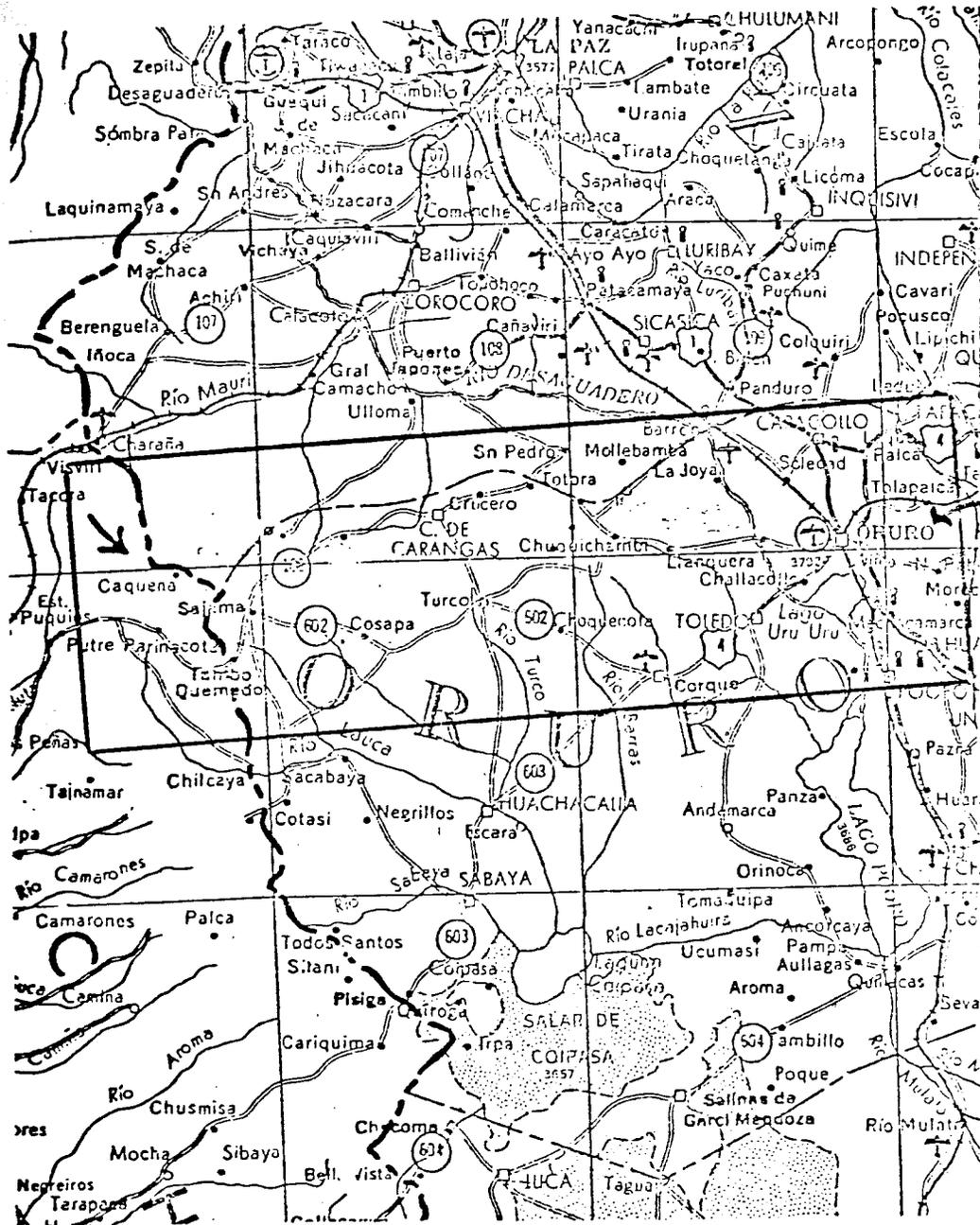
It took only a few minutes for the soldiers to complete their mission. All five captives were told to remain very close together and walk toward the edge of the road. The major in charge emptied the victims' pockets of identification and money. Without warning, the major then shot all five men with one burst from his machine-gun. The five fell immediately, tumbling into the precipice below.<sup>28</sup> The executioner spread gravel over the bloodstains on the road, and the soldiers got into their truck and headed back to La Paz.

#### Violation of Chilean Territory

That same morning of the twentieth of November the actual leaders of the abortive coup fled to the west toward the Chilean border, closely pursued by soldiers loyal to Villarroel. Four Bolivian soldiers followed a few hours behind, determined to capture the six fugitives even if it meant entering Chilean territory.

The escape attempt began when six rebel leaders set out for Chile on Sunday evening of November nineteenth, thinking they would be safe once outside of Bolivia.<sup>29</sup> The four military officers and two civilians had a difficult journey as they fled via the road to the west from Oruro through Corque, Toledo, Turco, and

MAP 4



Escape Route from Oruro to Caquena

Sajama. From Sajama onward the group had to abandon their jeep and go on foot. They arrived at the Chilean town of Caquena at about two o'clock in the afternoon of Tuesday, the twenty-first of November, unaware that they were being followed.

That same evening the four Bolivian soldiers pursued the fugitives directly into Caquena and captured by force all but three of the rebels. Concerning the three who did not return to La Paz, one man took his own life rather than be captured, another stayed in Caquena to attend to the burial of the suicide victim, and the third escaped further into Chile during the confusion surrounding the suicide.<sup>30</sup> The Villarroel government apprehended most of the rebel leaders, but in the process its soldiers flagrantly violated international law by not obtaining authorization from local Chilean authorities prior to entering Caquena.

Chile's government sent a letter of protest to which Bolivian authorities sent an immediate reply. The response from the Bolivian foreign office stated:

Please make note, Your Excellency, that the Government of Bolivia very sincerely deploras this act, although unintentional, of an unpremeditated invasion of four men into Chilean territory. This government has initiated the corresponding process

to apply appropriate sanctions to those responsible taking, at the same time, the necessary action to most effectively prevent its repetition. Regarding the damages that might have been caused to Chilean property, compensation will be made immediately upon determination of a just indemnity.<sup>31</sup>

Official government sources admitted the violation of Chilean territory and the suicide of one of the rebels in Caquena, but the Villarroel administration tried to cover up the full extent of the brutality exhibited after the coup. Nevertheless, rumors concerning the possible murders of Calvo and Capriles increased in intensity as the details of the other executions leaked out. Thus, by mid-December 1944 some Radepa leaders looked to the MNR's return to the cabinet as a way to improve its image.

#### The MNR Returns to the Cabinet

Villarroel saw that he had to do something to check the rapid deterioration of his public support resulting from the adverse publicity about the November killings. Therefore, he approached the MNR and offered to welcome its return to the executive branch. President Villarroel thought to use the MNR's popularity with the masses to ameliorate somewhat the ever-increasing popular opposition to his regime. Most Radepa leaders disagreed with the President, yet they finally

acquiesced in Villarroel's wishes to offer the MNR three cabinet posts in late December 1944.<sup>32</sup>

Paz and most prominent MNR members favored the acceptance of Villarroel's offer, while a segment of the party headed by party militant Adolfo Siles Zuazo opposed it.<sup>33</sup> Siles said a return to the cabinet would be a betrayal of the MNR's commitment to nonviolent legislative action aimed at bettering the lot of the Bolivian middle and lower classes. The military, in contrast, seemed to be satisfied with using ruthless suppression and military might to maintain its power.<sup>34</sup> Paz answered Siles' objections by saying he did not condone the violence employed by Radepa but that he preferred to again have close ties with the executive branch as a means to facilitate implementation of the MNR policies as outlined by Siles.<sup>35</sup> Paz's view prevailed as three MNR ministers formally entered Villarroel's cabinet in early January 1945.<sup>36</sup> A few days later, the discovery of the remains of a decomposed body in a deep gully on the road to Coroico revealed the last of the murders to the general public.

#### Bodies Found Near Coroico

Attempts by the Villarroel administration to keep secret the executions of senators Calvo and

Capriles proved unsuccessful. Within a few months after the killings, information surfaced revealing the false nature of official communiqués released by Radepa in November 1944.

These prevarications had begun with a press release which made public the list of those executed after the coup. Major Eguino supplied to the press what was termed an official list of those killed. The La Paz daily, El Diario, published the list in its editorial of Wednesday, 22 November 1944. It included Colonel Garrón, Colonel Pacieri, Loayza Beltrán, engineer Miguel Brito, Ruben Terrazas, Carlos Salinas, and Demetrio Ramos. Absent were the names of Calvo and Capriles, the senators murdered near Coroico.<sup>37</sup>

Eguino released an additional statement three days later which La Calle printed in its edition of the twenty-fifth of November. The announcement said the Villarroel government was releasing a list of those still imprisoned in order to prevent rumors and false reports that would have no other aim than to upset the public.<sup>38</sup> Among the twenty-two names listed were those of Calvo and Capriles.

Less than two months later, however, the truth became common knowledge when a truck driver and wood

gatherer discovered the remains of Luis Calvo on 10 January 1945. While working on a ranch about sixty miles northeast of La Paz on the road to Coroico, this laborer followed his barking dog to a deep ravine where he found the corpses which had fallen there six weeks earlier. A handkerchief embroidered with the initials L.C. lay near one of the bodies. Frightened at his discovery, the wood gatherer sought out two friends for advice as to what he should do next.<sup>39</sup>

He and his friends decided to return to the execution site in the afternoon of the same day of the discovery. They hid their vehicle from view and carefully made their way forty or fifty yards down the steep incline. They found a body covered with small rocks and leaves. The corpse was dressed in an overcoat over a blue suit and pajamas. As the wood gatherer lifted the coat which wrapped the body, the skull fell from the remains.

Gathering up the overcoat, skull, and a piece of rope which had tied the hands, they decided to bring these items into La Paz to show to the Calvo family. There were more bodies further down the slope but a heavy rain falling at the time prevented additional investigation. Senator Calvo's brother received the

recovered items the following day.<sup>40</sup> However, no further search of the site could be made until after the fall of the Villarroel government.

By the eleventh of January, word of the discovery also reached government authorities. Accordingly, when members of the Calvo family went to the site two days later, they arrived too late to see any further evidence. The police had removed the corpses, taken them to a remote area, and cremated everything. The police would not allow the Calvo family to search the site; the family members had to return to La Paz, and the laborer and his two friends fled into hiding. Nevertheless, word of the discovery leaked to the public, thereby tending to add credence to rumors that Villarroel suppressed free speech and provided severe reprisals for those who dared oppose his regime.<sup>41</sup> Public distrust of the government officials in La Paz hence continued to increase.

#### Possible MNR Implication

One further question concerning the slayings also arose--accusations surrounding the possible role played in those tragic events by the MNR. Such rumors circulated both during and after the time of the Villarroel administration.<sup>42</sup> They began in early 1945

and soon spread with the appearance of pamphlets by anonymous authors. Subsequently, newspaper releases hinted that a group of prominent personages from the MNR might have influenced those who ordered the November executions. Other government opponents surreptitiously painted slogans on walls throughout the city of La Paz depicting MNR leaders as assassins and Villarroel as a tyrant. Two opposition newspapers in La Paz, La Razón and Última Hora, supported such attacks.<sup>43</sup>

The most effective rebuttal to these accusations by La Razón and Última Hora came from Augusto Céspedes, director of La Calle, a leading La Paz daily newspaper. Céspedes was best known during the Villarroel regime for his editorial policies in La Calle where he publicized the MNR's denial of any connection with the murders.<sup>44</sup>

La Calle articles strongly contended that the MNR had neither the power nor the inclination to have participated in the decisions which resulted in the November 1944 shooting deaths. Céspedes pointed out that the MNR had not returned to the Villarroel cabinet in November 1944 even though four months had passed since international recognition of the new government. Since June of 1944 the MNR had been requesting Villarroel to reinstate at least some of the ministers

who resigned as part of the effort to obtain United States diplomatic recognition. Radepa, however, had flatly refused to accept the MNR back into the cabinet. This, said Céspedes, showed that the military neither desired nor accepted civilian participation in decisions made by the executive branch in November of 1944.<sup>45</sup>

Another indication of the rift in the MNR-Radepa coalition became apparent during the election of the Vice-President. MNR legislators and Radepa leaders could not agree on a vice-presidential choice when congress elected Villarroel as President in August 1944. The new congress selected through the July general elections took until the third week of November 1944 to choose a Vice-President.<sup>46</sup>

The MNR-dominated legislature thought it had found an ideal compromise candidate when it elected Major Clemente Inofuentes as Vice-President on the sixteenth of November. He seemed an acceptable choice for the office since he was both a member of Radepa and sympathetic with the aims of the MNR.<sup>47</sup> However, such was not the case.

Leaders of the MNR had made a serious error by not receiving full Radepa backing prior to selecting Inofuentes as the Vice-President. They did not work

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closely enough with the executive branch. Although the MNR consulted low-level military officials before selecting Inofuentes, Paz and other party leaders failed to obtain clear approval from Radepa members of the cabinet. This oversight resulted in a tense situation on 18 November 1944 as the entire congress and members of the diplomatic corps gathered in congressional chambers.

The inauguration never took place because Villarroel and Radepa members of his cabinet decided to show their displeasure with the selection of Inofuentes by negating the vice-presidential election. Radepa leaders considered it their privilege alone to choose the candidate for this office.<sup>48</sup> Inofuentes therefore received instructions to report to the Presidential Palace on the day of his inauguration, and there Radepa leaders told him not to accept the office of Vice-President. He obeyed these orders by sending a message of resignation to the congress building where dignitaries had been waiting two hours for his arrival.

This incident involving Inofuentes caused the MNR great embarrassment as it illustrated the inability of the MNR to influence major decisions outside of congress. It also weakened the administration as a whole

by straining even further the already deteriorating friendship between the civilian and military factions in the Villarroel government.<sup>49</sup>

According to MNR spokesmen such as Céspedes and Paz, the centralization of power in the executive branch--as so well brought out by the Radepa nullification of the election of the Vice-President--left the MNR unlikely to have been a participant in the tragic events of 19-20 November 1944. In summary:

The MNR was frequently blamed for these murders and other violations of the rights of the opposition which took place during the Villarroel administration. However, it is only fair to note that even Dr. Ostria Gutierrez does not present any direct evidence to link the MNR with the murder of Terrazas, Ramos, Calvo, and the others. Years later, Víctor Paz Estenssoro, in an interview with the author on August 21, 1956, denied that the MNR was in the government of Villarroel at the time the murders took place, and insisted that it would have opposed them, had it had any say in the matter.<sup>50</sup>

With or without MNR participation in the November slayings, their occurrence weakened the government.

#### The Aftermath

The brutal retaliations of late November 1944 shook the foundation of popular support for the Villarroel regime. As the Bolivian public gradually became aware of more details about the executions, it was shocked to learn that prominent civilian, military, and political figures had been shot to death without

prior due process of law. The victims were sentenced to die without trial, without, in fact, defense or any legal formalities whatsoever, and no evidence was brought forth to prove them guilty of any crime. Under orders transmitted directly from the Presidential Palace, members of congress then in session died because they had shown themselves unsympathetic with the Villarroel regime.

Those responsible for the killings held a military ideology more compatible with the Chaco War battlefield than with Bolivian civilian society. Members of Radepa functioned under the philosophy that allowed extralegal means to achieve what they thought was best for the country. They sought to purify individuals and national institutions by pursuing and crushing anyone attempting to alter their master plan for a perfect Bolivia. Their philosophy permitted disciplining with death any Bolivian who dared betray their ideals.<sup>51</sup> But Radepa leaders holding important government positions forgot they were more than merely members of a secret organization. They failed to take into consideration their special responsibilities as government leaders, which almost certainly would have precluded their extralegal actions.<sup>52</sup>

The manner in which Radepa members carried out the executions showed their disinterest in personal rights, social status, and what Bolivian society would think of these extreme measures. This increased even more the alienation from Radepa later felt by the Bolivian electorate.

The murders of 20 November 1944, unprecedented in twentieth-century Bolivian history, served to fuel hatred and suspicion among the general populace. However much the Bolivian public sympathized with the expressed goals of the new administration, people were frightened and bewildered by these violent measures. The murders of Coroico were in fact so drastic that even Radepa leaders themselves quickly realized the need to keep the deaths a secret.<sup>53</sup>

A careful look at the backgrounds of those murdered contributes greatly to a thorough understanding of the extent of Radepa's error. Many of those killed were men of prominence and social status. In contrast, the executioners consisted of common soldiers acting under orders from minor military officials whose sole distinction lay in their ability to have gained control of the government. Bolivian society in 1944 was very stratified. The lines separating various levels of

society were clear-cut. Only seventy to eighty thousand citizens exercised the franchise in a nation of over two million population. Therefore, the murders of important members of society distressed that part of the populace whose support was a prerequisite if Villarroel wanted to avoid losing the support of his constituents.

The bungling efforts to cover up the November killings worsened the problem for Radepa and complicated matters for the Villarroel government. It permitted the exiled members of the deposed Peñaranda regime to publicize their own versions of the events. This was particularly true in the cases of Salinas, Calvo, and Capriles. One report circulated widely in the exterior went so far as to say that soldiers using machetes severed the arms of Salinas before killing him.<sup>54</sup> Another version of the events alleged that Calvo and Capriles died after being tortured and beaten in La Paz prior to their bodies being thrown into a canyon on the road to Coroico.<sup>55</sup> The same report portrayed Radepa and MNR leaders as making the execution decisions at a drunken meeting at the Presidential Palace on the night of 19-20 November 1944.<sup>56</sup>

Thus did Radepa leaders err in their response to the Oruro revolt. The Villarroel government lost

considerable public support because of publicity resulting from the executions. The drastic measures employed in reaction to the attempted coup appeared far too extreme when exile or imprisonment might have been more than adequate. Still, the downfall of Villarroel was over a year and a half away in late 1944. During the interim, as shall be seen, the MNR-controlled congress was to be laboriously occupied with writing into law several social, economic, and labor reforms.

### Notes for Chapter III

<sup>1</sup>This opinion is expressed in: Augusto Céspedes, El presidente colgado (La Paz, Bolivia: Editorial Juventud, 1971), p. 218; Luis Peñaloza Cordero, Historia del Movimiento Nacionalista Revolucionario, 1941-1952 (La Paz, Bolivia: Editorial Juventud, 1963), p. 72.

<sup>2</sup>The Radepa leaders were: President Villarroel and his cabinet members Major José Celestino Pinto (Defense), Major Antonio Ponce Montón (Public Works), Major Jorge Calero (Education), Major Alfonso Quinteros (Government), and Major Edmundo Nogales (Agriculture); and police directors Jorge Equino Alaiza and José Escobar Soria. Céspedes, El presidente, pp. 139-41.

<sup>3</sup>Pedro Zilveti Arce, Bajo el signo de la barbarie (Santiago, Chile: Editorial Orbe, 1946), p. 98.

<sup>4</sup>Melitón Brito: born 25 September 1893, educated in Sucre and Oruro, graduated military college 1912, military attaché in Great Britain 1931-33, lieutenant colonel in Chaco War 1934, governor of the department of Cochabamba 1942, director Bolivian airlines 1943, transferred to a minor military post in Oruro area 1944. El Diario (La Paz, Bolivia), 31 August 1946, p. 6.

<sup>5</sup>Zilveti, Bajo el signo, p. 99.

<sup>6</sup>Céspedes, El presidente, pp. 193-95.

<sup>7</sup>La Calle (La Paz, Bolivia), 21 November 1944, p. 5.

<sup>8</sup>The backgrounds of those killed explain why the public was so shocked by the November executions. Garrón: born 1892 in Sucre, graduated military college 1913, instructor military college 1914, rank of major 1921, military attaché in Brazil 1924, lieutenant colonel 1925, decorated for gallantry in Chaco War,

military retirement 1935, headed Cochabamba police 1941-43.

Facieri: born 1905 in Cochabamba, military college graduate, decorated for gallantry in Chaco War, rank of lieutenant colonel 1935. El Diario, 31 August 1946, p. 6.

<sup>9</sup>Zilveti, Bajo el signo, pp. 100-102.

<sup>10</sup>Miguel Brito: born 1904 in Oruro, graduate of Oruro School of Engineering, director of Oruro public works department 1943.

Loayza: born 1904, graduate of Oruro School of Engineering 1929, worked for Patiño Mining Company 1930-35 and 1937-40, professor of geology University of San Simón in Cochabamba 1940-43, noted local authority on civil engineering and hydroelectric power. El Diario, 31 August 1944, p. 6.

<sup>11</sup>Ibid.

<sup>12</sup>Zilveti, Bajo el signo, p. 102.

<sup>13</sup>Both Eginó and Escobar were career military men, Chaco War veterans, former prisoners of war during that conflict, and members of Radepa. Each received his respective appointment soon after the December 1943 coup. Ibid., pp. 56-57; El Diario, 27 July 1946, p. 5.

<sup>14</sup>Alberto Ostría Gutiérrez, The Tragedy of Bolivia (New York: Devin-Adair, 1958), pp. 41-42.

<sup>15</sup>Inocencio Valencia Valle was Oruro chief of police. Zenón Murillo Bejarano was second in command. Moisés Alcázar, Páginas de sangre (La Paz, Bolivia: Ediciones Puerta del Sol, 1967), p. 199.

<sup>16</sup>Ostría, The Tragedy of Bolivia, pp. 41-42.

<sup>17</sup>Alcázar, Páginas de sangre, p. 200.

<sup>18</sup>Ibid., p. 201.

<sup>19</sup>Ostría, The Tragedy of Bolivia, p. 43.

<sup>20</sup>Zilveti, Bajo el signo, p. 105; La Razón (La Paz, Bolivia), 30 October 1946, p. 4.

