The United States and Bolivia

The Taming of a Revolution, 1952-1957

by
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In January 1954, while U.S. officials in Washington were developing plans to overthrow a left-wing nationalist government in Guatemala, a very different policy was developing toward the similarly inclined Movimiento Nacionalista Revolucionario (National Revolutionary Movement—MNR) then ruling Bolivia. The U.S. government seemed open to the possibility that that country required some radical reform that might challenge elite interests with which it had been on good terms. The U.S. counselor Edward Rowell wrote to the State Department from the embassy in La Paz (U.S. National Archives; General Records of the Department of State, Central Decimal File, 724.00/1-1354) that the MNR leadership was

> attempting to accomplish a real and profound revolution which has as its stated objective a material improvement in the standard of living of the country's proletarian groups and the incorporation into the social, economic, and political life of the country of the Indian masses which constitute 90% of the total population. Such a revolution cannot be accomplished without injuring, perhaps fatally, those economic and political sectors which previously controlled the destinies of the country. Such transformations also exact a price whose justification frequently can only be determined by history.

Such a balanced approach to a left-wing nationalist movement had rarely been expressed by an U.S. official, particularly during the era of McCarthyism. It was all the more striking in that, while the MNR leadership never envisioned a dramatic break with the West, the reforms it instigated were far more radical than those of such other populist nationalist governments as Mexico under Lázaro Cárdenas, Peru under Juan Velasco, or Brazil under Getúlio Vargas.

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At first glance it might appear that the approach of the Truman and Eisenhower administrations to Bolivia's revolutionary government represented an unusually enlightened episode in a history of unwarranted U.S. intervention against nationalist movements in the hemisphere. It has been cited as an impressive manifestation of the Good Neighbor Policy, which respected the national integrity of the Latin American nations and pledged to resolve differences without the use of military force. On closer examination, however, it seems to have been interventionism by other means, profoundly influencing the policies of the ruling party in Bolivia, manipulating the republic's balance of forces, and taking advantage of the economic relationship between the two countries to achieve U.S. foreign-policy goals short of a direct overthrow of the government. To understand the ultimate failure of Bolivia's revolution, it is crucial to understand the role of the country's dependency on the United States.

While the Bolivian revolution has been a topic of great interest for Latin American scholars, one of its most interesting and frequently overlooked aspects is the role of the United States in shaping the course of the revolution. U.S. influence on this poor, landlocked country, rather than domestic institutional rules or the rational choices of individual decision makers, may have been decisive in Bolivia's internal struggles for leadership and policy direction.

The United States's relative tolerance of the Bolivian revolution was linked to the realization that it might be able to moderate the revolution because of Bolivia's extreme economic dependency and take the opportunity to manipulate the balance of forces within the factionalized MNR to its own advantage. U.S. policy toward Bolivia during the 1950s served as an important precedent for future efforts by the United States, other Western powers, and their allied international financial institutions to ensure that Latin American and other Third World nations pursued foreign policies and domestic economic priorities in line with Western interests.

When the MNR came to power in a bloody uprising in April 1952, Washington was concerned about the ideological orientation of the party, which was explicitly revolutionary and nationalist, especially within its influential left wing. In addition, U.S. policy makers were afraid that heavily armed peasant and worker militias under strong Marxist influence could end up controlling the country by force. The popularity of the government, the systematic dismantling of the armed forces, and the erosion of the political power of the oligarchs gave the United States little leverage with which to build an alliance with traditionally conservative political forces in order to force a change—which was the way the U.S. had frequently dealt with other Latin America countries undergoing nationalist and leftist challenges. Despite these initial concerns, however, U.S. policy toward Bolivia's revolutionary government was ultimately judged a success.

Traditionally, the United States had tended to be more sympathetic to governments that had come to power through a democratic process, adhered to liberal democratic principles, maintained a stable society, and opened their economies to U.S. economic interests. None of these criteria applied to Bolivia's MNR government. While the MNR had won a plurality of the popular vote in the 1951 election, its accession to power, initially blocked by the military, had been by force. Many civil liberties were suspended, and the program of the new government was militantly nationalist, particularly toward the "Big Three" tin-mining interests (Aramayo, Hochschild, and Patino), which included U.S. investors. Yet, these concerns gradually diminished as the level of U.S. influence over the government increased and the regime's priorities shifted dramatically.