<sup>21</sup>Alcázar, Páginas de sangre, p. 202.

<sup>22</sup>Ibid. Government authorities did not attempt to keep the fact of these four executions a secret.

<sup>23</sup>Calvo: born 1878 in Sucre, studied law in Europe, co-founder of Republican Party 1915, governor of department of Oruro 1921, head of Republican Party 1925, deputy 1927-30, senator 1931, Minister of Government 1932, president of Central Bank 1933-36, senator 1940-43, Minister of Finance 1943. El Diario, 31 August 1946, p. 3.

<sup>24</sup>Capriles: born in Cochabamba, deputy 1923-27, head of Cochabamba police 1928-30, director Bolivian railways 1931-44. El Diario, 31 August 1946, p. 3.

<sup>25</sup>Salinas: born 1901 in La Paz, grandson of former Bolivian Vice-President, lawyer, deputy 1928, peace negotiator for Bolivia at Chaco War treaty talks, professor of public law at San Andrés University 1936, governor department of La Paz 1938, Minister of Agriculture 1939, Ambassador to Paraguay 1940-42. Terrazas: born in Valle Grande, lawyer, deputy 1931-35, senator 1940. Ibid.; Ostria, The Tragedy of Bolivia, p. 45.

<sup>26</sup>Ramos: born 1889 in Potosí, graduated military college, general 1937, Minister of Labor 1939, Minister of Government 1940, military attaché to Mexico 1942.

<sup>27</sup>Alcázar, Páginas de sangre, p. 207. The order for the men to leave their cell came from Julián Guzmán Gamboa, officer in charge of this mission of execution. El Diario, 31 August 1946, p. 6.

<sup>28</sup>Alcázar, Páginas de sangre, pp. 109-10.

<sup>29</sup>Zilveti, Bajo el signo, pp. 108-11. The group included Colonel Melitón Brito, Colonel Ovidio Quiroga, Lieutenant Colonel Luis Olmos de la Torre, Major

Armando Pinto Tellería, and the civilians Héctor Díez de Medina and Alberto Brito.

<sup>30</sup>Alcázar, Páginas de sangre, pp. 204-206. Alberto Brito remained in Caquena to attend to the burial of his brother, Melitón. Olvidio Quiroga escaped.

<sup>31</sup>Ibid., p. 106. Author's translation.

<sup>32</sup>José Fellmann Velarde, Víctor Paz Estenssoro: el hombre y la revolución (La Paz, Bolivia: Editorial Don Bosco, 1952), pp. 136-37.

<sup>33</sup>Ibid. Siles was thirty-one years old at this time. Born in La Paz and educated in law, he fought in the Chaco War and later won a seat in the Chamber of Deputies in 1940. He soon thereafter became an active member of the MNR up through the Villarroel administration.

<sup>34</sup>José Fellmann Velarde, Historia de Bolivia (La Paz, Bolivia: Los Amigos del Libro, 1970), p. 312.

<sup>35</sup>Ibid.

<sup>36</sup>Peñaloza, Historia del Movimiento, p. 76. MNR members entering the cabinet were: Paz (Finance), Julio Zuazo Cuenca (Agriculture), and Germán Monroy Block (Labor).

<sup>37</sup>El Diario, 22 November 1944, p. 5.

<sup>38</sup>La Calle, 25 November 1944, p. 3.

<sup>39</sup>Zilveti, Bajo el signo, p. 138.

<sup>40</sup>El Diario, 13 August 1946, p. 5.

<sup>41</sup>Alcázar, Páginas de sangre, pp. 216-18.

<sup>42</sup>Zilveti, Bajo el signo, pp. 130-75; El Diario

5 November 1946, p. 5; Tristán Marof, Breve biografía de Víctor Paz Estenssoro (La Paz, Bolivia: Editorial Juventud, 1965), pp. 43-45.

<sup>43</sup> Armando Arce, Los fusilamientos del 20 de noviembre de 1944 (La Paz, Bolivia: By the Author, 1952), p. 37.

<sup>44</sup> Arturo Costa de la Torre, Catálogo de la bibliografía boliviana (La Paz, Bolivia: Universidad Mayor de San Andrés, 1965), p. 397. Born 6 February 1904 in Cochabamba, Céspedes grew up to become a distinguished journalist, novelist, and historian. He served in the Chamber of Deputies from 1938-44. During part of that time he held the cabinet post of Secretary General from December 1943 until February 1944.

<sup>45</sup> Céspedes, El presidente, p. 191.

<sup>46</sup> In the July 1944 elections, the MNR won control of both houses of congress. Subsequently, the party pushed through a law permitting congressional rather than direct election of the President and Vice-President.

<sup>47</sup> La Calle, 18 November 1944, p. 4. Inofuentes: born in Ocobaya, Sud Yungas in 1910, graduate of military college, instructor military college, Chaco War veteran, prisoner of war in Paraguay 1934-35, career soldier.

<sup>48</sup> Céspedes, El presidente, p. 47.

<sup>49</sup> Ibid., pp. 191-93.

<sup>50</sup> Robert J. Alexander, The Bolivian National Revolution (New Brunswick: Rutgers University Press, 1958), p. 37. Alexander here refers to Ostria Gutiérrez's book, The Tragedy of Bolivia, which, while highly critical of the Villarroel government and the MNR, does not claim to prove MNR participation in the murders.

<sup>51</sup> Alcázar, Páginas de sangre, pp. 210-11.

<sup>52</sup>Céspedes, El presidente, p. 203.

<sup>53</sup>Ibid.

<sup>54</sup>Arce, Los fusilamientos, p. 19.

<sup>55</sup>Zilveti, Bajo el signo, pp. 134-35.

<sup>56</sup>Ibid., p. 133.

## CHAPTER IV

### SOCIAL AND LABOR LEGISLATION AND PARALLEL REFORM EFFORTS, 1944-45

Six legislative and executive decrees promulgated in 1944 and 1945 provided the main impetus to socio-economic and labor reform efforts during the Villarroel administration. 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 (23 November 1944), the Agrarian Law for the Department of Tarija (15 December 1944), the Ley de Alquileros or Rent Reduction Bill (2 January 1945); and finally, Villarroel issued a group of four presidential decrees on 15 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. However, improving the lot of the working masses meant alienating those who had for decades exploited this cheap labor source.

Attempts during the Villarroel regime to at least partially reverse more than a century of exploitation of the indigenous masses by a small upper class posed a threat to the power of this latter group. A large, easily controlled mass of free or underpaid labor brought much wealth and its accompanying influence to the propertied and entrepreneur class at the top of the social structure. While measures decreed by Villarroel and the legislature in general merely reiterated earlier attempts at reform and failed to introduce radical departures from legislation already on the lawbooks, the apparently genuine desire of the Villarroel administration to actually implement such ideas frightened the mining entrepreneurs and landowners.<sup>1</sup> Within two weeks after the December 1943 coup, the junta government issued a decree to help the Bolivian working class.

#### Minimum Wage

President Villarroel as head of the ruling junta issued the Minimum Wage Decree of 6 January 1944. It instructed that an investigative body be formed to determine the basic salary needed to sustain an average factory or mine worker and his family. Ultimately, the Wage Decree empowered a Central Committee to set minimum

salaries valid for six-month periods, after which wages would be reviewed to determine if inflation or other economic factors necessitated further adjustment. Authors of the sixth of January decree stated that it would be more scientific and effective than any previous minimum wage legislation.<sup>2</sup>

Prior decrees concerning this matter simply enumerated estimated salaries which were in practice insufficient to sustain a worker and his family. Villarroel claimed the Minimum Wage Decree would be an improvement because it would take into consideration information essential for establishing a sensible, adequate minimum wage.<sup>3</sup>

Villarroel's decree set up committees to represent each geographic region of Bolivia with its unique economic characteristics and working conditions. These Regional Committees contained an executive officer, the mayor of the nearest town, one delegate representing employees, and another to speak in behalf of the employers of the region. The Regional Committees were to base their minimum wage suggestions on a net income amount sufficient for a worker to sustain himself and his family at an adequate standard of living. The minimum wage would vary from region to region depending

on the basic needs and cost of living in the respective area. The decree dictated the Regional Committees to present their findings within sixty days to a Central Committee based in La Paz.<sup>4</sup>

The La Paz Central Committee of Minimum Salary consisted of two executive officers, a director of statistics, and one representative for miners and another for factory employees, and similarly, one representative for mine owners and another for factory owners. Within sixty days following the receipt of recommendations from each Regional Committee, the Wage Decree required the Central Committee to establish a minimum salary for the respective region for the next six months. This would be reviewed every six months unless the cost of living increased more than 20 percent; in that case, the established minimum wage could be reviewed more often. Employers had the obligation to cooperate and to pay these wages.<sup>5</sup>

To enforce the minimum salaries dictated by the Central Committee, the decree prescribed penalties for noncompliance. Employers who either did not cooperate by supplying information to the Regional Committees, or refused to pay the minimum wage subsequently established, would be subject to fines. These penalties

ranged in amount from five thousand to fifty thousand bolivianos depending on the seriousness of the offense. The fine for paying a salary below the minimum wage would be double the sum due the employee.<sup>6</sup> In this way, the Wage Decree sought to establish an equitable and adequate minimum wage for all factory and mine workers throughout Bolivia. This effort proved unsuccessful.

The 1944 Minimum Wage Decree did not accomplish its aims for various reasons. Villarroel was in power too brief a time to fully implement the law; mine and factory owners were slow to cooperate; the complexity of setting up a minimum wage for each region exceeded the abilities of the Regional Committees; and the administration could not solve the organizational problems of establishing a functional bureaucratic machine to handle the project.<sup>7</sup> Other later decrees produced more visible results.

#### Union Rights Decree

Villarroel's proclamation of the Union Rights Decree (Fuero Sindical) of 7 February 1944 provided tremendous impetus to the theretofore weak and disorganized Bolivian labor union movement. It did this mainly by offering employees active in labor organizations protection from employer retaliations.<sup>8</sup>

The Union Rights Decree 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 official from his regular job, the action had to be cleared through the Ministry of Labor. The employer had to show cause for his action. Even a transfer from one job to another within the same company required government clearance if it involved a union official. If an employee's transfer received approval from the Labor Ministry, the worker's hours and wage scale were to remain the same or be improved. Employers who refused to comply with these requirements of the statute were subject to penalties.<sup>9</sup>

Unlike most enforcement clauses of similar legislation, the Union Rights Decree prescribed incarceration for violation of its articles. Any employer or his representative who interfered with the free exercise of rights outlined in the Union Rights Decree faced a fine of one thousand to five thousand bolivianos and a prison sentence of from fifteen to sixty days. With this recognition of the workers' right to organize and assume official positions in unions without being molested by employers, only a few months

passed before the announcement of a major union conference.<sup>10</sup>

#### Birth of the FSTMB

Prior to the Huanuni mine workers' congress of 3-5 June 1944 efforts at organizing Bolivia's tin miners, the largest single group of salaried workers in the nation, had been generally unsuccessful because of a lack of strong mine union leadership, opposition from mine owners and previous administrations, and vulnerability of union organizers to employer retaliations.<sup>11</sup> However, in June 1944 central government opposition disappeared and employers' power to stop attempts at unionization were neutralized by protective legislation and general labor support from the Villarroel government. In particular, MNR-sponsored decrees such as the Fuero Sindical of January 1944 and MNR endorsement and organization of the Huanuni conference facilitated rapid development of a new, important labor organization.

MNR elements in the Villarroel administration played a major role in the formation of the Federación Sindical de Trabajadores Mineros de Bolivia (FSTMB) at the Huanuni congress of 1944. Although the meeting was ostensibly sponsored by a local union from the Huanuni

tin mining complex near Oruro, the MNR actually promoted the conference and guided its participants in founding the FSTMB.<sup>12</sup> MNR leaders saw the congress as an opportunity to form a national mine workers' union through which the party could obtain miners support. Party efforts proved quite successful. The FSTMB soon became Bolivia's leading miners' organization, filling a vacuum long apparent in the Bolivian labor movement.

Much of the FSTMB's success can be attributed to the able leadership of Juan Lechín Oquendo, the man picked by the MNR to lead the new labor federation. Born in 1914 in La Paz, Lechín received a high school education before becoming an above-ground clerical employee at various tin mines in the Oruro area. He became an active union organizer, quickly developing into a popular labor leader. His expertise at soccer, a very important local sport, and his connection with the MNR aided him in attaining leadership positions. Lechín's friendship with an elementary school classmate, Hernán Siles Zuazo, and with Augusto Céspedes gave him valuable inside connections with the MNR. This resulted in his receiving an appointment in early 1944 as sub-prefect of the province of Bustillo, location of the major tin mines. In June 1944 the MNR worked to get

Lechin appointed to the post of permanent secretary of the FSTMB. This made him responsible for the day-to-day administrative matters and overseer of FSTMB contracts.<sup>13</sup>

Other than the election of FSTMB officials such as Lechin, the accomplishments of the Huanuni meeting were limited to the adoption of a few brief resolutions endorsed by the FSTMB. These included a request that a minimum wage be implemented as soon as possible through the committees set up by the Minimum Wage Decree of January 1944; a resolution that discount prices be established on a uniform basis throughout the country at the wholesale stores (pulperías) run by mine owners; and a request that the twenty-first of December be set aside as a special day for the miner commemorating the Catavi Massacre of 1943.<sup>14</sup> The national legislature responded sympathetically to this final request a few months later, at which time congress proclaimed that date as a national holiday thereafter to be known as the Day of the Bolivian Miner.<sup>15</sup> Besides this minor bill, the MNR-controlled congress passed other labor legislation in 1944.

#### Voluntary Retirement Bill of 1944

The Voluntary Retirement Bill of 23 November 1944

protected the severance pay rights of retiring workers by amending or expanding three parts of the General Labor Law (Ley General de Trabajo) of 1939.<sup>16</sup> This new law liberalized the computation of service time for employees and removed ambiguities present in Article 13 of the Ley General; it also repealed sections (d) and (f) of Article 16 of the 1939 law.<sup>17</sup>

A section of the Voluntary Retirement Bill amended Article 13 of the General Labor Law which had excluded the first three months of employment from service time. By so doing it included those three months of probationary employment in the computation of severance pay. The 1944 legislation stated that service time for employees must be computed from the day the worker was contracted for hire, whether verbally or in writing, including any months of probation.<sup>18</sup> Inclusion of these extra months helped the worker more quickly reach his goal of a minimum of eight years on the job.

A second improvement in the Retirement Bill concerned two contradictory clauses in the 1939 General Labor Law. The 1944 legislation eliminated this contradiction and thereby guaranteed the laborer's right to severance pay after eight years of continuous service time. It did so by repealing section (f) of Article 16

of the General Labor Law. Prior to 1944 employees voluntarily leaving their jobs after eight years did not receive the benefits of severance pay as outlined in Article 13 of the Ley General due to a contradictory clause in Article 16(f) of the same 1939 decree. Article 13 provided for an employee receiving severance pay of one month's salary for each year of continuous employment only if he was fired or laid off. However, it made an exception if the employee had been on the job a minimum of eight years. Then the worker would be entitled to severance pay. Problems soon arose when employers began interpreting the General Labor Law using Article 16(f) which listed voluntary termination as one of the justifiable reasons for refusing payment of a severance allowance. With the Retirement Bill of 1944 even a resigning employee could demand severance pay as long as he had eight years of service time on the job.<sup>19</sup>

A third change brought about by the Retirement Bill involved the extension of eligibility to severance pay. This resulted from the repeal of section (d) of Article 16 of the Ley General. Article 16(d) permitted an employer to dismiss a worker and refuse severance payments after an unexcused absence of three months. The

Voluntary Retirement Bill made employer indemnification obligatory for all employees even though the latter were fired for not coming to work.<sup>20</sup> These three improvements in the law governing severance pay represented yet another attempt by the MNR congressional delegation to gain the favor of the Bolivian working class.

Agrarian Bill for the Department of Tarija

Congress also looked to the agricultural worker who was not covered either in the General Labor Law of 1939 nor in the 1944 Voluntary Retirement Bill. The day following the passage of the Retirement Bill the head of the MNR stood before congress defending his party's proposed legislation to assist agricultural workers.

Víctor Paz Estenssoro, leader of the MNR and senator from Tarija, embarked upon a lengthy address in congress which defended the proposed Agrarian Bill for the Department of Tarija on 24 November 1944. His speech answered objections to this legislation which sought to strengthen the legal position of the Indian tenant farmers (colonos) renting agricultural land in the department of Tarija in southern Bolivia.<sup>21</sup> Senator Paz's words were in response to objections raised by the MNR's arch-rival, the Partido de la Izquierda Revolucionaria (PIR).

PIR developed into a significant political party concurrently with the MNR during the Peñaranda administration. Its early rhetoric expressed Marxist views calling for a mass-based revolution from below to end the exploitation of the impoverished working class masses by a wealthy upper-class mining and landholding elite. By the time Villarroel assumed the presidency, PIR had taken the position as the major political spokesman for Bolivian city workers, teachers, and to a lesser extent, the miners and peasants.<sup>22</sup> Its political philosophy paralleled somewhat that of the MNR by including the lower middle-class workers among those PIR considered the exploited masses.

As time passed, PIR and the MNR sought the favor of the same segments of Bolivian society. The MNR initially concentrated its efforts to obtain support from the restive urban middle class, but after a short time switched to a broader appeal which included an effort to win over lower-class backing. It did so by preaching nationalistic ideals, claiming that powerful mine entrepreneurs and landowners held the middle and lower classes in a state of economic servitude.

By late 1944 the MNR challenged PIR's position as main defender of the lower classes. It also rebuffed

PIR's efforts to work with Villarroel and the MNR in exchange for a cabinet seat in the new administration. All this angered the PIR leadership, which thereafter not only fought the MNR's infringement on its political power base but also joined forces with administration opponents seeking to overthrow the Villarroel regime.<sup>23</sup>

As it strove to undermine the MNR and the Villarroel government, PIR slowly shifted its orientation away from the very ideals of its own party platform. PIR began to oppose all MNR-sponsored measures, even if the proposed legislation was designed to help Bolivia's weak and oppressed lower classes. Trying not to appear to have abandoned its expressed support of the miners and peasants, PIR resorted to theoretical technicalities in an attempt to justify its criticism of MNR legislative efforts.

The heated debate that took place after the MNR proposed the 1944 Agrarian Bill for the Department of Tarija showed the animosity between the two parties. Franz Tamayo Solares, speaking for PIR members of congress, said the Agrarian Bill should not be passed because the five-year contracts required by this legislation gave the Indian renters excessive control of the land.<sup>24</sup> According to Tamayo, any such action was

unjustified because the Indians never held legal title to the land and therefore should not be allowed legal protection beyond the one-year contracts normally negotiated at that time. The congressman argued that any land reform which gave even a degree of land rights to the Indians constituted an absurd measure since historically the Incas had originally controlled most agricultural lands in the area that became Bolivia; later, the lands passed to the Spanish conquerers; and finally to the large estate landowners.<sup>25</sup>

Tamayo then cited a second objection to the Tarija Bill, namely, that the MNR deputies who authored the new legislation were not colonos or farmers and hence could not speak for the Indians of the Tarija region. He argued that the deputies in congress had presented legislation not necessarily desired by the peasants themselves.<sup>26</sup>

In reply, Paz Estenssoro analyzed the PIR objections, rebutting each while at the same time revealing his own sentiments regarding a more radical change needed in the area of land reform. Paz began his discourse with an examination of the basic flaw in the PIR argument. The fundamental tenet of land reform, said Paz, was not the return of property to its legitimate

owners. Therefore, the question as to whether or not the indigenous Indians had legal title to the land was not of primary concern; neither was the matter of whether the Indian understood what constituted private property. Paz saw as the fundamental question in land reform what the land was producing and what return it gave to those who worked it. Land reform in his view took on a social factor of production, that is, what it produced for society as a whole.<sup>27</sup>

Paz stressed what he considered the essential point of providing society with a maximum amount of foodstuffs through land ownership by those who did the actual work. This concept held particular importance in Bolivia, and more specifically in Tarija where absentee landlords rented land to local peasants on an annual basis. As long as the landlord received a reasonable return in the form of annual rent payments, as well as sometimes obtaining free Indian labor for tasks secondary to the work on the rented property, there was little incentive on the part of either the owner or the colono to increase production. Yet, reasoned Paz, land had a social function to feed as many members of society as possible and thereby benefit the Bolivian nation as a whole. Therefore, any reforms must

be aimed primarily at gaining this end. It followed that ownership of agricultural land was important only in the context of production. More concretely, desire to increase agricultural output was a basic reason behind the MNR's writing of the Tarija Agrarian Bill.<sup>28</sup>

The senator from Tarija pointed out that the proposed legislation did not contemplate the expropriation of land or attack private property rights. It merely represented an attempt to establish greater protection for the agricultural renter by requiring a longer, five-year contract. The additional four years would provide the Indian renter with more incentive to improve his rental property, increase his ability to plan ahead for maximum agricultural output, and not leave him at the mercy of a landlord interested in a short-term, limited annual return.<sup>29</sup>

Paz likewise responded to the PIR argument questioning the source of and need for the Tarija Agrarian Bill. In answer to the objection suggesting that the colonos themselves should initiate and fight for a reform bill, Paz argued that history showed that members of an oppressed class normally were not those who achieved improvements for their own people. The reason for this was that oppressed people did not have

the economic resources to elevate themselves culturally, much less to effectuate reforms or a revolution. If a member of the lower class moved into a higher position in society, he most often would not thereafter defend his own class. This, said Paz, was the reason for the Tarija congressional delegation's defense of the Tarija Agrarian Bill.<sup>30</sup>

In response to the observation that the legislation was not needed, the senator read from a recent Ministry of Labor report on colono conditions in the department of Tarija, a report which outlined the obligations of a typical Tarija peasant tenant farmer. Colonos not only paid an annual rent per hectárea (2.47 acres), claimed the report, but also provided up to one month of free labor to the landlord plus three months services at wages that failed to cover the cost of food and other expenses of the worker. This resulted in such low income to the renter that he quickly fell so far into debt as to eventually become an unpaid vassal of the landowner, living in constant fear that in his penniless financial condition he might be expelled from the land. Therefore, concluded Paz, these peasants obviously needed protection under the law from exploitation by unscrupulous landlords.<sup>31</sup> The MNR

position prevailed and its proposed legislation became law on 15 December 1944.