THE U.S. RESPONSE TO THE REVOLUTION

Former Bolivian Ambassador to the United States Víctor Andrade, in his memoirs, described his country's situation immediately following the 1952 MNR revolution as follows (1976: 181):

> Because of its landlocked position, our country is dependent on others. Our voracious neighbors not only isolated us from the rest of the world but, when important sources of wealth appeared, kept large portions of our territory for themselves. . . .
>
> We had dissipated our gold reserves, the nationalization of the mines proved expensive, and the costs of production and imports had increased sharply. The deficit was tremendous and the national budget reflected all of these misfortunes.

Under these circumstances, a revolutionary regime found itself confronting the economic power of the United States. The MNR leadership never really had a choice. From almost the beginning, the MNR's pragmatic wing recognized that no Bolivian revolution could afford to alienate the United States, not just because of the threat of direct intervention but also because of the possibility of economic retaliation, not unimportant given Bolivia's dependence on the United States to absorb its tin and provide needed imports. There was considerable pressure from within the MNR to moderate its policy and pursue reassuring the United States through diplomatic channels. As a result, President Víctor Paz Estenssoro emphasized the limited nature of the revolution's goals and the need for continuity with previous governments (Malloy, 1970: 217).

Even prior to the revolution, the embassy predicted—despite its history of antagonism toward the MNR—that "while aggressively nationalistic, self interest would . . . counsel going along with the United States" (NA 724.00/2-652).

Bolivia had traditionally been the poorest country in South America. Though potentially wealthy because of its mineral resources, it had remained poor largely because "the extractive industry had tied itself into a world market, and its supplier position in that system, along with elite control, essentially determined Bolivia's failure to utilize the enormous surplus from resource extraction for capital formation" (Scott, 1972: 50). As the chief source of foreign aid for the hemisphere south of its border, the United States had on many occasions held the economy of Bolivia in the balance. This was particularly true in the years immediately following the MNR revolution.

The first question was recognition of the MNR by the U.S. government, a decision that had made the difference to the survival of a number of Latin American regimes. The first government to recognize the MNR junta—and for the first month the only government—was Guatemala, whose government consistently supported democratic revolutions against the old military oligarchs. The rest of the hemisphere appeared to be waiting for a decision from the United States, which was expected to have "a determining effect on the immediate political future of South America" because "the Bolivian coup d'état is part of a political intrigue with ramifications in various other Latin American countries" (summary of telegrams, Truman Presidential Library, 1952).

The United States decided to delay both recognition and tin negotiations until it was clear that there would be no immediate nationalization of the mines or other measures harmful to U.S. interests in the region (NA 724.02/4-2152). In addition, Secretary of State Dean Acheson ordered the suspension of bilateral technical assistance and military missions, although he decided to continue Point IV assistance (NA 724.00/4-1252). Within a week, in the wake of assurances by the MNR on major areas of concern, the outlines of U.S. policy began to take shape. The State Department realized that the continued delay in recognition would not help the more moderate elements in the government and the continued delay "might augment [the] disadvantages of nonrecognition and start [to] operate against our own interest" (NA 724.00/4-2752). The embassy concurred, reporting that many believed that delay could hurt the moderates (NA 724.00/2-652), and, by the third week of May, after numerous consultations, Acheson acknowledged that continued withholding of recognition might have the effect "of strengthening the radical elements in the government" (U.S. Department of State, 1983: 492). The United States recognized the MNR government that month.

For the Bolivians, the most urgent need was food. Andrade (1976: 161) admitted that "only the assistance of the United States could avoid a repetition of the famine which had occurred in our country during the War of the Pacific." The United States offered US$9 million in famine relief and other essential commodities, the start of a process that would make Bolivia the largest recipient of food aid per capita in the world (Dunkerley, 1984: 81-82). Truman administration officials recognized, however, that emergency food assistance alone would not solve the problem of potential instability (NA 724.00(W)/4-1053). Rollin Atwood, director of the State Department's Office of South American Affairs, noted that "the politically articulate portion of the population" was highly dependent on the mining industry, which was in turn dependent on Britain and the United States (NA 724.00/1-1453). Unlike the import of coffee from Guatemala, which was controlled by private companies, purchases of Bolivian tin for the strategic stockpile came directly from the U.S. government, which made the linkage of trade policies to immediate political considerations all the easier.