The Agrarian Bill for the Department of Tarija gave colonos considerable protection from the ills outlined earlier by Paz. It stipulated that as of 1 January 1945 any person wishing to pay a rental fee for the use of farmland to which he held no ownership rights was required to negotiate a five-year agricultural contract. A three thousand boliviano fine would be levied against the property owner who failed to cooperate in the execution of the longer, five-year contract. Also, at the termination of the contract, only a written notice from the landowner could prevent an automatic five-year renewal should the tenant continue to occupy the land.<sup>32</sup>

The Agrarian Bill likewise protected colonos from being charged excessive rental fees by forbidding increases in such fees above those current in December 1944. A colono wishing to formally question the amount of his rent could submit a complaint to a commission made up of a judge from the Labor Ministry, a local official representing the Ministry of Agriculture, and a delegate from the regional federation of workers. The commission was then to review the case and make a

decision binding to both parties.<sup>33</sup>

The Tarija Bill also sought to prevent unpaid labor by tenant farmers--the practice of partial rent payment in the form of free personal services. It clearly stated that the landlord could not demand free labor from the peasant renter as payment for any portion of the rental fees. These payments were likewise limited to a maximum of 50 percent of any crop harvested. Infractions of this provision of the law resulted in a three thousand boliviano fine.<sup>34</sup> In this manner, the Tarija Bill sought to protect the Indian via a first important step in rural labor reform.

In fine, the MNR legislators wanted to strengthen the economic position of the rural peasant while at the same time reform Bolivia's archaic agricultural system so as to produce more food. The need was apparent from the fact that foodstuffs and livestock imports made up one-third of the dollar value of all Bolivian imports in 1944.<sup>35</sup> The Tarija Bill represented part of a plan to introduce modern contract labor in Bolivia to replace the static feudal labor system prevalent in much of the nation. MNR leaders were not yet advocating any form of expropriation or division of the land among peasant farmers. At this time, their

major aim was to increase agricultural production so as to decrease the outflow of valuable foreign exchange used to purchase agricultural imports. Concurrently, the MNR saw the Indian masses as a potentially strong ally which could possibly one day become an organized power base supporting the MNR and the Villarroel government. Consistent with its policy of seeking the backing of the middle and lower classes in Bolivian society, the MNR next worked to push through congress legislation favorable to the urban population.

#### Rent Reduction Bill

The Rent Reduction Bill (Ley de Alquileres) of 27 December 1944 represented an attempt by the Bolivian congress to help the urban masses afford adequate housing by way of direct government intervention in rent reductions. This legislation sought to ameliorate the long-term and worsening problem of an acute shortage of apartments and homes for rent by the urban working class at affordable prices.<sup>36</sup>

The housing and apartment shortage in Bolivia's major cities resulted from a number of developments, mostly beyond the control of the central government, including a very rapid growth in city population following the turn of the twentieth century. Rural

peasants had at that time begun to move into urban areas in large numbers. When they gained their objective of salaried employment, the pay they received often proved insufficient to meet high rental costs. Moreover, few new rental units were built to meet this demand because inflationary pressures reduced profits available to owners of rental property.

The influx of peasants into the cities was most noticeable in the capital city of La Paz, the population of which increased nearly tenfold between 1900 and 1945.<sup>37</sup> It grew most rapidly after 1928 when an acute reduction in prices of agricultural products forced large numbers from the comparatively dense rural population around La Paz to migrate into the city. Shortly thereafter, the Chaco War drew Indians off their farms, and when they returned home from the battlefields many preferred city life to the harsh existence in the countryside. Agricultural workers accustomed to payment once a year liked the frequent income from salaried employment.<sup>38</sup> Once in the city, however, this mass of unskilled labor took low-paying jobs at salaries frequently insufficient to buy even food and clothing. Their presence put tremendous pressure on scarce urban rental property.

TABLE 1  
POPULATION GROWTH IN BOLIVIA'S MAJOR CITIES

<u>City</u>	<u>1900</u>	<u>1930</u>	<u>1946</u>
La Paz	31,600	142,500	302,000
Cochabamba	21,900	50,000	76,500
Oruro	15,900	40,000	50,000
Potosí	20,900	28,000	40,000
Sucre	20,900	26,000	30,000
Santa Cruz	18,300	21,000	33,000
Trinidad	4,294	4,500	9,500
Tarija	6,500	14,000	17,000

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Source: Alberto Cornejo S., El problema social de la vivienda (Cochabamba, Bolivia: Imprenta Universitaria, 1949), p. 9.

Low wages meant, of course, that the urban worker had trouble paying high rents, and an average annual inflation rate since 1938 of approximately 13 percent added further to the problem.<sup>39</sup> This inflation made rental income insufficient to maintain the owner's property or to stimulate new construction. As a result, a large number of renters had great difficulty finding housing in 1944; and, even if successful in finding a place to live, they often could not meet the monthly obligations to the landlord.

To try to alleviate these problems, congress drew up the Rent Reduction Bill of 27 December 1944, as signed into law on 2 January 1945 and supplemented by a decree of 30 April 1945. Both the original Rent Bill and subsequent presidential decree laid down strict rent control guidelines, providing for a sliding scale of stipulated reductions in all apartment and home rental payments.<sup>40</sup>

Article 1 of the 1944 Rent Bill stated that as of 1 January 1945 all monthly rents of one thousand bolivianos or less must be reduced 30 percent. As the rental payment increased, the percentage reduction declined until the reduction dropped to zero with monthly rents in excess of 5,001 bolivianos. This

TABLE 2  
 FOOD, CLOTHING, AND RENT COSTS IN BOLIVIA: 1936-47  
 (1936=100)

<u>Year</u>	<u>Index of Food and Clothing Costs</u>	<u>Index of Rents</u>
1936	100	100
1937	193	171
1938	231	300
1939	287	511
1940	357	532
1941	514	621
1942	609	895
1943	648	909
1944	749	942
1945	788	886
1946	1031	886
1947	1059	886

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Source: Alberto Cornejo S., El problema social de la vivienda (Cochabamba, Bolivia: Imprenta Universitaria, 1949), p. 13. Note the Index of Rents for 1945-47.

clearly showed the intent of congress to seek the favor of the large numbers of low income renters.<sup>41</sup>

Other clauses of the December 1944 legislation and April 1945 decree spelled out such details as how renters would be protected from landlord attempts to circumvent the law. Apartment owners received specific directives to ensure their compliance with the intent of the Rent Reduction Bill. Apart from the requirement of making a formal rental contract with the tenant and posting a copy on the premises, the landlord could charge no more than a rent based on that in effect on 1 July 1944. Also, the total annual rent could not exceed 10 percent of the assessed market value of the rental property. This placed an absolute ceiling on chargeable rent in addition to the other restrictions and reductions.<sup>42</sup>

The Rent Bill made sure the landlords did not resist the legislation by evicting their tenants and leaving the rental property vacant. Renters could be evicted only under certain conditions, and the vacated house or apartment could not be left empty for more than a specified period of time. Article 15 of the thirtieth of April decree permitted eviction for the following reasons: failure to pay rent for three months; the

necessity that the premises be vacated because of the public good; or, a judgement that the building was a safety hazard to its occupants. Once left empty for any reason, rentals were to be registered with local authorities within three days after being unoccupied. If local authorities found eviction justified, the house or apartment, if inhabitable, had to be rented again within thirty days or the municipality could assign it to the first person desiring to rent it.<sup>43</sup>

The threat of fines was included in the rent legislation. In general, fines for violation of any part of the Rent Reduction Bill ranged from five hundred to five thousand bolivianos. Article 20 of the decree of 15 April 1945 even offered a reward to anyone denouncing infractions of the law if the complaint resulted in a fine. In addition to the normal penalty, violators would have to pay to the informant an amount equal to one-half of the fine imposed by local officials.<sup>44</sup> All the above proved to be efficacious as shown by the fact that rents remained frozen at reduced levels throughout the remainder of the Villarroel presidency.

First National Indian Congress  
and Decrees of May 1945

A final major administration effort to gain mass

support concerned its sponsorship of the Indian Congress of 10-15 May 1945 and enactment of four decrees on the fifteenth of May favoring the indigenous farm worker. Much to the trepidation of Bolivia's wealthy landholders, the Villarroel administration in May 1945 took major steps to organize the rural peasants and thereby secure the favor of this largest segment of the population.

This effort went far beyond the earlier Agrarian Bill for the Department of Tarija. The Tarija region had already progressed to a sharecrop and land-rental system more advanced than the quasi-feudal Indian agricultural labor practices apparent in most of the nation. Actions by the Villarroel regime in May 1945 threatened traditional labor practices which had kept the Indian farmer in a state of general servitude, without national organization or political power.

Independence from Spain in 1825 meant little for the vast majority of Bolivia's Indians. Spaniards who had fought for independence and mixed-blood mestizos soon acquired the best farm land and perpetuated an agricultural system of Indian servitude. The indigenous worker became tied to his small plot of land, the fruits of which he could retain in exchange for three

to five days a week of free labor for the owners of the estate on which he lived. The advent of the 1940s found the Indians still devoting most of their time and energies to serving their masters both on the landed estates (fincas) and in the owners' country and city homes. This entire process became an integral part of the Bolivian socio-economic scene after more than a century of these practices. Thus, when the Villarroel government took the extraordinary step of organizing the first national conference of Indian leaders or caciques in 1945 all of Bolivia took notice, some with wonder and fear, others with joy and hope.

One thousand Indian leaders from throughout the nation gathered in La Paz on 9 May 1945 for the preparatory session of the First National Indian Congress. At this meeting, they emphasized four areas of major concern. These included stopping mandatory unpaid services, making available educational opportunities for indigenous farm workers, passage of laws protecting the agricultural worker, and organization of an agency to enforce protective legislation on a local level.<sup>45</sup> Indian leaders said nothing about confiscation or distribution of land.

Only MNR member Hernán Siles Zuazo dared refer to

the need for a radical change in the Bolivian agricultural system. He sent a message to the Indian Congress stating:

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 after 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>46</sup>

Such words were too extreme to be taken seriously at that time; other members of congress and government officials confined their suggestions to less extreme measures.

However, the mere presence of administration leaders at the Indian Congress and visible government backing for this massive gathering of caciques held great significance. Never before in Bolivian history had an administration organized and openly sympathized with a gathering of so many of the nation's silent majority.<sup>47</sup>

Villarroel and members of his cabinet expressed their support of the Indian Congress at its opening session on 10 May 1945. President Villarroel himself, the Vice-President, the Minister of Government, and the Minister of Public Works each addressed the inaugural meeting. Villarroel spoke in general terms about justice

for all Bolivians; but the words of his Minister of Government were more specific:

The period of abuses suffered by the indigenous worker has terminated. From this time onward, it will be sufficient to work, not to lie or rob or be idle, in order to have a right to protection for each peasant and his family...the President has given us the mission to announce to you that the hour of justice for workers of the land has arrived.<sup>48</sup>

In keeping with these words, the Villarroel government proclaimed four decrees for the benefit of the Indian peasant on 15 May 1945.

The first executive decree, Decreto Supremo 318 sought to correct the abuse of Indian farm workers by landlords (patronos) who demanded unpaid services and free tributes. These customs remained from the time of the Spanish conquerers of the sixteenth century who had required Indians to render free services to Spanish patronos. Such practices were still widespread in the 1940s despite their prohibition by laws dating back to the time of Bolivian independence. Decree 318 was the government's response to the recommendation by the Indian Congress that free labor services be suppressed while the legislature prepared a formal Code of Law for Agricultural Workers.<sup>49</sup>

Decreto Supremo 318 prohibited all tributes or free services not directly connected with the peasants'

work on their assigned lands. The performance by the colono of other services was forbidden without his free consent and a just monetary remuneration. Landowners could no longer legally claim any part of the peasants' share of the harvest as free tribute.<sup>50</sup>

Other sections of the law provided recourse to the Indian who wished to complain of violations of the new executive decree. Articles 14 and 15 of Decree 318 stipulated that any colono having complaints concerning his rights could seek help from the Office of Free Legal Service to Indians. This recently formed government agency would proceed with the necessary legal action to resolve the grievance. Noncompliance with the law could result in a fine of from one thousand to ten thousand bolivianos plus payment of damages suffered by the farm worker.

Not all parts of the new law favored the Indian peasant. Decree 318 also enumerated the colono's obligations to his patrón.<sup>51</sup> Articles 4, 9, and 10 of Decree 318 collectively had the effect of imposing legal obligations on the peasant farm worker, threatening severe penalties for any breach of the colono's responsibilities to his landlord. Peasants were to transport farm products from the finca to the local city

or village for marketing as part of their work assignments. The patrón's only duty was to pay some sort of salary to the Indian for this service. Refusal by Indian workers to transport farm produce allowed the landlord to summon local police authorities to intervene and force compliance. Indians refusing to transport farm products to market could be sanctioned with loss of their assigned land, and they and their families could be placed in special camps set aside by the Ministry of Labor. Leaders of any organized rebellion against this order would be subject to criminal proceedings.<sup>52</sup>

The second of the four decrees referred to services not directly connected with farm work assignments. Decreto Supremo 319 of the fifteenth of May abolished pongueaje or unpaid personal services rendered by Indians in the city and country homes of their landlords. The system of pongueaje required the colono, in addition to his other duties on the finca, to present himself on a rotating basis for a week of free domestic services in the home of his master. Any of the colono's family members might be given these duties as a pongo. The services included cooking, sewing, cleaning, gathering firewood, or any other tasks assigned. Decree 319 reiterated a basic aim of the pronouncements of the

fifteenth of May by stating that henceforth Indian peasant labor not directly connected with agricultural work on assigned land must be voluntary and for wages.<sup>53</sup>

The third decree, Decreto Supremo 320, reflected the government's preoccupation with the widespread illiteracy among the indigenous population, especially in rural areas. With few exceptions, the rural Indian youth had little opportunity to learn to read or write Spanish. Their white mestizo bosses felt more secure leaving the Indians in their own world where most spoke only the Indian languages of Aymará and Quechua. Owners of fincas, mines, and plantations considered any Indian rebellion, or even efforts at unionization, less likely among an uneducated and uninformed indigenous working population. They therefore often used rural school buildings as granaries and did little to promote formal education for the families of their workers. Villarroel reacted to this state of affairs with his decree on rural education.<sup>54</sup>

Decree 320 of 15 May 1945 stated that owners of farm lands and plantations were obliged to establish schools for the education of Indian laborers and their families. This law gave employers of agricultural workers sixty days to commence efforts to construct or

secure classroom facilities for their employees.<sup>55</sup>

Villarroel's rural education decree required the government to do its part by collaborating with landowners in providing better school facilities for the Indian workers. It provided for government assistance in constructing and repairing Indian schools, supplying teachers as requested by patronos, and enforcing the decree by way of fines levied by local police officials.

Finally, the Villarroel administration set up the legal machinery for establishing a code of law protecting colonos. Decreto Supremo 321, the fourth and last of the fifteenth of May decrees, set up a commission to prepare suggestions for a Code of Law for Agricultural Workers. The Ministers of Labor, Housing, and Agriculture established this commission and instructed it to present its preliminary findings by 31 December 1945. In the meantime, Decree 321 listed regulations governing patrón-colono relations.<sup>56</sup>

Article 2 of the fourth decree listed seven subsections dictating the rights of the colono. Summarized, they required the patrón to pay his workers for any task they performed in excess of those outlined in Decrees 318 and 319. The Villarroel regime thought in this manner to protect the Indian farm worker and obtain

the support of the indigenous masses.

The decrees of 15 May 1945 were not intended to destroy the fincas nor alter ownership of these massive estates; rather, the new administration thought to modernize the Bolivian agricultural system by pressuring the upper-class landowners into moving from a feudal type of agriculture to a system based upon salaried employees. Freeing the Indian worker from pongueaje and work assignments away from the home estate of the colono were secondary to the broader economic motive in 1945.<sup>57</sup> Nevertheless, abolition of personal services by Indian farm workers formed an integral part of the MNR's master plan of seeking the broadest base of support possible for the party.

#### MNR Strategy, 1944-45

The MNR saw the legislative and presidential reform efforts of 1944 and 1945 as a means to improve its secondary position of power in relation to Radepa. Its aim was to establish itself as the defender and spokesman for the middle class, the nation's mine workers, and the Indian masses.<sup>58</sup>

The six legislative and executive laws formulated between 1944 and 1945 were designed to appeal to the largest number of Bolivians, thereby strengthening the

MNR and Villarroel against opposing financial interests and former Peñaranda supporters in general. The Minimum Wage Decree, Union Rights Decree, and the Voluntary Retirement Bill were all either written by MNR members or received strong party backing. These three laws were designed to convince the working class of the regime's sincerity at seeking labor reform. An additional aid for the city worker came with the passage of the Rent Reduction Bill. Lastly, three reform efforts, the Tarija Land Bill, the 1945 Indian Congress, and the May 1945 decrees represented maneuvers by the MNR to win the favor of the Indian masses and integrate them into the economic and political life of the nation.

#### Results of the New Laws

Some of the congressional legislation and presidential decrees produced immediate improvements and a few even endured into the period following Villarroel's downfall in July 1946. The Rent Reduction Bill kept rents low into 1947; the Voluntary Retirement Bill provided severance pay guarantees at least retroactive to the date of its passage; and the Union Rights Decree permitted rapid development of mine labor federations during the Villarroel administration.

Other laws, however, had less effect. The Minimum

Wage Decree, Tarija Land Bill, and May 1945 decrees effectuated little reform. Villarroel could not assemble a managerial staff capable of efficiently administering a measure so complex as the Minimum Wage Decree. Landowners reacted slowly and reluctantly to the Tarija Land Bill and the fifteenth of May decrees, hoping that the Villarroel regime would not long endure. MNR attempts to help were limited by its relatively weak position in the government. Nevertheless, all six reform efforts held some importance.

In conclusion, the final contribution of the 1944 and 1945 reform measures was their success at stimulating the exploited masses to demand change. Peasants, city workers, and miners saw they had the ability to effectuate improvements with the aid of a new generation of politicians representing them in La Paz. Bolivia's majority lower-class population had to wait until the social revolution of 1952 to see the 1944-45 laws come to fruition, but they sensed the possibilities in such changes as early as the Villarroel regime. This, as events would ultimately prove, was no small legacy.

Notes for Chapter IV

<sup>1</sup>Ernesto Ayala Mercado, Enjuiciamiento del régimen Villarroel-Paz Estenssoro (Cochabamba, Bolivia: Imprenta Universitaria, 1951), pp. 63-69.

<sup>2</sup>Bolivia, Anuario Administrativo de 1944 (La Paz, Bolivia: Editorial del Estado, 1945), p. 168.

<sup>3</sup>Ibid.

<sup>4</sup>Ibid., pp. 170-71.

<sup>5</sup>Ibid., pp. 170-73.

<sup>6</sup>Ibid. The exchange rate in 1944 was 74.65 bolivianos to the dollar. Herbert S. Klein, Parties and Political Change in Bolivia, 1880-1952 (Cambridge: Cambridge University Press, 1969), p. 378.

<sup>7</sup>Ayala, Enjuiciamiento del régimen, pp. 65-67; William Neiswanger, "Bolivia," in Economic Problems of Latin America, ed. Seymour Harris (New York: McGraw-Hill, Inc., 1944), pp. 256-58.

<sup>8</sup>Klein, Parties and Political Change, p. 378; Guillermo Lora, A History of the Bolivian Labour Movement, 1884-1971 (Cambridge: Cambridge University Press, 1977), pp. 236-37.

<sup>9</sup>Bolivia, Anuario, 1944, pp. 205-206.

<sup>10</sup>Ibid.

<sup>11</sup>Agustin Barcelli S., Medio siglo de luchas sindicales revolucionarias en Bolivia (La Paz, Bolivia: Ibeas, 1956), pp. 164-65.

<sup>12</sup>Lora, A History of the Bolivian Labour Movement, pp. 236-37.

<sup>13</sup>Ibid., pp. 238-40.

<sup>14</sup>Barcelli, Medio siglo de luchas, p. 165.

<sup>15</sup>Bolivia, Anuario, 1944, pp. 93-94.

<sup>16</sup>This 1939 presidential decree is also known as the Código del Trabajo or Busch Labor Code. Luis Peñalosa Cordero, Historia del Movimiento Nacionalista Revolucionario, 1941-1952 (La Paz, Bolivia: Editorial Juventud, 1963), pp. 77-78.

<sup>17</sup>Bolivia, Anuario, 1944, pp. 47-48; Bolivia, Anuario Administrativo de 1939 (La Paz, Bolivia: Editorial del Estado, 1940), pp. 106-108.

<sup>18</sup>Ibid. After the fall of Villarroel, employers computed service time only from the date of passage of the 1944 legislation. Peñalosa, Historia del Movimiento, p. 78.

<sup>19</sup>Augusto Céspedes, El presidente colgado (La Paz, Bolivia: Editorial Juventud, 1971), p. 47.

<sup>20</sup>Bolivia, Anuario, 1944, p. 47.

<sup>21</sup>Victor Paz Estenssoro, Discursos parlamentarios (La Paz, Bolivia: Editorial Canata, 1955), pp. 303-24. The system of Indian agricultural labor varied by geographical region in Bolivia. In the Tarija area, Indians frequently rented land on large privately owned estates through one-year contracts with the landowner.

<sup>22</sup>James M. Malloy and Richard S. Thorn, eds., Beyond the Revolution, Bolivia Since 1952 (Pittsburgh: University of Pittsburgh Press, 1971), pp. 67, 114-15.

<sup>23</sup>Céspedes, El presidente, p. 232.

<sup>24</sup>Chief congressional spokesman for PIR in this debate was Franz Tamayo Solares (1879-1956), noted politician, lawyer, author, and poet, and

chairman of the 1944 congress. Arturo Costa de la Torre, Catálogo de la bibliografía boliviana (La Paz, Bolivia: Universidad Mayor de San Andrés, 1968), p. 1016; Paz, Discursos parlamentarios, p. 307.

<sup>25</sup>Paz, Discursos parlamentarios, pp. 307-308.

<sup>26</sup>Ibid., p. 316.

<sup>27</sup>Ibid., p. 311.

<sup>28</sup>Ibid., pp. 314-15.

<sup>29</sup>Ibid.

<sup>30</sup>Ibid., pp. 316-17.

<sup>31</sup>Ibid., pp. 317-19.

<sup>32</sup>Bolivia, Anuario, 1944, pp. 86-89.

<sup>33</sup>Ibid., pp. 86-87.

<sup>34</sup>Ibid., pp. 88-89.

<sup>35</sup>Bolivia, Banco Central de Bolivia, Memoria Anual, 1945 (La Paz, Bolivia: Editorial Artistica, 1946), p. 71.

<sup>36</sup>Bolivia, Anuario Administrativo de 1945 (La Paz, Bolivia: Editorial del Estado, 1946), pp. 16-18. This legislation, passed by congress on 27 December 1944, was not signed into law by Villarroel until 2 January 1945.

<sup>37</sup>Alberto Cornejo S., El problema social de vivienda (Cochabamba, Bolivia: Imprenta Universitaria, 1949), p. 9.

<sup>38</sup>Ibid., pp. 10-11.

<sup>39</sup>Klein, Parties and Political Change, p. 387. Inflation is computed here by comparing the percentage of increase in the exchange rates of bolivianos to the dollar.

<sup>40</sup>Bolivia, Anuario, 1945, pp. 16, 532-40.

<sup>41</sup>Ibid., p. 16.

<sup>42</sup>Ibid., p. 534.

<sup>43</sup>Ibid., p. 537.

<sup>44</sup>Ibid., pp. 539-40.

<sup>45</sup>Barcelli, Medio siglo de luchas, p. 167.

<sup>46</sup>Ibid., p. 168. Author's translation.

<sup>47</sup>Ibid., p. 166.

<sup>48</sup>Ibid., p. 169. Author's translation. Major Edmundo Nogales was Minister of Government.

<sup>49</sup>Bolivia, Anuario, 1945, pp. 549-52; Miguel Bonifaz, El problema agrario-indígena en Bolivia (Sucre, Bolivia: Universidad de Francisco Xavier, 1948), pp. 276-77.

<sup>50</sup>Bolivia, Anuario, 1945, p. 550.

<sup>51</sup>Ibid., p. 552.

<sup>52</sup>Ibid., pp. 550-51; Bonifaz, El problema agrario-indígena, p. 277.

<sup>53</sup>Bolivia, Anuario, 1945, pp. 552-53; Augusto Guzmán Martínez, Breve historia de Bolivia (La Paz, Bolivia: Los Amigos del Libro, 1969). p. 307.

<sup>54</sup>Bolivia, Anuario, 1945, pp. 553-54; Carter Goodrich, The Economic Transformation of Bolivia (Ithaca: Cornell University Press, 1955), pp. 3-6.

<sup>55</sup>Bolivia, Anuario, 1945, p. 554.

<sup>56</sup>Ibid., pp. 554-56.

<sup>57</sup>Christopher Mitchell, The Legacy of Populism in Bolivia (New York: Praeger Publishers, 1977), pp. 22-26.

<sup>58</sup>Barcelli, Medio siglo de luchas, p. 181.

## CHAPTER V

### TIN CONTRACT NEGOTIATIONS, 1943-46

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 in Bolivia during that period. It was through the sale of tin to the United States that this Andean nation received most of its foreign exchange used to finance its central government operations and pay for essential imports of foodstuffs and manufactured goods. Taxes collected on tin ore exports made it possible for Bolivia to continue as a financially solvent nation. A Pan American Union 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 the diplomatic service would practically disappear. The development of the country in the last 50 years has paralleled the rise of the mining industry, especially that of tin.<sup>1</sup>

With this in mind, the well-being of the Villarroel regime could be seen reflected in the successes and failures of his administration's efforts to obtain a maximum price for tin ore exports to the United States.

Bolivia depended on the United States as the major purchaser of its tin during World War II for a number of reasons. The nation's landlocked geographic location and wartime events between 1941 and 1945 restricted Bolivia to a dependence on trade routes via the Pacific Ocean, through the Panama Canal, to tin smelters in Great Britain and the United States. Bolivia looked to those two nations after 1941 as the buyers of its chief export, with the United States in charge of all contract negotiations. The United States therefore held an advantage in contract talks, but its position also had its weaknesses.

Fortunately for Bolivia, the United States' situation as a buyer was somewhat analogous to that of Bolivia's as a seller. Either the United States bought tin ore from its Latin American neighbor to the south or it could not satisfy its own needs made critical by the war with the Axis. Only three areas of the world produced significant quantities of tin ore at the time of the start of World War II. These were Malaya and Indonesia in South-East Asia, Nigeria and the Belgian Congo in West Africa, and Bolivia. Japanese military forces sealed off South-East Asia by the end of 1941, leaving Bolivia as the most important source of tin for

the western democracies; Bolivia exported more than twice as much tin as did the Belgian Congo or Nigeria between 1942 and 1945. Both the United States and Bolivia understood this combination of circumstances as contract talks reached a stalemate in late 1943.<sup>2</sup>

The Bolivian government was very concerned when contract talks for the first of two agreements completed during the Villarroel administration were suspended for six months after the fall of Peñaranda because the United States Department of State refused to engage in further discussions prior to its diplomatic recognition of the new government. This caused considerable apprehension on the part of the junta regime since an important 1942 amendment to a five-year contract signed in 1940 had expired during the Peñaranda presidency. That amendment raised the price of refined tin from 43½ to 60 cents a pound. After the expiration date of 30 June 1943 Bolivia continued to receive the 1942 amendment price of sixty cents, but Villarroel feared the United States might suddenly demand a return to the lower price stipulated in the original five-year contract. President Villarroel was anxious to resolve this uncertainty about future tin prices so his government could proceed knowledgeably with its budget

TABLE 3

## TIN EXPORTS AVAILABLE TO THE ALLIES, 1941-45

<u>Country of Origin</u>	<u>Exported Ore Tin Content (Long Tons)</u>				
	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>
Belgian Congo	14,000	16,800	18,000	17,549	13,895
Bolivia	42,199	38,293	40,312	38,719	42,465
British Malaya	74,367	None	None	None	2,300
Netherlands East Indies	51,000	7,977	None	None	None
Nigeria	15,000	12,711	13,680	9,000	9,000

Source: U.S., Department of Interior, Minerals Yearbook, 1945 (1946), pp. 742-51. See also the respective annual publications of Minerals Yearbook for the years 1941-44, the sections: "Review By Countries."

planning. Also, he desired a new agreement that would give Bolivia more than sixty cents a pound. The President grew especially impatient when a new contract failed to materialize soon after the United States recognized his government in June 1944.

Dissatisfied with the slow progress of his embassy's staff in Washington, D.C., Villarroel instructed Victor Andrade, his Foreign Minister, to try to speed up negotiations. Andrade was born 6 March 1905 in the town of Chulumani, province of La Paz. His early education at the Instituto Americano in La Paz enabled him to become fluent in English, something which served him well in later life as a foreign diplomat. Soon after his graduation in mathematical science from San Andrés University in La Paz, he received an appointment to the post of Assistant Secretary of Public Education in 1930. He later served as a deputy in the Bolivian congress from 1940 to 1943, Minister of Labor, also in 1943, and Villarroel named him as his Foreign Minister in August 1944.<sup>3</sup> Shortly thereafter he became the major Bolivian negotiator in tin contract talks with the United States.

Following Villarroel's directives, Andrade requested that the United States embassy in La Paz send a representative to the Foreign Ministry office in

September 1944 to discuss Bolivia's proposals for a new tin purchase agreement. The Foreign Minister's request was granted and he was given the opportunity to make some unofficial comments regarding a tin contract.<sup>4</sup>

Andrade suggested that formal talks begin to consider a Bolivian proposal that the price of tin be increased to sixty-six cents a pound. This, he claimed would enable the Villarroel administration to fulfill its social obligations of increasing wages and fringe benefits for the mine workers. Andrade conceded that working and living conditions for the miners were no better than they had been under Peñaranda.<sup>5</sup> However, the Villarroel regime sought to improve on this unfortunate situation by tying a social reform program to the new contract. The Bolivian government was willing to set aside certain additional revenues from higher tin prices to be used exclusively for social reforms for the Bolivian laboring class. Andrade ended his comments by asking if the United States Department of State would welcome his presence in Washington, D.C. as Bolivia's chief tin contract negotiator.<sup>6</sup>

The United States Secretary of State Cordell Hull cabled an answer back to Andrade through the embassy in La Paz, saying that the Foreign Economic Administration

(FEA) was prepared to undertake discussions on a new tin purchasing agreement.<sup>7</sup> Hull's major stipulation centered on the desire of the United States to consider any contract agreed upon as a second amendment to the existing five-year agreement of 4 November 1940. The Secretary of State said the established policy of his government in its foreign procurement program was to as soon as possible return the flow of international trade to private channels. Therefore, the United States thought it undesirable to conclude a long-term government-to-government tin contract with Bolivia.<sup>8</sup>

Villarroel found Hull's comments positive in nature, and decided Andrade would be the best man to represent Bolivia in any negotiations. Andrade subsequently received an appointment as Bolivian Ambassador to the United States on 30 October 1944. The following month he arrived in Washington, D.C.

Andrade met with United States negotiators to begin formal contract talks on 29 November 1944. At the meeting Andrade replied to the FEA offer of  $63\frac{1}{2}$  cents a pound refined tin and the United States desire to have Bolivian export taxes frozen at existing rates to encourage maximum tin production at the new price. He responded that the Bolivian government had based its

1944 budget on the premise that it would receive 63½ cents a pound retroactive to July 1943. However, said Andrade, Bolivia would be receptive to an offer at this price retroactive to 1 July 1944. Regarding taxes on tin ore exported at the new price, Andrade answered that he could not suggest to his government to freeze export taxes because it would result in windfall profits for Patiño and Hochschild. Ambassador Andrade feared serious repercussions if a new contract had the net result of adding to the wealth of Bolivia's mining entrepreneurs.<sup>9</sup>

Andrade also commented on State Department apprehensions about political developments inside Bolivia. The United States received assurances from Andrade that a generous price for Bolivia's tin would strengthen Villarroel against radical elements within his administration. He attempted to calm State Department concern over the executions of prominent political figures earlier in November and its opinion that Villarroel had not been consulted in connection with these murders. This called into question President Villarroel's control over events in Bolivia. It appeared to the State Department that the real power was falling into the hands of an irresponsible and extremist group within the executive branch. The United States was

likewise puzzled over the election and sudden resignation of Major Inofuentes as Vice-President. Andrade assured United States officials that no more political killings would occur and that acceptance of Bolivia's contract offer would increase Villarroel's ability to prevent any future political disharmony.<sup>10</sup>

Lengthy tin contract talks finally produced an amended agreement favorable to Bolivia on 3 March 1945. This second amendment to the original five-year Bolivian-United States ore purchase contract meant an increase of  $3\frac{1}{2}$  cents a pound tin content until the 1940 agreement expired on 30 June 1945. In addition, Bolivia received a bonus of  $1\frac{1}{2}$  cents a pound refined tin content as an incentive to maximize production. Thus, the effective price came to sixty-five cents a pound. The amendment likewise provided for a retroactive increase of two cents a pound from 1 July 1944 to 18 December 1944 in return for Bolivia's pledge to keep production at the highest possible level. Finally, a labor clause committed Villarroel to pass along some of the additional revenue to the miners in the form of better wages and working conditions.<sup>11</sup> The contract gave Bolivia more tax income and the United States a steady supply of a much needed strategic metal.

The reason the United States offered such a generous price could be seen in the importance of tin to the Allies in 1945. That metal held a unique position among the wartime strategic and critical raw materials. As an indispensable ingredient in the manufacture and assembly of products essential during times of peace or war, tin needs became desperate in 1944. This situation came about despite painstaking efforts to substitute other metals for tin wherever feasible, limit its content in alloys to a minimum, and recycle as much of the metal as possible.<sup>12</sup>

Tin's importance becomes apparent through an examination of its wartime uses which varied from tin plate on food storage containers to bearing alloys. The major areas of tin consumption were in the production of food containers, solder, bronze, and tin Babbitt bearings for engines of high speed and heavy loads. A coat of tin on the inside of steel containers kept food contents preserved for years without spoilage or impairment of taste. Even with the advanced development of tin electroplating late in World War II, tin plate continued to take nearly half of all tin supplies. Solder, an alloy of tin and lead, had no effective substitute in the assembly of electrical devices such as

communications equipment of all kinds. It also saw use in the manufacture of numerous other items including truck and tank radiators. Bronze, an alloy of tin and copper, was widely used in gunmetals and shipbuilding. Lastly, Babbitt metal, an alloy of tin, antimony, and copper, was ideal for use in railroad car wheel bearings and numerous types of machine bearings.<sup>13</sup>

Besides playing a vital role in the production of numerous materials essential for the war effort, the metal became more valuable because of the scarcity of tin ore supplies. By 1944 wartime events forced the United States to import 86 percent of its tin ore from Bolivia. Great Britain obtained well over one-half of its supply from the same source. Thus at the time of the 1944-45 tin contract negotiations between Bolivia and the United States, it was clear to the Allies that continued adequate tin supplies could be obtained only through its South American source.<sup>14</sup>

At the same time, smelter facilities for the Allies were limited to two locations, England and the United States. With the completion of the Longhorn Smelter in Texas City, Texas in 1941 only those nations among the Allied Powers had tin refining capabilities. Germany seized the Dutch smelter at Arnhem and the

Belgian smelter at Hoboken in 1940. Japanese forces occupied the Malayan and Indonesian smelters a year later. The Allies were therefore in dire need of tin at the time of the signing of the March 1945 United States-Bolivian tin purchase agreement.

Within a few months after the completion of the March tin contract, however, world events caused a decrease in the wartime strategic metals needs of Great Britain and the United States. Germany surrendered in May 1945, and it soon was apparent that Japan could not hold out much longer against the combined forces at the disposal of the Allies. Japan formally surrendered in September 1945. Concurrently, Bolivia negotiated with the United States for a tin contract to cover the period after 30 June 1945.

During these contract talks, Bolivia sought to bolster its weakened bargaining position by stressing the commitments made by the United States in Mexico at the Inter-American Conference of February-March 1945.<sup>15</sup> The Inter-American Conference on Problems of War and Peace (Chapultepec Conference) met in Mexico City from 21 February to 8 March 1945 to discuss, among other major topics, the problem of how nations of Latin America would be able to make a smooth transition from

war to peacetime economies. Foreign Ministers from the Latin American republics met with highlevel United States delegates to consider the need for a continuance of wartime purchase levels during the postwar transition period, especially continued purchases of strategic materials at unreduced prices.<sup>16</sup>

The Chapultepec Conference delegates eventually formulated a resolution aimed at resolving this problem at the plenary session of 6 March 1945 when they approved a resolution entitled: "Reorganization, Consolidation, and Strengthening of the Inter-American System." The resolution established a permanent Inter-American Economic and Social Council as a subsidiary of the Governing Board of the Pan American Union. This Inter-American Council was empowered to promote the raising of the standard of living of all American peoples through cooperation with international economic agencies. The resolution expressed in general terms the preoccupation of the Latin American delegations that a sudden reduction in the purchase of raw materials by the United States would gravely injure the economic structure of Latin America.<sup>17</sup> With its signing of the resolution on Inter-American cooperation, the United States delegation assured these republics to the south

that every effort would be made to avoid a sudden decline in postwar strategic materials purchases. A few months later Bolivia reminded the United States of its commitments made at Chapultepec.<sup>18</sup>

Ambassador Andrade emphasized the pledges made by the United States at the Chapultepec Conference as he pressed for a new, generous tin contract during the June-September contract talks with the State Department in 1945. He approached the Department of State on 14 June 1945 requesting serious consideration be given his desire for a two- or three-year renewal of the existing tin purchase agreement. Its expiration within three weeks caused great concern to Andrade, who hoped the Chapultepec resolutions would prompt the United States to take a sympathetic view of Bolivia's continued economic dependence on high tin prices. He further explained that long-range economic planning was an impossibility for Bolivia without a firm contract. Andrade added that internal social and political stability depended on adequate income from tin sales.<sup>19</sup>

Shortly after Andrade's visit, the State Department engaged in internal discussions with representatives from the Foreign Economic Administration to formulate a proposal for presentation to Andrade. FEA

consultants suggested a tin price cut in any new purchase contract with Bolivia. Even though they saw a continued demand for Bolivian tin for at least one year and possibly more, FEA economists thought the United States could pressure Bolivia into accepting a reduction from the prevailing sixty-five cents a pound to fifty-five cents during the first six months of a one-year contract. The price paid during the second six months would be determined by comparison with that paid other tin exporting countries.<sup>20</sup> The State Department was not very receptive to these recommendations.

The Department of State rejected the FEA proposals as contrary to both the letter and the spirit of United States commitments made at the Chapultepec Conference in Mexico City. They preferred a more gradual reduction in prices to permit an orderly return to normal private and uncontrolled commercial trade after the war. Furthermore, State Department representatives saw tin as remaining a strategic war material still critical to the needs of the Allied Powers in June 1945. They therefore suggested that the FEA join with them in proposing a new agreement which would reduce the price at a ninety-day or quarterly rate. The proposed one-year contract provided for a  $63\frac{1}{2}$  cent price the first calendar

quarter, declining successively  $1\frac{1}{2}$ ,  $1\frac{1}{2}$ , and then 2 cents a pound until reaching  $58\frac{1}{2}$  cents paid the final three months of the new contract expiring 30 June 1946.<sup>21</sup> This became the official United States offer given to Andrade in July 1945.

Andrade expressed his country's disappointment with the proposed contract when he met with State Department officials on 6 August 1945. He gave the following reasons for viewing as unjust any reduction in tin prices:

1. England and the United States controlled the world price of tin through their monopoly on transporting, smelting, and marketing the metal. FEA officials had admitted to Andrade that if controls were lifted, tin prices might increase to as much as a dollar a pound refined metal
2. The United States could not justifiably propose reducing the price paid for Bolivian tin on the premise that supplies of the metal would be more abundant within a year after the recapture of smelter facilities and mines formally held by Germany and Japan. It was apparent in August 1945 that the United States was still experiencing a tin shortage; and a return to a peacetime economy could

- very well increase the demand for the metal
3. Bolivia could not reasonably be expected to reduce taxes on tin ore exports or deprive mine workers of recently conferred wage and fringe benefit increases until it diversified its economy. This required unreduced tin revenues at least through the 1945-46 contract period
  4. A reduction in tin prices could produce a severe economic crisis, setting the stage for nationalization of the mining industry<sup>22</sup>

Andrade went on to answer State Department accusations that Bolivia's system of export taxes needed reform by stating that both he and the Minister of Finance, Paz Estenssoro, saw the advantages of shifting the tax burden from export taxes to profit taxes on mine earnings. This would permit small mines to operate profitably and induce capital investment. Andrade said that Bolivia would welcome State Department advisors coming to Bolivia to study the tax system and would seriously consider any recommendations made for improving it. However, he cautioned that any change to an emphasis on profit taxes would be much more complex and difficult to administer than the easily enforced tax based on tin content of exported ore.<sup>23</sup> Despite

Andrade's best efforts, the State Department would not compromise.

The final contract signed was based on that originally proposed by the United States, with Bolivia reluctantly agreeing to a reduction in tin prices. Bolivia formally ratified the new agreement on 13 September 1945. It provided for a price of  $63\frac{1}{2}$  cents a pound retroactive to 1 July 1945 and declining gradually each calendar quarter to a low of  $58\frac{1}{2}$  cents in the last quarter of the contract period--April to June 1946.<sup>24</sup>

Repercussions soon followed in Bolivia as officials of the Villarroel government took a pessimistic view of the economic prospects for 1946. President Villarroel announced a 20 percent cut in his 1946 budget. He also ordered the reduction of general imports to absolute necessities, froze wages, and decreed a 15 percent increase in taxes on mining company profits. His administration claimed that high production costs, coupled with unsatisfactory tin prices, would produce a progressive reduction in tin ore output. This, in turn, would precipitate a general economic crisis.<sup>25</sup> Finance Minister Paz expressed grave concern about falling tin prices and accompanying loss of government revenues.<sup>26</sup>

In late 1945 a move by Bolivia's largest tin mining company, the Patiño-controlled Bolivian Tin and Tungsten Mines Corporation, tended to confirm the gloomy predictions made by the Villarroel government; Patiño claimed that in order to cut costs he had to temporarily close his principal tin mine at Huanuni, laying off two thousand workers. Villarroel reacted quickly by visiting Huanuni and the other major tin mines to assure workers of government assistance. He and his entire cabinet, which accompanied him on the tour, told the miners that the Villarroel administration would stringently enforce the 1944 Voluntary Retirement Bill to speed the receipt of severance pay due the workers at Huanuni. In addition, the President promised a concerted effort by government agencies to relocate and provide new jobs for those laid off as a result of the Patiño action.<sup>27</sup>

As the situation deteriorated at home in Bolivia, Ambassador Andrade set out to negotiate yet another contract with the United States. He sought out United States government negotiators in January 1946 to discuss a higher price for Bolivian tin ore exports. He stressed the worsening economic conditions in Bolivia as mines were closing down and government revenues dwindled. His

comments were taken under advisement by the United States Department of State and the Reconstruction Finance Corporation (RFC), the agency primarily concerned with tin purchases at that time.<sup>28</sup> The United States Ambassador to Bolivia also participated in the contract discussions.