Sir John Lomax, the British ambassador to Bolivia, interpreted these initial diplomatic attitudes toward the MNR government as evidence of the need to show Bolivia's rulers that they needed American help (Whitehead, 1969: 8). Up to this point, the United States was making spot purchases of tin but refusing to sign a long-term contract. Its aid was enough to prevent the country from falling into chaos but not to get the economy on its feet (NA 724.0 MSP/10-2353). More substantial aid would be forthcoming, but at a price.

COMPENSATION AND DEPENDENCE ON EXPORTS

Acheson informed the embassy in September 1952 of the State Department's concern that signing a long-term contract might be interpreted by the Bolivian government as "green light to confiscatory nationalization," and that "this would have [a] bad effect in other countries where U.S. property rights are at stake." Furthermore, he called on the embassy to reiterate to President Paz Estenssoro what the consequences of nationalization would be were the contract not signed (U.S. Department of State, 1983: 502-503). Assistant Secretary of State for Inter-American Affairs E. G. Miller wrote Acheson in October 1952 (NA 724.12/10-752):

> Our principal bargaining points with the Bolivians are their hope of further financial assistance from us and our ability to abstain from signing a long-term

> contract for Bolivian tin and from acceding to the subrogation to the Bolivian Government's Mining Bank of certain contracts for the purchase of tungsten between the GSA and the three companies which have been nationalized.

Meanwhile, Andrade pleaded with U.S. officials to consider Bolivia's "desperate need" for a long-term tin contract at a price comparable with that received by other nations in order to combat both real food shortages and artificial shortages resulting from hoarding in anticipation of U.S. economic sanctions (U.S. Department of State, 1983: 511). The United States increased the pressure further in a meeting with Andrade and National Economy Minister Cuadros Sanchez in which Assistant Secretary of State for Inter-American Affairs John Cabot "expressed the personal conjecture that the Export-Import Bank would not wish to consider further loan applications from Bolivia while the compensation issue remained unsettled" (NA 724.5-MSP/9-1453).

The MNR's final decision to expropriate rather than confiscate the mines—despite immense pressure from the miners and other Bolivians for the latter option—was directly related to its recognition that some form of compensation was necessary to avoid being labeled communist and denied both aid (Whitehead, 1969: 8) and capital and technicians from abroad (NA 724.00/10-2353). The impact of the U.S. boycott that had crippled the previous junta was also on the minds of the MNR leadership (Dunkerley, 1984: 54). Tin exports accounted for 70 percent of Bolivia's foreign exchange earnings and 90 percent of the government's revenue; the United States was the recipient of over half of Bolivia's tin exports (Rabe, 1988: 79). As Miller and Assistant Secretary of State for Economic Affairs Willard Thorp told Acheson, no matter what the price or arrangement for tin, the United States would "almost certainly get the Bolivian tin eventually. They have no other place to sell it." Furthermore (U.S. Department of State, 1983: 486),

> By building the Texas City smelter and buying Bolivian tin for many years, we have discouraged the Bolivians or any other country from constructing a tin smelter to use the Bolivian concentrates. By preventing private purchase in the United States and remaining out of the market for so long, we have prevented competition from determining the price of tin. We have, in effect, used our stockpile to force the price down, since in the absence of the stockpile we could never have held out as long as we did.

Paz Estenssoro announced that "the United States told us that they could not buy tin from us on a long-term basis unless we made an agreement with the North American stockholders" (Mitchell, 1977: 55). Unlike the copper of Chile or the oil of Venezuela, the country's leading natural resource was not directly controlled by foreign corporations. However, given that tin ores are worthless without tin smelters and all such refineries were abroad, the degree of dependency was at least as serious. The embassy reported that during a nationalistic speech in April 1953 Paz Estenssoro, while declaring his country's sovereignty and comparing its nationalization of the tin mines to the Iranian nationalization of oil, admitted that until his country had its own tin smelter it would be dependent on other countries for the sale of its tin concentrates (NA 724.00 [W]/4-1053). Deputy Assistant Secretary of State for Inter-American Affairs Thomas Mann argued that while the United States was willing to make spot purchases of tin to keep the economy afloat enough to prevent a political collapse, it would insist on just compensation and refuse to sign a long-term tin contract until a settlement was reached (NA 724.00/4-2253).