Walter Thurston, United States Ambassador to Bolivia from September 1944 to April 1946, was born in Denver, Colorado in December of 1895. He took his first position with the United States government at the age of eighteen, working as a clerk to Department of State representatives in Mexico City. A series of rapid promotions and assignments to various posts throughout Latin America followed the Mexico experience. His first ambassadorial appointment came in 1943 when he took the post as United States Ambassador to El Salvador, Central America. On 21 September 1944 Thurston received an appointment as Ambassador to Bolivia, replacing Pierre de Lagarde Boal.<sup>29</sup> Thurston was called to Washington, D.C. in early 1946 to assist State Department and RFC officials in formulating the strategy used in contract talks between January and March 1946.

Ambassador Thurston rejected Bolivian claims that the situation in that country would significantly

deteriorate if the United States continued its policy of tin price reductions, advising instead that the best approach would be a continuing gradual decrease in the price paid for Bolivian tin ore. Thurston added that he considered any commitment the United States may have made to Bolivia had been fulfilled during the war through the high prices paid for Bolivian ore at that time. He thought the United States would therefore be justified in taking a firm stand against price increases and in requiring concessions on the part of the Villarroel government to provide more incentive to tin exporters.<sup>30</sup> Thurston's position could be seen reflected in final contract proposals.

United States negotiators told Bolivian representatives in late March and early April of 1946 that no increase in tin prices could be achieved without a reduction in costs of Bolivian tin ore production. This could be accomplished through a decrease in export taxes, wages, or social benefits, or through currency devaluation. United States negotiators favored this latter concession which would increase the amount of Bolivian currency received by mining companies mandated by law to sell 60 percent of their foreign exchange to the Bolivian Central Bank at a fixed rate of exchange.

The effect would be an increase in profits for the large mining conglomerates. United States desire to maximize tin output was given as the reason behind these requests.<sup>31</sup>

Bolivian negotiators responded unenthusiastically to the United States desire to maintain or reduce tin prices. They considered this approach unsatisfactory and unwarranted. The representatives for the Bolivian Ministry of Finance told RFC officials in Washington, D.C. that the United States was under a moral obligation to help Bolivia because of that nation's diligent wartime efforts at supplying the Allies with strategic minerals. They said that to tie export tax reductions or more favorable exchange rates to a rise in tin prices would be politically impossible for the Villarroel government. Should such action be initiated, the Bolivian government would immediately be attacked with allegations that it was selling out to the mining interests.<sup>32</sup>

Finance Minister Paz did grant one small concession to the United States when he announced on 10 June 1946 that the Villarroel government would waive taxes on a base price for tin over 63-3/4 cents a pound. Through this action, mining companies would be taxed

only on the first 63-3/4 cents received for tin content of exported ore. This tax waiver for producers was the government's contribution to the negotiations for a higher tin price. Bolivia refused to settle for any further reductions in the income from tin sales.<sup>33</sup>

Ambassador Andrade presented a proposal of sixty-six cents a pound to United States negotiators, saying his government would not retreat from this offer of 21 July 1946. He demanded either a price of sixty-six cents or a removal of United States-imposed restrictions on trade so Bolivia could sell its tin to other countries such as France and Belgium. If the United States resisted Bolivia's tin sales to other nations, Andrade threatened to take the matter before the United Nations for investigation of discriminatory practices in violation of world free trade laws.<sup>34</sup> His arguments proved to be very effective.

Shortly after the fall of the Villarroel regime, a new Bolivian-United States tin purchase contract containing a price structure closely resembling that proposed by Bolivia was announced on 14 August 1946. The RFC agreed to pay a base price of 62½ cents a pound along with a bonus of 2½ cents for the first six months and 3 cents the last six months of the contract. Bonuses

would be paid on tin produced in excess of 90 percent of 1944 output. The one-year contract provided for price retroactivity to 1 January 1946 and ran to the end of the same year.<sup>35</sup>

It became apparent that the contract price negotiated in August 1946 was not excessive when the price of tin rose to seventy cents a pound just two days after the United States government lifted its price controls on 10 November 1946. This upward movement of the world price, after five years during which tin exporters had only limited access to a world market for their ore, showed the extent of a global shortage of tin in 1946. The Far Eastern producing areas recovered production more slowly than had been expected. This, combined with a larger than expected postwar demand for tin, brought a rapid price escalation.<sup>36</sup> On 21 July 1946 the Villarroel government fell, too soon to reap the benefits of the new tin contract ratified two months later.

Thus did contract negotiations during the Villarroel administration reflect the fortunes of the regime established in December 1943. For the newly formed junta, the first six months in power were difficult ones during which the United States withheld

TABLE 4

BOLIVIAN-UNITED STATES TIN CONTRACT  
PRICES, 1940-48

<u>Year</u>	<u>Base Price Per Pound of Fine Tin</u>
1940	43½ cents
1941	43½ cents
1942	60 cents
1943	60 cents
1944	
January-June	60 cents
July-December	62 cents
1945	63½ cents
1946	
January-March	60½ cents *
April-June	58½ cents *
July-December	62½ cents
1947	76 cents
1948	90 cents

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Source: U.S., Department of Interior, Minerals Yearbook, 1947 (1948), p. 1149. See also the respective annual publications of Minerals Yearbook for the years 1940-46, the sections: "Review By Countries." The 1946 prices with an asterisk were later increased to 62½ cents through a retroactive clause in a contract ratified in September 1946.

its diplomatic recognition and appeared to threaten a suspension of tin ore purchases. The first contract amendment signed by the Villarroel government in March 1945 paralleled a time of relative stability for the regime. Problems followed the signing of the September 1945 agreement which eventually brought the price of tin to a low of  $58\frac{1}{2}$  cents a pound at the time of the fall of President Villarroel.

Bolivia's dependence on tin revenues to keep the central government solvent, finance increases in wages and fringe benefits for sixty thousand mine workers, and import foodstuffs and manufactured goods became very apparent when depressed tin prices severely limited its ability to fulfill these needs. Central government budget cuts, compensating increases in taxes, decreased mine output, frozen wages, and food shortages combined to put a great deal of pressure on the government by the second quarter of 1946. All this contributed to the early downfall of the Villarroel regime. Prior to examining the events of the actual demise of the government, however, a discussion of the Villarroel administration's fiscal and monetary policies will provide additional insight into the nature and long-term contributions of his regime.

Notes for Chapter V

<sup>1</sup>"The Bolivian Mining Industry and National Economy," Bulletin of the Pan American Union, February 1945, p. 80.

<sup>2</sup>Ernest S. Hedges, Tin in Society and Economic History (New York: St. Martin's Press, 1964), p. 32.

<sup>3</sup>U.S., Department of State, Foreign Relations of the United States, 1944 (1966), 7:487; Victor Andrade, My Missions for Revolutionary Bolivia, 1944-62 (Pittsburgh: University of Pittsburgh Press, 1976), pp. 3-14, 38-40.

<sup>4</sup>Foreign Relations, 1944, 7:487.

<sup>5</sup>Ibid. Even with free housing and medical attention, and artificially low prices at company food stores, Bolivian miners received very low pay. About half the miners averaged fifty cents a day wages in 1942. William Neiswanger, "Bolivia," in Economic Problems of Latin America, ed. Seymour Harris (New York: McGraw-Hill Inc., 1944), p. 255.

<sup>6</sup>Foreign Relations, 1944, 7:487-88.

<sup>7</sup>The FEA was established 25 December 1943 as an agency to consolidate the Office of Lend-Lease Administration, Office of Economic Warfare, and Office of Foreign Relief and Rehabilitation Operations. At this time, the FEA was in charge of tin purchases. U.S., Department of State, Foreign Relations of the United States, 1943 (1966), 5:712.

<sup>8</sup>Foreign Relations, 1944, 7:488-89.

<sup>9</sup>Ibid.

<sup>10</sup>Ibid.

<sup>11</sup>Ibid., 7:574-75; U.S., Department of Interior, Minerals Yearbook, 1944 (1945), pp. 720, 735.

<sup>12</sup>Hedges, Tin in Society, pp. 45-47.

<sup>13</sup>Ibid.

<sup>14</sup>Ibid., p. 32.

<sup>15</sup>U.S., Department of State, Foreign Relations of the United States, 1945 (1966), 9:586-87.

<sup>16</sup>Ibid., 9:122, 137. United States Secretary of State E. R. Stettinius headed the United States delegation. Other members included Nelson A. Rockefeller, Assistant Secretary of State, and Avra M. Warren, Director, Office of American Republic Affairs.

<sup>17</sup>"The Inter-American Conference on Problems of War and Peace," Bulletin of the Pan American Union, May 1945, p. 255.

<sup>18</sup>Foreign Relations, 1945, 9:579.

<sup>19</sup>Ibid.; Andrade, My Missions, p. 70.

<sup>20</sup>Foreign Relations, 1945, 9:580-82.

<sup>21</sup>Ibid.

<sup>22</sup>Ibid., 9:584-87.

<sup>23</sup>Ibid.

<sup>24</sup>U.S., Department of Interior, Minerals Yearbook, 1945 (1946), p. 727.

<sup>25</sup>"Pessimism in Bolivia," The Inter-American, January 1946, p. 42.

<sup>26</sup>La Calle (La Paz, Bolivia), 17 January 1946,  
p. 5.

<sup>27</sup>La Calle, 25 December 1946, p. 4.

<sup>28</sup>U.S., Department of State, Foreign Relations of the United States, 1946 (1966), 11:375. By 1946 the FEA had been dissolved and the Metal Reserves Division of the RFC took its place in tin contract talks. The RFC was established by congress on 22 January 1932 to provide emergency financing facilities for financial institutions. Under 1940 legislation, it assumed large military responsibilities including strategic metals purchases by 1946.

<sup>29</sup>U.S., Department of State, Biographic Register of the Department of State, 1945 (1945), p. 300.

<sup>30</sup>Foreign Relations, 1946, 11:377-79.

<sup>31</sup>Ibid., 11:381-83.

<sup>32</sup>Ibid., 11:384. The main Bolivian representative was Jorge H. Sanchez.

<sup>33</sup>Ibid., 11:389-90.

<sup>34</sup>Ibid., 11:392-93.

<sup>35</sup>U.S., Department of Interior, Minerals Yearbook, 1946 (1947), p. 1161.

<sup>36</sup>Ibid., pp. 1160, 1167.

CHAPTER VI  
MONETARY AND FISCAL POLICIES OF  
THE VILLARROEL GOVERNMENT

A carefully planned and consistent policy of monetary and fiscal conservatism characterized most of the Villarroel administration.<sup>1</sup> Finance Minister Victor Paz Estenssoro, chief architect of this course of action, led the effort to institute policies designed to achieve a balanced budget and fight inflation through a reform of the Bolivian banking system and passage of laws requiring mining companies to exchange more foreign currency earnings for bolivianos, thereby increasing government foreign exchange income.

Paz supervised the tightening of central government budget practices between January and April 1944 and, subsequent to his reappointment as Finance Minister in December of the same year, he directed the formulation and promulgation of two important laws in 1945. A presidential decree of April 1945 required mining companies to buy additional Bolivian currency with their foreign exchange income. Then, congressional legislation reorganized the Bolivian Central Bank in December 1945.<sup>2</sup>

These actions resulted in a sharp decline in the rate of inflation until early in 1946.

Expenditures on major public works projects began to threaten monetary stabilization efforts by the end of the Villarroel presidency. Nevertheless, Finance Minister Paz felt certain projects, such as the construction of a highway linking Santa Cruz and Cochabamba, were of so much long-term value to the nation as a whole that the possible unfavorable fiscal side effects of large government expenditures appeared warranted. Paz did his best to limit inflationary pressures caused by sizable Central Bank loans used to help finance these projects by maximizing tax revenues.<sup>3</sup> This increased income compensated somewhat for the additional expenditures and left the Villarroel regime with a sound overall economic record.

The thirty-one months of the Villarroel government represented a period of relative fiscal and monetary stability. Reforms directed by Paz successfully reversed an inflationary trend which had seriously limited the buying power of the Bolivian working class. Programs instituted by the Villarroel administration brought under control an inflationary spiral dating back to 1935 when the central government began printing more money to

supplement revenues inadequate to finance the Chaco War. After nearly a decade of deficit spending, the new Villarroel administration took corrective measures which brought down the annual rise in the cost of living from 18 percent in 1943 to 7.7 percent in 1944 and 1945.<sup>4</sup> Finance Minister Paz viewed inflation as a major evil eroding the buying power of the average Bolivian, while at the same time providing increased wealth for giant mining conglomerates.

Rapid inflation favored the big three mining corporations headed by Patiño, Hochschild, and Aramayo. Their mining companies received substantial amounts of foreign currency in return for exports of Bolivian tin ore, and then used the dollars received to buy cheap local currency to pay mine workers. Paz advised Villarroel to alter this process by issuing a decree that would result in the government obtaining a large part of this foreign currency.

President Villarroel established the means by which he could greatly increase the government's share of mining companies' foreign exchange export earnings by issuing Decree 280 on 3 April 1945. Prior laws required tin exporters to exchange for bolivianos 42 percent of their gross dollar income. Decree 280 ordered an

TABLE 5

BOLIVIA: AVERAGE ANNUAL INCREASE  
IN INDEX OF COST OF LIVING

<u>Period</u>	<u>Annual Percentage</u>
1936-39	50.74
1940-43	23.74
1944-45	7.7
1946-51	18.28

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Source: United Nations, Analysis and Projections of Economic Development, IV: Bolivia (Mexico City: Department of Economic and Social Affairs, 1958), p. 62.

increase in this to the higher of two figures: either 60 percent of gross or 100 percent of net foreign exchange earnings had to be exchanged for bolivianos. In this manner, the Bolivian government augmented its foreign exchange reserves.<sup>6</sup>

Bolivia's central government needed adequate supplies of foreign exchange to purchase essential imports of foodstuffs and manufactured goods, and to buy gold to increase the Central Bank's precious metal reserves. Decree 280 satisfied these requirements and by so doing helped stabilize fiscal operations and control inflation. The new law therefore pleased the Finance Ministry but not metal exporters.

The revenue-starved Villarroel administration used Decree 280 to draw on the most abundant available source of foreign exchange. Mineral exports between 1941 and 1945 made up 95.3 percent of the value of all Bolivian exports. Tin alone made up 72.9 percent of total exports.<sup>7</sup> Decree 280 therefore tapped a large and inexpensive source of dollars.

An additional benefit of Decree 280 stemmed from the treasury section of the Central Bank's practice of purchasing dollars at the official rate of 42 bolivianos each while the free market value exceeded 74.1

TABLE 6

COMPOSITION OF BOLIVIAN EXPORTS  
(Percentages of Value of Total Exports)

<u>Minerals</u>	<u>1925-29</u>	<u>1930-40</u>	<u>1941-45</u>	<u>1946-49</u>
Total	93.3	94.8	95.3	95.6
<u>Breakdown</u>				
Tin	74.2	74.8	72.9	71.5
Tungston	0.3	3.0	8.9	2.6
Lead	4.8	2.6	2.2	5.9
Zinc	1.3	2.5	2.5	2.7
Silver	6.0	7.4	3.7	5.2
Other Metals	6.7	4.5	5.1	7.7
<u>Non- Metals</u>	6.7	5.2	4.7	4.4

Source: United Nations, Analysis and Projections of Economic Development, IV: Bolivia (Mexico City: Department of Economic and Social Affairs, 1958), p. 26.

bolivianos.<sup>8</sup> This meant that by merely dictating the exchange rate the Central Bank made an immediate profit on every dollar purchased from exporters. This hidden additional tax on mining income was yet another sign of the government's determination to obtain every possible dollar from tin producers.

Decree 280 stated that 100 percent of tin mining companies' foreign exchange income had to be sold to the Central Bank after making allowances for essential expenditures. Tin producers could make deductions for equipment purchases needed for continued ore production, dividend payments to stockholders, loan and bond payments, and other foreign debts approved by the Finance Ministry.<sup>9</sup> This was the rule for all exporters of ore with high tin content.

Another provision of Decree 280 recognized that miners of low grade ore encountered higher expenses in their mine operations. To provide for this situation, the new law permitted small mine owners to retain more than 40 percent of their foreign currency income, depending on the tin content of the ore they exported.<sup>10</sup>

Article 2 of Decree 280 contained a chart indicating the percentage of gross foreign exchange earnings tin producers were allowed to retain. Marginal

producers exporting slag and ore wastes with tin content of 10 percent or less were allowed to keep up to 85 percent of their earnings. Exporters selling high grade ore containing more than 40 percent tin could retain a maximum of 40 percent of their gross dollar income. Consequently, the specific amount of foreign exchange income required to be sold for bolivianos varied from a high of 60 percent to a low of 15 percent of gross income.<sup>11</sup> Even after the sale of these minimum percentages as stipulated in Article 2, 100 percent of net dollar earnings would normally have to be sold for bolivianos.<sup>12</sup>

Article 7 of Decree 280 made allowances for exceptional cases in which exporters needed to withhold some foreign exchange income in excess of that provided for in Article 2. Provisional retention of this additional amount of foreign currency was permitted if the exporter presented convincing supporting evidence to the Central Bank as proof of this need. These documents would be reviewed by the Ministry of Finance which then made the final decision on whether or not to grant the tin producer's request.<sup>13</sup> By setting up such tight controls on mining company foreign exchange transactions, the Villarroel government took a very

TABLE 7

DECREE 280, ARTICLE 2  
 FOREIGN EXCHANGE REGULATIONS FOR TIN EXPORTERS

<u>Tin Content of Exported Ore</u>	<u>Percentage of Foreign Exchange Earnings That Exporters Could Provisionally Retain</u>
Up to:	
10%	85
15%	80
20%	72
25%	64
30%	55
35%	50
40%	45
More than: 40%	40

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Source: Bolivia, Anuario Administrativo de  
1945 (La Paz, Bolivia: Editorial del Estado, 1946),  
 p. 493.

important step toward stabilizing the Bolivian economy.

The second major law designed to improve central government fiscal and monetary strength was already in its planning stages at the time of the implementation of Decree 280. Finance Minister Paz initiated administration endeavors to bring about changes in the Bolivian banking system in early 1944. He sent a directive at that time to the head of the Central Bank summarizing the executive branch's position on Central Bank activities:

With an aim to preventing uncontrolled issuing of currency and securities and to restrict credit expansion by the Central Bank, with grave prejudice to the buying power of the currency, and to obtain a stable currency benefiting both the government and the whole population, take notice of the fact that the sum total of credits offered by the treasury branch of the Central Bank should not exceed the amount in circulation in December 1943, that is, approximately 200,000,000 bolivianos.<sup>14</sup>

Paz's directive did not result in establishment of effective controls so the MNR formed a plan to introduce legislative changes.

Congress passed the Law of 13 December 1944 as a preliminary step in the Central Bank reform process. It ordered the formation of a commission of experts to study banking and monetary problems in Bolivia and issue a report to the executive branch with suggestions as to what actions should be taken to improve the existing

banking structure, possibly through some type of executive order.<sup>15</sup>

Villarroel issued Presidential Decree 262 on 8 February 1945 outlining the procedure for an effective Central Bank study. Administrators in charge of Central Bank functions were instructed to place all their records at the disposal of the Commission of Bank Reforms which had until 31 May 1945 to complete its investigation of Bolivia's financial institutions.<sup>16</sup> Villarroel subsequently incorporated the recommendations of the Commission of Bank Reforms into a bill drawn up by the executive branch.

President Villarroel submitted the proposed draft of a law reorganizing the Central Bank of Bolivia to a joint session of congress on 31 October 1945. Because the new law would supposedly furnish Bolivia with a permanent solution to the inflationary problems plaguing the country, Villarroel offered it as the most advanced improvement in the nation's banking system since the formal establishment of the Central Bank in 1928.<sup>17</sup>

The President stressed the devastating effects of fiscal excesses upon the value of the boliviano. One United States dollar in 1928 bought 2.73 bolivianos. The exchange rate in 1945 was forty-two to the dollar.