As early as the weeks immediately following the revolution, Acheson told his ambassador in Bolivia (NA 724.00/6-1552):

> While obviously impossible [to] obtain any specific commitment against nationalization as [a] condition precedent to recognition, it WLD [would] be desirable in our opinion that the FONMIN [Foreign Ministry][would] be emphatically put on notice of problems that WLD arise for us in connection with our tin purchasing policy in such event. They SHLD [should] also understand clearly that [the] effects [of] nationalization might extend not only to our tin purchasing policy but also to future possibilities [of] ECON [economic] development of country.

The importance of this pressure was confirmed by William P. Hudson of the State Department's Office of South American Affairs (OSA), who noted (NA 724.00/1-1453) that "it was due entirely to United States efforts that the inevitable nationalization of most of the country's mining industry took a form which recognized the principle of compensation, despite strong popular and official feeling that the mine owners were not entitled to any payment." Indeed, the expropriation included provisions that made it possible for the nationalized mine industry to invite foreign mining interests to exploit and develop new deposits (Whitehead, 1969: 8).

Rebecca Scott argues that such a condition was inevitable given that Bolivia had no smelting capability and one of the former mine owners had substantial interests in a British smelting operation, the only non-U.S. smelter capable of accepting the low-grade Bolivian ore. When the Russians offered to build a smelter for the Bolivians, the United States threatened to withdraw aid (Scott, 1972: 53-54). The Bolivians could not afford to build one themselves because the nationalization of the tin mines committed them to sending ore to the Patino smelter in England and because the United States denied them any kind of aid that would raise the cost of imported commodities (Wilkie, 1969: 92).

José Núñez Rosales, as vice president of a government-run mining company, stated that Bolivia agreed to compensate U.S. stockholders "only because Bolivia had to eat." The leading Bolivian left-wing party denounced the agreement as "Yankee imperialism," an attempt to "starve Bolivia into submission" (NA 724.00 [W]/4-3053). The MNR ideologue Carlos Montenegro accused the United States of attempting to "foster the oligarchy and the enslavement of the popular classes for the benefit of Wall Street" (Weston, 1968: 97). The revolutionary leadership was forced to rely on aid that required depleting its resources (Eckstein, 1976: 45). The U.S. government forced Bolivia to use its scarce capital not for its own development but to compensate the former mine owners and repay its foreign debts.

THE IMPACT OF U.S. AID

In July 1953, Milton Eisenhower, the president's brother, visited Bolivia, where the government spelled out its desperate economic situation. This came to be seen as a turning point in U.S.-Bolivian relations. Eisenhower (1963) noted that Bolivia had to import about 50 percent of its food and argued that there should be a dramatic increase in aid. Such generous support, particularly from a Republican administration, could be justified by Washington policy makers only if it had clear political advantages.

During the early phase of U.S. assistance, the United States certainly could not yet control the MNR government. However, according to the British economist Lawrence Whitehead, within six months of the revolution, "worried by their weakness in the face of popular pressures, and alarmed by the economic and administrative dislocation of the revolution, few MNR leaders were inclined to reject helpful advice out of hand" (Whitehead, 1969: 11). By January, the British embassy could report to the Foreign Office that Paz Estenssoro was "getting a lot of help and advice from the Americans and knew when to bend his knee" (British Foreign Office Archives #AX1051/1). Thus, from early on, Bolivia's economic weakness and its own economic power allowed the United States to establish clear guidelines for the revolution.

The influence of the United States over Bolivia was enhanced greatly when, between March and July 1953, the price of tin dropped by one-third (NA 724.5-MSP/7-1453). The Bolivians were desperate for large-scale financial assistance. In a memo to President Dwight Eisenhower, Secretary of State John Foster Dulles argued that additional loans for Bolivia should be postponed until further political and economic stability provided a clearer view of the country's development and payment prospects (Dulles Papers, Eisenhower Presidential Library, October 13, 1953). After a pair of particularly radical speeches by Paz Estenssoro and the leftist leader Juan Lechín during the 1953 May Day celebration (NA 724.00(W)/5-853), Acting Secretary of State Walter Bedell Smith encouraged U.S. Ambassador Edward J. Sparks to "warn such a campaign might so antagonize American people and Congress as to endanger substantial United States assistance already being given Bolivia and future assistance such as long-term tin contract which Bolivian Government desires" (NA 724.11/5-753). In a memo to Cabot from Deputy Director of the Office of South American Affairs W. Tapley Bennet Jr. in preparation for the assistant secretary's meeting with Bolivian Ambassador Andrade and National Economy Minister Cuadros Sanchez, Bennet noted that in formulating the details of a food grant to Bolivia "we may . . . want to exact some quid pro quo from the Bolivians—such as disassociation from Communist influences and progress toward agreement on the value of expropriated American mining properties" (NA 724.5-MSP/9-1453). Dulles, in preparation for a meeting with Bolivian Foreign Minister Walter Guevera, was advised by Cabot (NA 724.5-MSP/11-1953) to let the foreign minister know that Bolivia's chances of receiving aid would be enhanced if it were able:

(a) To dispel strong suspicions, still held by some sectors of American opinion, that the Bolivian Government is dominated by communist influence;
(b) To reach a prompt and just final settlement of claims arising from the nationalization of mining properties in which there is an American interest.

With regard to the question of communist influences, Dulles telegraphed the embassy in September 1953 that he would not recommend further assistance to the Bolivian government until the moderate elements were clearly in control (NA 724.5-MSP/9-2953). A joint telegram from Dulles and the Foreign Operations Administration encouraged the ambassador to advise the Bolivian government to make a formal request for aid, with a note including a "reiteration [of] Bolivia's adherence to [the] Free World and [a] desire [to] cooperate toward mutual security" (NA 724.5-MSP/9-2853). Cabot told Dulles, "We have repeatedly stressed both here and in La Paz the importance of continuing action by the Government to make its non-communist position perfectly clear" (NA 724.5-MSP/11-1953).

The strategy worked. After Paz Estenssoro announced cabinet changes in late October 1953 that shifted the government to the right, Counsellor Rowell observed (NA 724.13/11-453):

> It is not known, of course, whether or not the composition of the cabinet would have been different if United States aid had not been forthcoming, but the Embassy is under the definite impression that the action of the United States Government in furnishing food grants to Bolivia has begun to pay dividends.

Undersecretary Smith was more explicit: "We believe that our aid is helping to rid the Bolivian Government of the pro-Communist influences now present" (NA 724.001/1-1454).

Assistant Secretary of State for Inter-American Affairs Henry F. Holland, addressing the Senate Subcommittee on Foreign Affairs during hearings on the mutual security bill in April 1954 (U.S. Department of State, 1983: 370), spoke in glowing terms of the success of U.S. strategy in Bolivia, in that the foreign aid program

> has sustained a government in Bolivia which has now become strongly anti-Communist. . . . The existing government in Bolivia originally accepted Communist collaboration when it took office in 1952. Since that time it has abandoned that Communist support, and it demonstrated, in my judgement beyond all shadow of a doubt . . . that it is now strongly anti-Communist.

Foreign Minister Guevera told U.S. officials in Washington that U.S. aid was responsible for placing pro-U.S. elements "in a position of dominance." Similarly, a national intelligence estimate observed that the MNR government had become increasingly friendly to the United States because of U.S. support of the regime. It warned that the government would revert to a more hostile orientation should it lose confidence in such support, but suggested that the MNR would "probably continue its present moderate course without any serious threat to its continuance in power" (U.S. Department of State, 1983: 542). It continued (1983: 547-548, 556):

> Bolivia's policy toward the US is primarily determined by its desire for U.S. economic support. . . . As a result of subsequent U.S. aid and the tolerant U.S. attitude toward the regime . . . the MNR has become increasingly pro-U.S. in its outlook and has taken the position that Bolivia's interest will be best served by cooperating with the U.S.

The embassy noted that both of Bolivia's communist parties were extremely critical of the government for accepting U.S. aid, quoting the assertion that the MNR "had now demonstrated the complete incapacity of bourgeois elements to bring to successful fulfillment a truly revolutionary movement." The embassy also noted with satisfaction that the MNR's toleration of its left opposition was waning: "With the assurance of tin sales through March 1954 and the substantial aid given by the United States Government, the Party is now in a position to take a somewhat bolder course and, in fact, it has done so" (NA 724.00/1-1354).