The cost of living at the end of 1943 was fifteen times that of 1931. Inflation needed to be checked through tighter controls over the Central Bank's powers to expand credit and issue the national currency. Otherwise, inflation would continue indefinitely.<sup>18</sup>

Nearly every Bolivian worker suffered from the adverse effects of excessive monetary expansion. Savings became almost worthless in the face of the decreasing buying power of the boliviano. Public employees and other salaried workers with fixed incomes lived on the fringes of poverty as adjustments for inflation lagged far behind increases in the prices of essential commodities. The revolutionary government of December 1943 hoped to do something about these problems.<sup>19</sup>

Villarroel offered congress the Central Bank reorganization law as a means to institute and maintain more favorable monetary and credit conditions within the republic. This could be accomplished through strict vigilance of the circulation of bolivianos, regulation of credit, exchange controls, increasing the amount of commercial bank reserves necessary in relation to outstanding loans, and regulating the movement of monies between Bolivia and the exterior.<sup>20</sup>

Villarroel elaborated on his proposal, saying that

he and his advisors thought changes could be best implemented through a major reorganization of the Central Bank. This, stated the President, would be the most efficacious way of stemming the inflationary process. More specifically, Villarroel offered a plan to divide the Central Bank into two distinct departments, each with its own director. The Central Bank at that time had only one director of both its functions of regulating commercial banking and central government fiscal transactions, including the power to print and circulate bolivianos.<sup>21</sup> Villarroel said his proposed division of authority over the Central Bank's various functions would improve upon many of its deficiencies.

Several flaws inherent in the prevailing Central Bank organizational framework contributed to high inflation. As a single entity with one man directing both central government fiscal operations and monetary and credit transactions, the tendency was to satisfy budget deficits through an increase in credit from the Central Bank. It simply printed the money required to pay government debts.<sup>22</sup> For example, credit obligations of the central government to the Bolivian Central Bank rose more than 30 percent between 1941 and 1942. Between 1939 and the end of 1945 the amount of money in

circulation increased from 679,500,000 to 2,558,400,000 bolivianos.<sup>23</sup> President Villarroel used these figures to emphasize the need for changes in the Central Bank's functions.

Villarroel wanted to improve the Central Bank without disturbing its role as a separate banking institution. He ended his October 1945 address to congress with reference to Article 85 of the law of reorganization as representing a clause protecting the autonomy of the Central Bank. Article 85 guaranteed the independent nature of that financial institution, free from all political influences. It stated that the central government formally acknowledged the autonomy of the Central Bank's internal operations and credit procedures subject only to the dictates of Bolivian statutory banking laws.<sup>24</sup> With this note, Villarroel closed his speech, leaving it to congress to act on the banking reform bill.

Congress debated the Law of Reorganization of the Bolivian Central Bank during 19-20 November 1945. The discussions consisted mainly of an interchange between Finance Minister Paz speaking for the bill's approval and members of the legislature who wished to make some changes in various articles of the law. Paz eloquently

and knowledgeably defended the legislation as originally prepared by the executive branch. He succeeded in getting the bill approved after a few minor compromises and no major changes in the original text as presented to congress.<sup>25</sup> The legislature formally approved the reorganization law in late 1945.

The 20 December 1945 Law of Reorganization of the Bolivian Central Bank divided that financial institution into two parts, the Banking Department and the Monetary Department.<sup>26</sup> The first supervised the nation's commercial and industrial credit needs while the Monetary Department took care of central government banking transactions and currency circulation. This separation of the two Central Bank functions guaranteed that decisions affecting banking activities in the community at large would have no direct or immediate influence on Monetary Department operations.<sup>27</sup>

Besides the separation of power within the Central Bank, the banking reform law placed special restrictions on the role of each department. It placed specific limits on the treasury functions of the Monetary Department, prohibiting the circulation of additional bolivianos except to buy gold or foreign currency, make loans backed by gold, redeem government development

bonds, pay demands on deposited funds, and to advance the central government bolivianos in an amount up to a maximum of 8 percent of outstanding tax obligations to the national budget account.<sup>28</sup> These restrictions illustrated the executive branch's preoccupation with the regulation of activities affecting the national monetary situation.

Article 38 of the Law of Reorganization represented yet another clause to help prevent inflation. It did so by making the director of the Monetary Department accountable for any currency expansion exceeding 10 percent a year. If bolivianos in circulation increased beyond this amount, the Monetary Department was to notify the Minister of Finance and submit a report explaining the causes and means adopted to combat such an occurrence. Article 38 sought in this way to check the devaluation of the national currency and combat monetary expansion not accompanied by increased output of goods and services.<sup>29</sup>

Further restrictions outlined in Article 38 referred to commercial banking practices that might result in unregulated credit expansion. Section (c) of the article gave the Monetary Department the added responsibility of keeping watch on the reserves held by

commercial banks. The Monetary Department was authorized to take whatever action necessary to ensure that all bank loans, including its own credit transactions with the Bolivian government, were properly secured so as to prevent speculation and excessive credit expansion.<sup>30</sup>

Article 73 of the banking reform law set limits on Monetary Department loans to the central government and its institutions by establishing a public debt ceiling prohibiting the sum total of all government financial obligations from exceeding the debt existing at the time of the law's passage. However, it allowed for fluctuations in monthly tax revenues--as opposed to the regular nature of expenditures on the national debt--through a clause permitting an 8 percent advance on expected tax revenue income. This ensured that the government would not default on its debt payments.<sup>31</sup> Thus did the Law of Reorganization treat the subject of one of the two major divisions of the Central Bank.

The bank reform law next discussed the Banking Department and its dual functions of directing commercial banking transactions with the general public and industrial credit. To provide clear lines of authority and responsibility in these two areas, the

Law of Reorganization subdivided the Banking Department into an Industrial Section handling industrial loans up to three million bolivianos and a Commercial Section dealing with short-term loans to private businesses and individuals.<sup>32</sup> This part of the reform law was consistent with the government's plan to both safeguard the nation against inflationary pressures from unregulated banking operations and protect the overall integrity of the Bolivian currency.

The Law of Reorganization strengthened efforts to perpetuate a policy of fiscal solvency by clarifying the relationship between gold and the boliviano. Article 65 formalized in law the abolition of the gold standard, abandoned in practice fourteen years before in 1931. It set the value of the boliviano at forty-two to the United States dollar rather than comparing its value to a certain amount of gold.<sup>33</sup> This was one of the more important of the many significant articles in the new legislation.

Other highlights of the Law of Reorganization of the Bolivian Central Bank included:

1. Article 66 provided for strictly defined Central Bank reserve requirements in gold or foreign exchange to make certain of continued stability in the value of

- the boliviano
2. Article 83 stipulated that industrial loan agreements must explain in detail the intended use of the borrowed money
  3. Article 84 prohibited the use of industrial loans to satisfy personal or business debts existing at the time of the loan; funds received had to be used for new industrial expansion<sup>34</sup>

Articles such as these reflected policies that became apparent soon after 20 December 1943.

The Villarroel administration and particularly Finance Minister Paz wanted the bank reform legislation as a formal law which would perpetuate fiscal and monetary plans of action similar to those already implemented in 1945. Fiscal controls balancing the national budget and providing for more orthodox financial operations by the Central Bank were apparent before the passage of the Law of Reorganization. The budget was balanced in 1944 and 1945. Total debts of the general public to the nation's banking system at the end of 1943 amounted to 739,500,000 bolivianos. This sum increased only slightly to 743,500,000 bolivianos by December of 1945. Debits and credits of the commercial banks in 1945 were nearly the same as those current

in 1943.<sup>35</sup> These economic improvements were the direct result of general directives coming from the Ministry of Finance and the new banking law of 20 December 1945.

Anti-inflationary measures established during the Villarroel administration greatly strengthened Bolivia's fiscal position and effectively halted a decade of excessive monetary expansion without resulting in any losses in available goods and services. To the contrary, imports continued to increase and the index of industrial production showed major advances. Concurrently, the country's balance of payments improved and Central Bank gold reserves increased dramatically during 1944 and 1945.<sup>36</sup>

Finance Minister Paz worked to build a large gold reserve fund during the Villarroel regime in the hope of using it as collateral to obtain United States loans. From December of 1943 to December 1945 the reserves of gold and foreign exchange held by the Central Bank grew from nineteen million to thirty-four million dollars. Paz wanted to use these reserves to guarantee loans for public works projects and equipment imports which would eventually free Bolivia from its dependence on tin.<sup>37</sup>

Bolivia was in desperate need of diversifying its economy. Products of the nation's mining industry made

TABLE 8

BALANCE OF PAYMENTS FIGURES FOR BOLIVIA  
1943-47 (U.S. Dollars)

<u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Balance</u>
1943	96,636,600	96,308,500	238,100
1944	84,675,000	82,107,000	2,567,900
1945	90,336,800	77,871,700	12,465,100
1946	81,930,500	89,697,200	-7,766,700
1947	82,248,600	104,972,600	-16,724,000

Source: Harold Osborne, Bolivia: A Land Divided (London: Royal Institute of International Affairs, 1955), p. 124. Since Osborne does not explain why the sum of Expenditures and Balance does not equal Revenue for each year, these figures must be interpreted as approximations.

up an average of 95 percent of total exports in the years 1938 through 1945, with tin accounting for most of these mineral exports. Paz saw that this dependence on a single export item left his country at the mercy of fluctuating tin prices and the whims of the three big tin mining entrepreneurs controlling most mineral production. He therefore sought to secure loans and import farm machinery, road building equipment, and manufactured materials necessary to expand the Bolivian oil industry. Only by expanding output in agriculture and non-mineral exports could Bolivia break its long-term dependence on tin exports as its major source of income.<sup>38</sup>

Paz looked to the United States for help in 1945 as the Villarroel administration negotiated for large development loans from the Export-Import Bank. This agency of the United States government, based in Washington, D.C., made loans to Bolivia and other foreign countries for the purchase of equipment and goods produced by the United States. Bolivia used channels set up by the two governments to ask for ten million dollars in 1945 from the Export-Import Bank to finance the Cochabamba-Santa Cruz Highway project.<sup>39</sup>

The Bolivian Development Corporation (Corporación

Boliviana de Fomento) acted as intermediary in credit negotiations with the Export-Import Bank. Established in 1942 as a managing and technical organization to supervise a United States-Bolivian program of economic and financial cooperation, the Development Corporation's charter described its purpose as the development of Bolivia's natural resources, including improvement of the nation's mining, agriculture, commerce, public works, and transportation. The charter set up a Board of Directors composed of six members, three of whom were Bolivians and three United States citizens.<sup>40</sup>

The Board of Directors supervised some very large expenditures. Plans for a long-term program of economic cooperation called for a total Bolivian Development Corporation budget of eighty-eight million dollars. The money would come from Export-Import Bank loans and proportionately smaller Bolivian Central Bank contributions.<sup>41</sup> The Villarroel government gave high priority to the numerous projects financed with this money.

Villarroel and his administration gave special emphasis to the rapid completion of preliminary studies and credit negotiations for a highway linking the Bolivian highlands and food producing areas of the Santa

Cruz lowlands. A truck road joining Cochabamba and Santa Cruz would connect with existing rail lines to Oruro and La Paz, opening an important market for Santa Cruz area farmers.

The Bolivian government wanted to improve supply lines within the nation to save substantial amounts of foreign exchange used to purchase food imports. Bolivia spent an average of \$13,500,000 annually on food imports between 1943 and 1946.<sup>42</sup> Foodstuffs accounted for nearly a third of total annual imports. Yet the Bolivian lowlands had the capacity of producing commodities such as meat, cereals, and sugar in surplus to the country's needs.<sup>43</sup>

Linking the Santa Cruz lowlands with highland markets in Cochabamba, Oruro, and La Paz would both save foreign exchange and increase agricultural income. Extra income for the lowland food producers would mean an increase in their standard of living. Dollars saved on food imports could be used to import goods such as farm machinery and fertilizers for improved agricultural efficiency. The Villarroel administration saw these possible benefits and consequently made a diligent effort to make the Cochabamba-Santa Cruz Highway a reality.

Villarroel's government succeeded in obtaining a ten million-dollar loan from the Export-Import Bank in 1945 for the construction of the Cochabamba-Santa Cruz Highway, and the Central Bank made available its share in the form of an additional two million dollars. Final plans for the construction of the first forty-six kilometers of the highway were completed in May 1946.<sup>44</sup> The Villarroel government fell two months later.

In summary, therefore, the political alliance of President Villarroel, Finance Minister Paz, and the MNR-dominated congress brought to Bolivia a period of relative fiscal and monetary stability. Stringent foreign exchange controls and high export taxes resulted in maximum revenues to the central government. Parallel developments in the form of a major reorganization of the Bolivian Central Bank and tight supervision of all bank credit and currency expansion substantially decreased the rate of inflation. Government use of inflation as a disguised method of taxation came to an end under new policies directed by Paz.

The single notable exception to these restraints was the Cochabamba-Santa Cruz Highway project. Paz felt that certain needs of national significance, especially a road joining Santa Cruz with the highlands, held

precedent over a strictly balanced budget. He saw that in the long run the foreign exchange savings and development of the agricultural sector would offset any temporary disadvantage of large public expenditures. In the end, however, time did not permit the realization of long-term plans since opposition forces overthrew the MNE-Radepa-Villarroel coalition in July 1946.

Notes for Chapter VI

<sup>1</sup>Herbert S. Klein, Parties and Political Change in Bolivia, 1880-1952 (Cambridge: Cambridge University Press, 1969), p. 377.

<sup>2</sup>Augusto Céspedes, El presidente colgado (La Paz, Bolivia: Editorial Juventud, 1971), pp. 223-25.

<sup>3</sup>James M. Malloy and Richard S. Thorn, eds., Beyond the Revolution, Bolivia Since 1952 (Pittsburgh: University of Pittsburgh Press, 1971), pp. 181-82. Among the actions taken to augment government revenues was a 3 percent export tax increase on tin ore (27 November 1945). Bolivia, Anuario Administrativo de 1945 (La Paz, Bolivia: Editorial del Estado, 1946), pp. 569-70.

<sup>4</sup>United Nations, Analysis and Projections of Economic Development, IV: Bolivia (Mexico City: Department of Economic and Social Affairs, 1958), p. 64.

<sup>5</sup>Víctor Paz Estenssoro, Revolución y contrarrevolución de Bolivia (Buenos Aires, Argentina: By the Author, 1947), p. 9.

<sup>6</sup>Ibid. Other major reasons the government required the sale of foreign exchange to the Central Bank included: to control the outflow of dollars to Switzerland and other havens, and to give the government more control over the use of foreign exchange, not only for use of the public sector, but also by sale to other parts of the private sector.

<sup>7</sup>United Nations, Analysis and Projections, p. 26.

<sup>8</sup>Ibid., pp. 63-64.

<sup>9</sup>Bolivia, Anuario, 1945, pp. 492-93.

<sup>10</sup>Ibid.

- <sup>11</sup>Ibid.
- <sup>12</sup>Ibid.
- <sup>13</sup>Ibid., p. 494.
- <sup>14</sup>Ley de Reorganización del Banco Central de Bolivia (La Paz, Bolivia: Escuela Tip. Salesiana, 1946), p. 15. Author's translation.
- <sup>15</sup>Bolivia, Anuario Administrativo de 1944 (La Paz, Bolivia: Editorial del Estado, 1945), p. 81.
- <sup>16</sup>Bolivia, Anuario, 1945, pp. 471-72.
- <sup>17</sup>Ley de Reorganización, pp. 25, 46.
- <sup>18</sup>Ibid., pp. 31-32.
- <sup>19</sup>Luis Peñaloza Cordero, Historia del Movimiento Nacionalista Revolucionario, 1941-1952 (La Paz, Bolivia: Editorial Juventud, 1963), pp. 78-79.
- <sup>20</sup>Ley de Reorganización, p. 35.
- <sup>21</sup>Ibid., pp. 35-36.
- <sup>22</sup>Julio Benavides M., Historia de la moneda en Bolivia (La Paz, Bolivia: Ediciones Puerta del Sol, 1972), pp. 192-98.
- <sup>23</sup>United Nations, Analysis and Projections, p. 64.
- <sup>24</sup>Ley de Reorganización, pp. 43-44, 236. The text of Villarroel's speech as printed here states Article 83, but he was obviously referring to Article 85, a part of which he quotes.
- <sup>25</sup>Ibid., pp. 45-193.
- <sup>26</sup>United Nations, Analysis and Projections, p. 64.

- <sup>27</sup>Ley de Reorganización, pp. 36-37.
- <sup>28</sup>Bolivia, Anuario, 1945, pp. 424-26.
- <sup>29</sup>Ley de Reorganización, p. 201.
- <sup>30</sup>Bolivia, Anuario, 1945, pp. 415-16.
- <sup>31</sup>Ibid.
- <sup>32</sup>United Nations, Analysis and Projections, p. 64.
- <sup>33</sup>Ibid.
- <sup>34</sup>Ibid., pp. 226-36.
- <sup>35</sup>Ibid., p. 64.
- <sup>36</sup>Ibid., pp. 64-65.
- <sup>37</sup>Ibid., pp. 63-64.
- <sup>38</sup>Harold Osborne, Bolivia: A Land Divided (London: Royal Institute of International Affairs, 1955), p. 107.
- <sup>39</sup>U.S., Department of State, Foreign Relations of the United States, 1945 (1969), 9:590-92.
- <sup>40</sup>U.S., Department of State, Foreign Relations of the United States, 1942 (1962), 5:592-97.
- <sup>41</sup>Ibid., 5:604.
- <sup>42</sup>United Nations, Analysis and Projections, p. 54.
- <sup>43</sup>Osborne, Bolivia, p. 108.
- <sup>44</sup>Foreign Relations, 1945, 9:591; U.S., Department of State, Foreign Relations of the United States, 1946 (1969), 11:391.

## CHAPTER VII

### 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 the regime, brought about the downfall of the Villarroel government on 21 July 1946. Villarroel's opponents successfully engineered a complete breakdown in the power structure of the executive branch by isolating the President from the various groups protecting him. They 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>1</sup>

Reform efforts by the Villarroel administration 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 Indian workers in the mines and on huge landed estates. They formed an alliance of convenience with the

Partido de la Izquierda Revolucionario (PIR) in plotting to depose Villarroel.<sup>2</sup>

The ability of mine owners and the landed oligarchy to enlist PIR in their cause against Villarroel was of considerable significance in the events leading to his downfall. Big business had money and influence but lacked the general public's sympathy and a group to carry out the actual revolt. PIR supplied the popular backing from among its urban followers to enable Bolivia's financial interests to bring down the Villarroel regime.<sup>3</sup>

Leaders of PIR joined with Villarroel's arch-enemies in scheming to overthrow his administration in the hope that a new government would permit them to fill the void left by the deposed MNR. They wanted to be forever rid of the MNR and at the same time recover the political supporters lost to this rival party. Social legislation passed by the MNR-dominated congress had been very popular among PIR's constituents, winning for the MNR increased backing from the general public.

Also particularly disturbing to PIR was the MNR's involvement with mine labor organizations. PIR leaders of the urban labor movement saw themselves as exclusive champions of the entire Bolivian working class. They

felt that mine workers, as part of the overall labor force, came under their direction. MNR infiltration into such groups brought PIR to the point of close collaboration with big business by 1946.<sup>4</sup>

The congressional elections of 5 May 1946 clearly delineated the two opposing forces of Villarroel, the MNR, and Radepa on one side and PIR, urban labor, the landholders, and mining entrepreneurs forming the other camp. A coalition of the political parties representing Villarroel's opposition consolidated their power for the May elections by uniting into the Frente Democrático Antifascista (FDA).

The MNR victories in the congressional elections of May 1946 lost much of their significance because the FDA and nearly all non-MNR candidates boycotted the race on the basis of allegations that the government interfered with campaigning activities and balloting procedures.<sup>5</sup> Consequently, the elections did little more than add to a general discontentment with the Villarroel regime by further limiting non-MNR representation in the legislature. Opposition newspapers added to Villarroel's problems by criticizing the May contest as a sham, thereby stirring up anti-government sentiment.

The La Paz press launched an intensive propaganda

campaign against Villarroel in early 1946. El Diario, La Razón, and Última Hora, owned or controlled by Patiño, Aramayo, and Hochschild, respectively, led the written assault on the floundering government.<sup>6</sup> El Diario and La Razón published a five-column article in April 1946 in which an exiled colonel requested his former colleagues in the Bolivian military to return the government to civilian leadership.<sup>7</sup> A more specific verbal attack appeared in an El Diario editorial of 2 April 1946; it reflected the intensity of the press offensive against the administration:

A government with democratic roots does not need to assume Hitler-like postures and express its views with dictatorial arrogance, forgetting the proper conduct required of its position of authority.<sup>8</sup>

The same newspaper on 3 May 1946 deplored the lack of freedom of expression, the injustices, and the fratricide occurring under Villarroel. La Razón published various editorials during the first days of the following month of June in which the newspaper called for a change of leaders, describing the ruling administration as an outrage, and adding that Villarroel should know that Bolivia suffered under an intolerable regime.<sup>9</sup> Such articles sought to identify the Villarroel government with Nazi and Fascist images seen in press

releases covering events in Europe at that time.<sup>10</sup>

President Villarroel fought back with statements denying all accusations that his regime was Nazi or Fascist in conduct or orientation. He pointed to the freedom of press, open criticism of his regime by his opponents, division of power between the executive, legislative, and judicial branches of his government, his defense of the poor and working classes, and the lack of a functioning police state as proof of the false nature of charges made by certain La Paz newspapers. He lamented that such journalism might incite the people to insurrection.<sup>11</sup>

The first major attempt to overthrow Villarroel after November 1944 took place on 13 June 1946. A small band of civilians and air force personnel seized El Alto military air base and La Calama army barracks in the city. Rebel planes flew over the capital for a short time and dropped a few bombs, none of which exploded. The entire affair ended after about seven hours when military units loyal to Villarroel overcame the poorly organized conspirators. In retaliation, that same afternoon of the thirteenth of June, Villarroel signed a decree expropriating La Razón and Última Hora on the grounds that these newspapers instigated the revolt.<sup>12</sup>

Widespread arrests followed the attempted coup of 13 June 1946. Among those imprisoned were Bolivian representatives of the United Press news service and the general manager of Pan American Grace Airways (Panagra), the largest United States enterprise in Bolivia. La Paz police commandeered one of Panagra's airport buses and arrested its driver, adding to a series of reprisals that threatened the disruption of international air service to the capital.