Rowell reported that the Bolivian authorities had taken an even tougher line against the communist parties after Milton Eisenhower's visit (NA 724.00/1-1354). Even Lechín, it was noted, recognized the situation and was sympathetic to his government's predicament. The embassy reported that (NA 724.00/4-1554) Lechín

> chided the Communists' pretensions of establishing relations with the USSR or the Popular Democracies which consumed only 5,000 tons of tin per year as compared with the 70,000 consumed in the United States and Great Britain. He asked, "Could we be so stupid as to renounce this (latter) market only to please these infantilists who proclaim foreign slogans without assimilating them nor understanding them?"

By this point, the embassy could begin to influence some government appointments. For example, by November 1953 the State Department could report that the appointment of an alleged communist to teach at the newly opened military academy was canceled when the U.S. embassy voiced its objections (NA 724.00/12-753). By this time, Ambassador Sparks could confidently predict that "the Embassy expects the MNR Government progressively to limit the opportunities for the Communist parties" (NA 724.00/10-2353).

The rightward drift of the MNR was becoming evident in almost every aspect of the revolution. In surveying the situation involving organized labor, Hudson noted that (NA 724.00/1-1453, 2)

> domestic and foreign Communists . . . sought to gain control of the COB [Congreso Obreros de Boliviano, the major Bolivian trade union]. At the end of the year, however, thanks in part to the efforts of American officers of the Inter-American Regional Labor Organization, the COB still maintained a position of independence.

Similarly, the moderate direction of the land reform was attributed to the U.S. National Security Council's aim to "combat Communist agrarian reform by encouraging land development of our type" (Operations Coordinating Board Central File 091.4 Latin America [File #1(5)]). In addition to a stronger anti-communist stance and compensation of the former owners, the United States also insisted that aid be supervised by U.S. officials at all levels (Wood, 1969: 10).

This generous aid did not mean that Bolivia was ready to go it alone. That same month, OSA official John L. Topping informed his State Department colleagues that the embassy in La Paz had pointed out that Bolivia's foreign exchange earnings from its tin, on which, he emphasized, it was solely dependent, were insufficient to meet the population's most basic needs and that only U.S. aid had prevented the country's total collapse (NA 724.00/1-2654). A report of the Bolivian Planning Board noted that U.S. aid "represented a means only of preventing worse deterioration in the situation as it existed" (Wood, 1969: 24).

As a result, in subsequent years, it was possible to extract even greater economic concessions. For example, the Petroleum Code of 1955, written by Americans and enacted without any public debate or alterations by the Bolivian authorities, forced the Bolivian government to forgo its oil monopoly (Whitehead, 1969: 11). Offers by the Soviet Union to assist Bolivia with its nationalized oil industry were met by a threatened withdrawal of U.S. aid (Scott, 1972: 54). Similarly, the United States and Bolivia signed an agreement in 1955 to encourage foreign investment (Blasier, 1985: 78). It was only because of the desperate need for additional sources of foreign exchange and pressure from the U.S. government that the once strongly nationalistic MNR agreed to these concessions (Alexander, 1958: 168-169).

By this time, it appears, the United States had effective veto power over even the composition of the Bolivian cabinet. Lechín resigned as Minister of Mines when Congress was considering continuing aid to Bolivia, a move that Bolivians later claimed had been an explicit condition. It is believed that he would have made a bid for the presidency in 1956 had he not recognized the need for continued U.S. assistance; indeed, he may have preferred that Paz Estenssoro's vice-president, Hernán Siles Zuazo, rather than himself bear the disgrace of implementing American orders (Whitehead, 1969: 18).

The following year, the United States took more direct control over Bolivia's economy with the appointment of George Jackson Eder to head an economic stabilization program—a decision, according to Eder (1968: 479), that the MNR government made "virtually under duress, and with repeated hints of curtailment of U.S. aid." Eder was executive director of the Stabilization Commission, every member of which had to be "persona grata to the U.S. embassy." The program, which bore a striking resemblance to the structural adjustment programs that have since been imposed on dozens of debt-ridden countries in Latin America and elsewhere, consisted of the following (Scott, 1972: 55):

> The boliviano was devalued, and export/import controls were removed. Price controls and government subsidies on consumer goods were removed, while wages and salaries were frozen. To reduce government spending, educational outlays were slashed, the program of colonizing the lowlands was stopped, and efforts at industrial diversification were halted. Practically all social welfare allocations were terminated.