The government sought to justify its actions by accusing upper-class businessmen of Bolivian citizenship, especially those having connections with the press or Panagra, of being among the chief conspirators in the ill-fated rebellion. Administration sources claimed these men supplied the revolutionaries with expensive cars, the best brands of cigarettes, and large amounts of money to bribe the air force military personnel who joined in the fighting against Villarroel's forces. Anti-government leaflets dropped from rebel aircraft were allegedly printed in the offices of La Razón. Also, the use of the Panagra hangar at El Alto airport as a shelter for rebels during the brief fighting there added credence to government accusations and prompted La Paz police to search out airline company officials.<sup>13</sup>

Panagra's management personnel received assistance from United States embassy officials who protested the harassment of the airline's Bolivian directors and imprisonment and purported maltreatment of suspected leaders of the thirteenth of June coup attempt. The United States chargé d'affaires in La Paz helped Panagra's general manager obtain refuge in the Brazilian embassy and, a week later, convinced Villarroel to order the release of another of Panagra's managers who had been arrested and held incommunicado. Formal complaints objecting to reported government excesses toward rebel sympathizers and violation of the United States chancery were made to the Bolivian Foreign Ministry and Bolivian Ambassador Víctor Andrade in Washington, D.C.<sup>14</sup>

The United States Department of State was especially disturbed by reports from La Paz that on 13 June 1946 policemen loyal to Villarroel forced their way into the United States embassy's downtown offices and set up a machine gun on one of the chancery balconies. Police again tried to enter the building a day later to place a machine gun on the roof, but they were prevented from doing so by a night watchman. This conduct brought a strong note of protest from the State Department which requested assurances that no further intrusive

actions would be taken against the United States chancery in La Paz. A formal reply to State Department protests came from the Bolivian Foreign Ministry on 27 June 1946. It stated:

The Bolivian government deeply deplores these acts, doubtless caused by the confusion of the first moments and regrets that the relative individual enlightenment of the police officials could have permitted this error. I trust that this explanation will serve, so that Your Honor be informed on the scope of this lamentable matter caused by the dullness of some subordinate police officials who have been severely warned.<sup>15</sup>

The Villarroel government apologized with these words for the invasion of the United States chancery during the aborted coup, but it expressed no regret for other actions taken after the uprising. .

Bolivia's Foreign Ministry took the offensive against the United States Department of State complaints that it had acted improperly toward Grace Company and Panagra employees. It claimed these men openly plotted in the attempted revolt of the thirteenth of June in violation of United States government rules forbidding United States companies from meddling in internal politics. Villarroel's government stated that the involvement of Panagra officials in the uprising was public knowledge. The State Department did not pursue the matter any further after receiving the Bolivian

reply since the sum total of the trouble caused Panagra by the revolt was one plane rerouted through Chile to Argentina and temporary detention of two Panagra managers and one of the airline's bus drivers. Relative calm returned to La Paz by the end of June; it was, however, to be very short-lived.<sup>16</sup>

One of the immediate causes of Villarroel's downfall revealed itself on 8 July 1946 in the form of a nationwide work stoppage by secondary school teachers who were soon joined by sympathetic university students and professors. At first it appeared that the walkout would be quickly resolved when striking teachers throughout Bolivia, with the exception of La Paz, accepted a 20 percent pay increase offered by the Ministry of Education. However, the well-organized strikers in the capital city reacted to pressure from PIR leaders and university student groups and held out for a requested 100 percent pay increase. The situation in La Paz grew progressively worse as demonstrators used the labor dispute as an excuse to parade through the streets chanting anti-government slogans.<sup>17</sup>

A turning point in the unrest came with the shooting death of a university student during a confrontation with police in the Plaza Murillo on 11

July 1946. Administration opponents gained an important propaganda weapon from this incident which occurred when a crowd of approximately two hundred demonstrators tried to force its way into the Presidential Palace. Striking teachers and PIR labor organizers used the student's death as a battle cry as street disturbances became more frequent and aggressive. The dead student's body was never recovered; nevertheless, this did not prevent a march through the streets of La Paz on the thirteenth of July with protestors carrying an empty coffin and shouting slogans demanding an end to student killings. The rector of San Andrés University in La Paz, a member of PIR and spokesman for the strikers, said the removal of MNR cabinet ministers was a prerequisite for ending the walkout and preventing a popular revolution.<sup>18</sup>

Radepa cabinet members responded to the stalemate by advising Villarroel to drop the three MNR cabinet ministers.<sup>19</sup> They alleged that the MNR was disgracing the country and undermining the prestige of the military. Rifts within the MNR-Radepa-Villarroel alliance began to seriously threaten the administration's power structure as Radepa pressed the chief executive for a purely military cabinet.<sup>20</sup>

The plan formulated by Villarroel's enemies to

effectuate his downfall became increasingly evident by mid-July of 1946. First came the strike by secondary school teachers and university activists, groups traditionally regarded in Bolivia as underpaid or weak. The oligarchy-controlled press supported the teachers; this unusual development by these normally anti-labor newspapers showed the willingness of big business to support anti-government activities. Then the opposition took advantage of the antagonism and rivalry between the militaristic Radepa and politically orientated MNR. Radepa was won over to the idea that the military could solve the existing crisis its own way without the assistance of the MNR; so Paz and his associates of the MNR became expendable parts of Villarroel's government. The landed oligarchy and mining interests worked through PIR to use the strikers to establish a crisis situation and then sought to temporarily enlist Radepa as an ally to their cause. Radepa cooperated by convincing Villarroel that the MNR had to be expelled from the executive branch in order to prevent a rebellion.<sup>21</sup>

Villarroel bowed to pressure from both the strikers and Radepa advisors on 17 July 1946 when he agreed to ask for the resignations of the MNR Ministers of Finance, Labor, and Agriculture. Three days passed

with no MNR response to Villarroel's request so he summoned Paz to the Presidential Palace late in the evening of 19 July 1946. The President wanted to know why Paz had not come forth with the resignations.<sup>22</sup>

Paz answered Villarroel's request that the MNR leave his cabinet with an angry warning of an impending disaster for the entire revolutionary government. He was disappointed with the President's acquiescence in the demands of PIR leaders, striking teachers, and Radepa who wanted the MNR's removal from the executive branch. If there had to be changes in the cabinet, Paz desired all the ministers to resign and an entirely new cabinet appointed. That way Villarroel's actions would not place a stigma on the MNR as the cause of the popular discontent. The Minister of Finance then cautioned Villarroel to use his military forces to stop all further public outbursts against his administration. Paz finally bid farewell to the President with the promise that on the following morning Villarroel would receive the collective resignation of the three cabinet ministers from the MNR party.<sup>23</sup>

The next day, Saturday, the twentieth of July, Villarroel announced the appointment of a completely military cabinet. He gave in to the ultimatum that he

remove the MNR, and by doing so lost his major source of mass support. The President replaced the MNR ministers with Radepa officers, some of whom were plotting with the opposition.<sup>24</sup>

Villarroel was rapidly falling into a trap set for him by his enemies. His insistence that the MNR leave the cabinet further isolated the President who subsequently had to depend even more on his Radepa advisors. Yet certain Radepa members of the executive branch had political ambitions which they thought would be best realized through collaboration with Villarroel's adversaries. The President's popularity deteriorated to the point where some of his Radepa colleagues decided to work for his downfall and trust in the promises of better positions in a new government. Consistent with this situation of conspiracy and betrayal, disloyal military leaders ordered most soldiers confined to their barracks under the pretext that this would avoid violent confrontations with street demonstrators.<sup>25</sup> Likewise, the new cabinet members backed Villarroel's directive that troops fire their guns into the air when confronting protesters to avoid more bloodshed. Concurrently, striking teachers, students, and PIR labor leaders took the next step of changing their demand from

that of removal of the MNR ministers to a call for the resignation of President Villarroel and an end to the military rule which perpetrated the murders of 20 November 1944.<sup>26</sup>

Late Saturday evening of the twentieth of July a commission of nearly forty military officers met with Villarroel to discuss what should be done in response to the grave problems facing the Radepa government. Most of those present at the meeting favored the immediate resignation of Villarroel. They complained of the futile loss of blood already suffered by both sides in the dispute and proposed the President step down. Villarroel took the initiative at this point by answering:

I am not clinging tightly to my office. For me it would be a relief to resign if it is for the good of the military and my country. But before whom am I to renounce my presidency? I should hand over my authority to the Vice-President, but that would solve nothing. Who is it that asks for my resignation?<sup>27</sup>

When the newly appointed Minister of Defense spoke up offering to accept the President's resignation in the name of the army, an argument ensued between Villarroel's supporters and those wishing him to renounce his office. The meeting adjourned at 5:45 A.M. on Sunday, 21 July 1946 after several hours of fruitless wrangling without making any progress toward deciding on

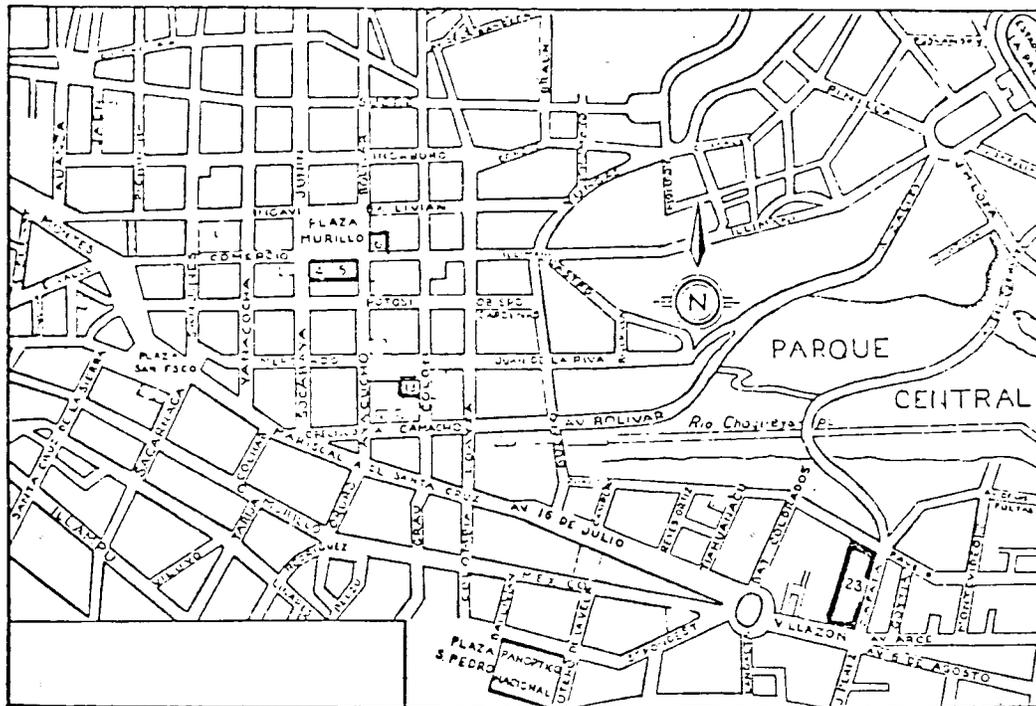
a definite course of action.<sup>28</sup>

By dawn of the twenty-first of July, Villarroel's opposition found the streets of La Paz practically deserted of both soldiers and city police. This allowed students, teachers, and PIR militants complete freedom of movement. A band of civilians first approached City Hall where it found the doors open and unguarded stores of guns and munitions inside. Once armed, the multitude stormed the Transit Police Office, La Calama barracks, and other sites where weapons and ammunition were stored. The civilians met little resistance from a demoralized and leaderless army and police force.<sup>29</sup>

President Villarroel, having received word of the hopeless state of affairs in La Paz, signed his resignation at twelve o'clock noon; but he refused to take the advice of his aides who encouraged him to flee to a waiting airplane at El Alto airfield. Instead, the President and a few close associates barricaded themselves inside the Presidential Palace.<sup>30</sup>

Anarchy reigned in the capital 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

MAP 5



ROUGH SKETCH

## La Paz

- 4. Cathedral
- 5. Presidential Palace
- 13. City Hall
- 23. San Andrés University

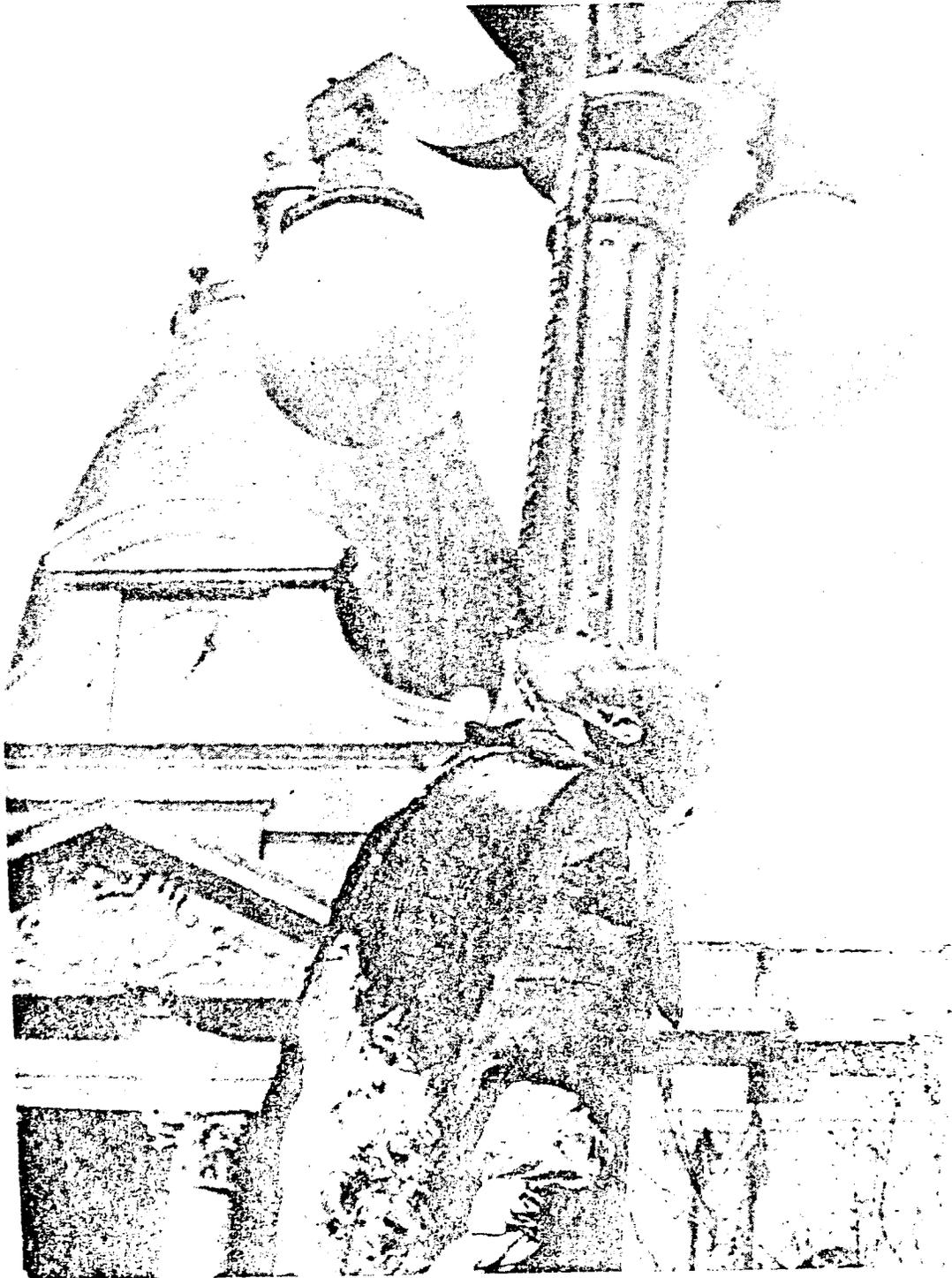
Note Plaza San Pedro (Plaza Sucre) and the Panóptico at the lower center of the map

Police was lynched in the Plaza San Pedro (Plaza Sucre) 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>31</sup>

The mob turned on the building protecting Villarroel at about twelve-thirty in the afternoon of 21 July 1946. At first the multitude could not penetrate the heavy iron gate blocking the Palace entrance, but some rebels later captured an armored car and used it to ram the massive doors which gave way under the weight of the large vehicle.

There was little Villarroel and his companions could do except await their deaths. The mob stormed into the Palace, shooting anyone who dared stand in their path. One by one the rebels encountered and shot to death the President's aide-de-camp, private secretary, and finally the President hiding in his private office among his file cabinets.<sup>32</sup> The assassins threw the three bodies from a second floor balcony to the street below and the corpses were hung from lampposts in the Plaza Murillo. Opponents of the regime claimed that a reign of terror had ended; others said that it had just begun.<sup>33</sup>

FIGURE 1



Corpse of Villarroel, 21 July 1946

### Epilogue

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>34</sup>

Paz and former Labor Minister Germán Monroy Block narrowly escaped with their lives on the day of the rebellion.<sup>35</sup> The two men, thinking it imprudent to return to their homes on the night of 20 July, decided to stay at the private residence of a MNR party member. Paz received a telephone call early Sunday morning warning him 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, listening 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 rebels entered the house where they were hiding and searched the premises.<sup>36</sup>

About eight-thirty in the evening of 21 July 1946 Paz and Monroy made an attempt to seek asylum in the Paraguayan embassy. The owner of the residence where

they were concealed encouraged them to leave since the rebels could return yet a third time and kill everyone in the house. Most people were eating their evening meal at that hour so it seemed an opportune time to escape as the nearby streets were deserted. Paz and Monroy disguised themselves as best they could and raised the collars of their overcoats as high as possible and pulled down the rims of their hats to cover their faces.<sup>37</sup>

The two former ministers reached the safety of the nearby Paraguayan embassy after experiencing some very tense moments. They walked the two blocks to the embassy without encountering anyone, approaching the building from the rear to avoid any rebel guards at the front entrance. Paz recalled from one of his visits to the embassy 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 up over the gate and jumped into the garden area 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 behind the

embassy. 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 gate, opened it, and Monroy safely entered the garden. He and Paz spent over one hundred days at the embassy.<sup>38</sup>

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 on 27 September 1946. That was the day on which a mob pushed its way into the La Paz jail (Panóptico) and seized the prisoners Major Jorge Eguino, onetime Director General of the Bolivian Police, and Major José Escóbar, former Chief of the La Paz Police, dragged these two men numerous city blocks to the Plaza Murillo, and lynched both victims.<sup>39</sup> This event excited the mob to seek more blood. A band of malcontents approached the Paraguayan embassy shouting for the release of Paz and Monroy. Paraguayan officials responded by laying their country's flag over the steps at the entrance to the embassy, placing a guard dressed in full regalia at the door, and declaring that it would mean war if anyone dared violate the premises. At that point local police officials

dispersed the crowd by firing their pistols into the air. No further overt threats were made on the lives of the two former cabinet members prior to their secret departure from Bolivia in the first week of November 1946.<sup>40</sup>

Thus did the events of July-September 1946 develop into a series of tragic killings unprecedented in the political history of Bolivia.<sup>41</sup> A mob completed the job begun by Villarroel's upper-class opposition who infiltrated right up to the Radepa members of his own cabinet. Unable to topple the government by way of an internal coup, Bolivia's traditional business-orientated power structure was able to divide the MNR-Radepa-Villarroel coalition to the extent that the President lost virtually all his supporters. Villarroel then lost his life at the hands of a La Paz mob.

Bolivia quickly returned to the social, political, and economic orientation prevailing before Villarroel came to power. Legislation improving the lot of Indian farm workers and miners was forgotten or ignored, tin exporters no longer complied with stringent foreign exchange regulations decreed in 1945, and government officials stopped discussing changing the old power structure. For the next six years Bolivians lived as

they had--practically without exception--since the days of Spanish rule, a country controlled socially, politically, and economically by a small minority.

Notes for Chapter VII

<sup>1</sup>Augusto Céspedes, El presidente colgado (La Paz, Bolivia: Editorial Juventud, 1971), p. 261.

<sup>2</sup>James M. Malloy, Bolivia: The Uncompleted Revolution (Pittsburgh: University of Pittsburgh Press, 1970), pp. 124-26.

<sup>3</sup>Céspedes, El presidente, pp. 232-35.

<sup>4</sup>Malloy, Bolivia, p. 125.

<sup>5</sup>Céspedes, El presidente, p. 252. Céspedes lists the parties abstaining from the May elections as: Partido Liberal, Partido Republicano Socialista, Partido Republicano Genuino, Partido Socialista, and PIR.

<sup>6</sup>Ibid., p. 21.

<sup>7</sup>Ibid., p. 250.

<sup>8</sup>As quoted in La Calle (La Paz, Bolivia), 3 April 1946, p. 1. Author's translation.

<sup>9</sup>Céspedes, El presidente, p. 258. Céspedes here mentions both the El Diario and La Razón editorials of 3 May 1946 and June 1946, respectively.

<sup>10</sup>Ibid.

<sup>11</sup>Ibid., p. 236.

<sup>12</sup>Moisés Alcázar, Páginas de sangre (La Paz, Bolivia: Ediciones Puerta del Sol, 1967), pp. 221-22.

<sup>13</sup>La Calle, 14 June 1946, p. 1; José Fellmann Velarde, Víctor Paz Estenssoro: el hombre y la revolución (La Paz, Bolivia: Editorial Don Bosco, 1952), pp. 152-55.

<sup>14</sup>U.S., Department of State, Foreign Relations of the United States, 1946 (1969), 11:342-43.

<sup>15</sup>Ibid., 11:354.

<sup>16</sup>Ibid., 11:235.

<sup>17</sup>Ernesto Ayala Mercado, Enjuiciamiento del régimen Villarroel-Paz Estenssoro (Cochabamba, Bolivia: Imprenta Universitaria, 1951), pp. 75-76.

<sup>18</sup>Luis Peñaloza Cordero, Historia del Movimiento Nacionalista Revolucionario, 1941-1952 (La Paz, Bolivia: Editorial Juventud, 1963), p. 88. The spokesman for the strikers referred to here was Héctor Ormachea Zalles.

<sup>19</sup>Alfonso Finot, Defensa de mi relato: Así cayó Villarroel (La Paz, Bolivia: Editorial Novedades, 1966), pp. 58-59. The three MNR ministers were: Víctor Paz Estenssoro (Finance), Germán Monroy Block (Labor), and Julio Zuazo Cuenca (Agriculture).

<sup>20</sup>Foreign Relations, 1946, 11:356-69.

<sup>21</sup>Céspedes, El presidente, pp. 266-70.

<sup>22</sup>Finot, Defensa de mi relato, p. 50.

<sup>23</sup>Ibid., pp. 56-58.

<sup>24</sup>Alberto Ostría Gutiérrez, The Tragedy of Bolivia (New York: Devin-Adair, 1958), p. 66; Peñaloza, Historia del Movimiento, pp. 91-92.

<sup>25</sup>Alcázar, Páginas de sangre, p. 224. The two major Radepa conspirators were Defense Minister José Celestino Pinto and Lieutenant General Angel Rodriguez who replaced the hospitalized Pinto as Defense Minister on 20 July 1946.

<sup>26</sup>Peñaloza, Historia del Movimiento, p. 92.

<sup>27</sup>Alcázar, Páginas de sangre, p. 225. Author's translation.

<sup>28</sup>Ibid., p. 229.

<sup>29</sup>Ibid., p. 231.

<sup>30</sup>Peñaloza, Historia del Movimiento, pp. 92-93.

<sup>31</sup>Alcázar, Páginas de sangre, pp. 235-36. Major Max Toledo and Roberto Hinojosa, respectively, were the two men killed.

<sup>32</sup>Peñaloza, Historia del Movimiento, p. 93. The two murdered along with Villarroel were Captain Waldo Ballivián, his aide-de-camp, and Luis Uría de la Oliva, the President's private secretary.

<sup>33</sup>Agustin Barcelli S., Medio siglo de luchas sindicales revolucionarias en Bolivia (La Paz, Bolivia: Ibeas, 1956), p. 184; Carleton Beals, "Barricades in Bolivia," Asia and the Americas, November 1946, p. 491.

<sup>34</sup>Ultima Hora (La Paz, Bolivia), 23 July 1946, p. 1.

<sup>35</sup>A native of La Paz, Monroy (1914- ) graduated in law from San Andrés University in 1940. During the same year he won a seat in the Chamber of Deputies. Monroy was one of the founders of the MNR in 1941. He remained a member of congress until his appointment as Minister of Labor in December 1944. Arturo Costa de la Torre, Catálogo de la bibliografía boliviana (La Paz,

Bolivia: Universidad Mayor de San Andrés, 1968), p. 700.

<sup>36</sup> Interview with Víctor Paz Estenssoro, La Paz, Bolivia, 21 June 1973.

<sup>37</sup> Interview with Germán Monroy Block, La Paz, Bolivia, 1 August 1974.

<sup>38</sup> Interview, Paz, 21 June 1973.

<sup>39</sup> Céspedes, El presidente, pp. 319-21.

<sup>40</sup> Interview, Monroy, 1 August 1974.

<sup>41</sup> Barcelli, Medio siglo de luchas, p. 183.

## CHAPTER VIII

### A SUMMATION AND CONCLUSION

The takeover of the Peñaranda government by the MNR-Radepa coalition on 20 December 1943 marked a turning point in Bolivian history. It was the culmination of a process whereby the emerging Bolivian middle class shifted its support to a new political movement--the MNR--which articulated its desire for a reform of the nation's archaic economic and political structure.

In 1943 the middle class backed the MNR's overthrow of a spokesman for the traditional ruling élite, graphically illustrating a radical change taking place in Bolivian politics. A sizable block of the electorate would no longer unquestioningly accept its leaders exclusively from a small, upper-class segment of the society. That group had discredited itself during the Chaco War when its generals and political leaders demonstratively failed the nation by engaging in extensive political and economic corruption to the detriment of the whole country.

Members of the discontented, franchised middle class by 1943 looked to the MNR to solve its problems

but, because the MNR lacked the power to overthrow Peñaranda, Radepa accompanied it into the Presidential Palace. This second element, composed of middle-rank army officers, veterans of the Chaco War, introduced a flaw into the new administration. Radepa's acceptance of violence as a means of effectuating change eventually became a major contributing factor to the collapse of the Villarroel government. Atrocities perpetrated by Radepa tended to overshadow the accomplishments of the Villarroel regime.

Despite its defects, however, the MNR-Radepa-Villarroel alliance left a continuing legacy for the nation by demonstrating to the middle-class and Indian population that, with proper political representation, improvements could be made in Bolivia's decadent socio-economic and political system. Reform legislation showed the middle class that more state control over the country's financial giants meant a better life for them; and activities such as the First National Indian Congress and formation of the FSTMB taught the masses the real possibility of their someday freeing themselves from the yoke of centuries of social, economic, and political exploitation. Permanent, radical changes had to wait for the Bolivian social revolution of 1952-53;

the reform efforts of 1943-46 reached their complete fruition at that time. The six-year delay resulted from discord within the Villarroel administration which contributed to its early downfall and strong opposition to its attempts at reform.

The Villarroel regime fell before accomplishing its expressed goals because of a combination of: Radepa's errors; powerful opposition from mining entrepreneurs, the landed oligarchy, and PIR; and a lack of support from the United States. More specifically, the events of 21 July 1946 were made possible due to the combined adverse effects of the disharmony between Radepa and the MNR, Radepa's use of gangster tactics, the government's alienation of PIR and urban labor unions, administration efforts to promote the rights and political awareness of indigenous agricultural and mine workers, legislation and decrees increasing state revenues from the big three mining companies, United States diplomatic and economic sanctions against the revolutionary regime, and the limitations of Villarroel in his role as President. Each of these seven areas will in turn be examined regarding its influence on the rise and fall of the Villarroel government and lasting effects upon Bolivia's history.

Radepa and the MNR

Potentially serious difficulties within the junta government became apparent already in December 1943 with its selection of a President and his cabinet. The public was stunned when a secret military group of officers, mostly at the major level, gave the nation an unknown army major as chief executive and placed its members in the most powerful cabinet posts. MNR leaders had received much notoriety and respect through their articulation of the country's basic problems and criticism of Peñaranda's sellout to domestic and foreign economic interests. Radepa, on the other hand, suddenly appeared as a significant force in Bolivian politics on 20 December 1943.

Radepa's presence in the revolutionary junta brought to the forefront yet another post-Chaco War phenomenon: Bolivia's military had become a visible and active political element by the early 1940s. After the Chaco War, the army sought to preserve its wartime importance and ability to affect national policies by entering the country's political arena.

Radepa was part of a dichotomy which developed between politically active military leaders after the Chaco War--similar to the split among civilian

politicians during the same period. Two tendencies predominated within the army: that of the older generals and colonels who served the interests of the wealthy oligarchy, accepting authority to further the aims of the upper-class landlords and Bolivia's mining conglomerates; and the young officers who preached a defense of the fatherland against economic exploiters through greater state control over the national wealth. Peñaranda exemplified the former tendency and Radepa the latter.

Members of Radepa, like the MNR, were strongly nationalistic in orientation. Both groups wished to make Bolivia economically independent by liberating the nation from its semi-colonial dependence on international corporations and superpowers such as the United States. However, Radepa's divergent views on how to introduce change caused difficulties for the new government when these clashed with those held by the MNR and that party's constituents.

#### Gangster Tactics

Radepa saw itself as having a messianic destiny and mission which placed it above any civilian law, thereby distinguishing this secret military lodge from its MNR civilian counterpart. This messianic attitude

supposedly aligned Radepa more closely than civilian leaders with the national interest and justified the use of violence and other extralegal activities.

Radepa's philosophy does not fully explain the extent of brutality exhibited in November 1944. A more complete explanation takes into account the actions of two specific members of Radepa: Eguino and Escobar. They used the attempted coup as an excuse to unleash their hatred of upper-class political figures and higher ranking military personnel who either directly or indirectly appeared to side with the traditional oligarchy. The confusion surrounding the rebellion allowed these two men to exercise the powers of judge and executioner, authority they assumed without prior consultation with President Villarroel. These actions by two Radepa leaders, together with Radepa's impatience with legislative and judicial processes, resulted in friction between it and the MNR and loss of public support for the government.

The events following the unsuccessful coup attempt of 20 November 1944 so shocked the Bolivian populace that even the return of the MNR to the executive branch failed to restore public confidence in the Villarroel government. Such an unprecedented bloodletting among

respected military and political leaders left an indelible mark upon the general public. It planted seeds of fear and mistrust in the hearts of those who had placed their confidence in Villarroel and the MNR. Likewise, it gave PIR and the newspapers controlled by Patiño, Hochschild, and Aramayo an opportunity to spread malicious rumors and propaganda that set the stage for the use of similar violence in deposing Villarroel.

#### PIR Versus the Administration

PIR became an enemy of the Villarroel government when its requests to share some of the administration's power were rebuffed, and when it saw the MNR winning over a large number of its supporters. Leaders of the MNR realized soon after December 1943 that they needed more than just middle-class support if they were to win their political and economic duel with major financial interests. They therefore decided to seek the backing of the potentially important working class, including the 70 percent of the population working in agriculture. PIR, which had had similar ideas even before the MNR, considered itself spokesman for the masses by 1943, especially for labor unions. So it resisted when the MNR began competing for mass support through the FSTMB and the First National Indian Congress. PIR went so far as

to oppose in congress MNR proposals aimed at improving the lives of the Bolivian proletariat whose best interests PIR professed to defend.

#### Reform Efforts

MNR leaders succeeded in pushing through congress several important bills despite PIR's attempts at blocking their legislation. Three of the most significant proposals offered something for each of the groups courted by the MNR. The Rent Reduction Bill provided relief for the middle- and lower-class urban renters faced with rising housing costs; the Voluntary Retirement Bill benefited all types of salaried employees from the civil servant to tin miners; and the Agrarian Bill for the Department of Tarija showed the MNR's concern for the indigenous farm workers.

A close look at the Tarija Bill and the presidential decrees of 15 May 1945 reveals the intentions of the MNR in pushing laws of this type. Both actions stressed the need for increased agricultural production. This would not only save foreign exchange used for food imports but would also expand an internal food market. Both the Tarija Bill and the May decrees sought to bring nearly three-fourths of Bolivia's population into a monetized economy. Their nonsalaried work on landed estates

and rented farmlands left Indian laborers with negligible amounts of money to spend, thus forcing them into a self-sustaining existence as virtual non-consumers of manufactured goods. Consequently, the growth of small manufacturing in Bolivia was stymied because merchants had access to only a small internal market of 20 to 30 percent of the population, a large portion of which preferred to buy imported goods of superior quality.

The thirty-one months of the Villarroel administration gave the MNR an opportunity to experiment with various ways of speeding up the economic liberation of Bolivia through some type of agrarian reform. MNR leaders at that time moved slowly, trying to avoid a direct confrontation with the landed oligarchy by not advocating nationalization of any farm lands. The party accepted the idea that long-term rental contracts and salaried farm workers would satisfy the country's needs while preventing an open confrontation with the landowners. Nevertheless, the landed oligarchy strongly resisted even these attempts at limited reforms. Landowners actively worked to overthrow the government when they realized that the legislation and decrees represented sincere attempts at change rather than the

customary weak and often contradictory laws of the past which were intended to placate the masses rather than bring about real improvements.

The powerful landowners neutralized the effects of the 1943-46 agricultural reforms but were unable to squelch the psychological impact that these laws had upon indigenous farm workers. Never again after 1946 would the Indian masses fully accept their subservient role as near-feudal serfs. They and their local leaders would henceforth look forward to the day when they would have the opportunity to take for themselves the land they worked.

Efforts parallel to those used to help farm laborers were employed by the MNR to assist mine workers. Here too the MNR sought to use formal legal means to bring improvements into the lives of the Indian worker and to boost the Bolivian economy as a whole. The MNR's overall plan was to provide better living conditions to the miners by increasing the income of this largest single block of Bolivian salaried employees, integrating these workers into the economy as consumers, and ultimately consolidating them into a unified political force behind the MNR. However, in the process of the MNR realizing these goals through the

Minimum Wage and Union Rights Decrees of 1945, the mining companies were threatened with higher labor costs and state protection of mine workers' unions. Mining companies, like the landowners, strongly resisted all such intrusions into their financial empire.

The big three mining barons prevented the enforcement of pro-labor laws of a social character promulgated between 1943 and 1946 by deposing President Villarroel, but they could not neutralize the more lasting effects of these endeavors. The FSTMB lived on as an underground organization after 1946 as Juan Lechín solidified and expanded the mine labor union movement. Faith in mine worker organizations grew as a result of their temporary success in enlisting state support in 1945 and 1946. Mine owners could nullify past legislation with the help of new governments after July 1946 which favored big business. Yet they could not destroy the miners' newfound trust in the union movement as a means of consolidating labor power to speed social change.

#### Mining Companies Pay More

Certain laws established during the Villarroel administration had a greater financial effect on the mining companies than did labor legislation. These

measures increased state control over foreign exchange transactions and the activities of the Bolivian Central Bank.

Decree 280 of April 1945 essentially nationalized the profits of the Patiño, Hochschild, and Aramayo mining companies by requiring net income in foreign exchange to be surrendered for bolivianos. Carried out completely, it would have forced these three internationally incorporated companies to assume a giant stake in the Bolivian economy. It would have prevented these companies from encouraging inflation whereby their retention of most of their foreign exchange earnings caused the central government to use deficit financing through expansion of the national money supply to balance its annual budgets. This in turn meant the mining companies needed to use only very small quantities of foreign exchange profits to purchase the cheap bolivianos necessary to meet labor costs. Decree 280 would have reversed this entire process by forcing the tin conglomerates to buy large quantities of bolivianos at a special government-mandated rate of exchange, giving the state foreign exchange income adequate to obtain essential imports. At the same time, mining companies would be loaded down with bolivianos

useful only for internal investments or paying higher wages. The Villarroel government learned too late that the implementation of such a revolutionary economic endeavor could not succeed short of the prior destruction of the influence enjoyed by the three leading tin mining corporations. Mining companies reacted to Decree 280 with an intensified effort to destroy the Villarroel regime.

The Central Bank Reorganization Bill of 1945 was a less obtrusive attack on mining company profits than was Decree 280. Nevertheless, it represented an effective weapon against the inflationary process promoted by mining interests to lower their operating costs.

MNR leaders in congress sponsored the Central Bank Bill to revamp a deteriorating national banking system at the service of big business. Prior to 1943 nearly all phases of state financial operations fell under the control of a wealthy, upper-class oligarchy whose members traditionally staffed the highest posts in the Bolivian bureaucracy including those in the Finance Ministry and directory of the Central Bank. Consequently, central government decisions affecting the nation's economy tended to be biased in favor of business interests. This situation produced favorable

exchange rates--a cheap boliviano--leaving the government with little foreign exchange income to import foodstuffs and manufactured goods. Concurrently, low taxes necessitated deficit spending to balance government budgets, worsening the inflationary spiral. Giant corporations made large profits while the working class and the state struggled to pay their bills.

The Central Bank Bill corrected some chronic deficiencies in the Bolivian banking system. It introduced fiscal and monetary restraints to bring inflation under control, substantially increased Central Bank foreign exchange and gold reserves, and restored fiscal integrity to central government operations.

#### An Uncooperative United States

Another important factor in bringing about Villarroel's downfall was the attitude of the United States toward the junta regime. The United States Department of State expressed concern about the fall of President Peñaranda who had fostered close ties with the United States by declaring war on Germany. On the other hand, the MNR appeared to be pro-Nazi and a threat to hemispheric security. The United States informed the other Latin American republics in late 1943 that the Bolivian revolution was Axis-inspired and opposed to the

best interests of the United Nations. It led the formation of a hemispheric block of nations which withheld recognition of the Villarroel government.

Full and uncompromised United States support for the Villarroel regime never did materialize. The new administration eventually received diplomatic recognition after six months of negotiations, but the State Department remained convinced that the MNR was pro-Nazi. That party's continued presence in the Villarroel administration prevented the United States from providing full support for the revolutionary regime.

Serious financial problems were inevitable as a result of the United States' half-hearted endorsement of the new Bolivian government. Tin contract negotiations were suspended from December 1943 until June 1944. Subsequently, a favorable contract was obtained but for just one year, part of which was lost through a retro-active clause. Later discussions for a new contract proceeded slowly because of the return of the MNR to the cabinet and that party's success in the elections of July 1944. The United States continued with its belief that the MNR represented a threat so it saw no reason to do anything to help Bolivia obtain a favorable tin

contract. This attitude contributed significantly to the 1945 tin purchase agreement which gradually lowered the price paid for Bolivian tin at a time when world prices for products imported by Bolivia continued to rise. By early 1946 lower tin prices and government-mandated increases in wages for tin workers gave the mining companies an excuse to lay off thousands of workers. Villarroel had to contend with decreased government revenues at a time when workers clamored for additional government aid.

Thus the United States indirectly contributed to the premature end of the Villarroel government. It offered scant international backing for the struggling regime, openly criticized its political and economic policies, and did little to promote higher tin prices. This brought intensified efforts by the Finance Ministry to compensate for reduced tax revenues, due to the reduction in total value of tin exports. Since this could be done only by placing more and more tax burden on the mining companies, Patiño, Hochschild, and Aramayo naturally retaliated by doing everything possible to bring down the Villarroel government.

Villarroel, President of Bolivia

The personal qualities of honesty and intelligence

which brought Villarroel to the presidency proved inadequate to sustain him in office. Radepa members thought his excellent scholastic record at military college, his genius at statistics, and clear opposition to foreign influences in Bolivia--he once wrote an article denouncing foreign oil company operations in Bolivia--made him the best qualified choice for President and most likely individual from among the Radepa leaders to find acceptance with the Bolivian public. Yet he did not win widespread popular support or show the strong leadership necessary to control his colleagues in Radepa.

His selection from among Radepa members to be President did not give Villarroel additional powers within the military lodge itself. Radepa cabinet ministers therefore had a strong influence on decisions issued from the chief executive's office. Even non-cabinet officials, such as Radepa members Eguino and Escobar, sometimes acted independently, using the influence vested in them by their respective positions within the government to make important decisions without consulting with Villarroel. Rarely did the President use the power of his office to impose his own desires on other Radepa members.

Villarroel's major failures consisted of his inability to exert more control over Radepa as a whole, resulting in excesses such as the November 1944 murders; his excessive trust in fellow Radepa members; and his naive self-confidence that his desire to serve his country's best interests would protect him from harm during social unrest. His lack of firm leadership and political acumen ultimately contributed to his death before his administration could fully achieve its goals.

#### Precursor of a Social Revolution

Thus the Villarroel administration, the precursor of the 1952-53 social revolution, represented a time of political and social awakening for Bolivia's middle class and the nation's silent masses. The MNR acted in behalf of these groups as it experimented with legislative action, executive decrees, and activities such as the First National Indian Congress to bring about a better Bolivia for the oppressed majority. Most of its reforms appeared to have failed through lack of enforcement, especially when viewed through the perspective of the traditionally-orientated administrations immediately following the collapse of the Villarroel government. However, seen in the light of later events, both the MNR's failures and achievements

attained a lasting value beyond anything envisioned in 1946.

MNR leaders gradually understood their full role in bringing far-reaching and permanent changes to Bolivia. The MNR party began as a group of middle-class intellectuals seeking political and economic benefits for their own segment of society. They sought to free Bolivia from exploitation by a political and economic oligarchy which had for decades fulfilled its selfish aims by placing tremendous burdens on all except the small upper class. By the end of the Villarroel regime, however, the MNR had responded to attacks from various power groups, including Radepa, by clarifying and expanding its role as a catalyst for drastic social changes which included radical alterations in the entire Bolivian social structure. By the time of the fall of Villarroel, the MNR saw that the administration of 20 December 1943 had laid merely the groundwork for a necessary social revolution.

Víctor Paz Estenssoro returned from six years of exile in April of 1952 to assume the presidency and fully implement changes begun during the Villarroel administration. The struggle for limited political participation of the indigenous population begun

through the First National Indian Congress ended in April 1952 with a government decree granting universal suffrage for every adult Bolivian regardless of wealth, education, or social status. MNR attempts at increasing direct and indirect taxation of tin company profits in 1945 and 1946 was transformed into the October 1952 decree nationalizing the tin mining assets of Patiño, Hochschild, and Aramayo. Then, in August 1953, Paz incorporated the executive pronouncements of May 1945 into the presidential decree seizing the massive landed estates for division among those who worked them. He likewise showed the nation that the excesses of Radepa had not been forgotten when he disarmed and disbanded the Bolivian army.

The innovative reforms of 1943-46 reached their fullest achievement in the social revolution begun in April 1952. Bolivia's masses would never again have to endure the political, economic, and social exploitation which prevailed virtually unchallenged prior to the Villarroel administration.

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