For example, Assistant Secretary of State Richard Rubottom said in reference to one Bolivian development plan, "We had to tell the Bolivian Government that they couldn't put their money into it and we weren't going to put ours into it" (U.S. House of Representatives, 1960: 847).

Though nominally a technical adviser, Eder, a strong advocate of monetarism, believed that Bolivia would have been better off leaving the economy entirely in the hands of private enterprise. He was contracted and paid by the U.S. government at the behest of the International Monetary Fund to acquire direct administrative control of the economy (Dunkerley, 1984: 86). This gave the U.S. government unprecedented power to control the course of the Bolivian revolution.

Eder has written a detailed account of how he—as an agent of the U.S. government—was able to implement a program which, in his own words, "meant the repudiation, at least tacitly, of virtually everything that the Revolutionary Government had done over the previous four years." Eder explained that his goal was to convince the new MNR administration that stabilization would be possible only through a total transition to a free market economy (1968: 87-88). He insisted that government business be returned to private hands, that compensation be guaranteed in the event of any future nationalizations, and that all price controls be repealed (Scott, 1972: 55). Eder's prescription for the favorable investment climate that he considered necessary was a stable political environment, a strong currency, and labor conditions that minimized the risk of interference from labor or political leaders (Eder, 1968: 695).

Furthermore, there was never any doubt about the fate of the revolution should the MNR refuse: "I suggested that they had better make their plans on the basis of what Assistant Secretary Holland had specifically told all of them" or it would be "extremely difficult" for them to receive further U.S. aid (Eder, 1968: 159). Similar pressures, predicted Eder (1968: 141, 143),

> would provide the leverage that would be needed later to obtain enactment of certain rather drastic measures, necessary for monetary stabilization but hardly popular or politically easy. . . . There would be no difficulty in getting Bolivia to agree in advance to conditions that would ensure a return to a free enterprise economy.

The effect was not only to redirect the economic priorities of the revolution but to alter the revolution's political structure by effectively curbing the power of the trade unions and displacing socialist-leaning leaders of the MNR. This was important because it had become clear to American officials that there had to be some changes in the internal structure of Bolivian politics.

Indeed, as Susan Eckstein (1976: 33) observed, "ever since the government initiated the basically anti-labor stabilization program in 1956, post-revolutionary heads of state adopted an anti-labor stance." The MNR went so far as to exclude labor representatives from government unless their unions supported the stabilization program (Mitchell, 1977: 15-19). Hostile union militias could by then be neutralized by the U.S.-encouraged and U.S.-subsidized military. According to Cole Blasier (1985: 102), "the effect of U.S. influence was to make the United States an ally of the MNR center and right and the enemy of the labor left. Thus, the effort of U.S. policy was to bolster the position of the Bolivian middle classes against organized labor." As Scott (1972: 56-57) described the situation,

> Bolivian submission to American wishes increased divisions within the MNR. . . . The battle over stabilization split the MNR . . . with the result that the left wing—the miners and workers who had fought in the Revolution—was cut off from government power. . . . After stabilization, U.S. aid shifted to direct cash support for the MNR, which had turned decisively from socialist experimentation. . . . Acceptance of stabilization diverted the Revolution from a socialist direction. . . . The split in the MNR broke up its mass base, making their rulers highly dependent on U.S. budgetary and political support.

It became virtually impossible for the MNR to balance its independence, its belief in the redistribution of wealth, and its anti-imperialist rhetoric with the realities of dependency exacerbated by the economic crisis of 1956-1957 (Dunkerley, 1984: 84). The increasingly alienated and apathetic peasantry, manipulated by competing political factions, was too weak to challenge this dramatic shift to the right (Eckstein, 1976: 34-35). The party leadership became badly split, resulting in government repression of its former allies in the miners' union and a buildup of the newly reconstituted military (Wood, 1969: 33). Indeed, this period in Bolivian history gives some credence to Nicos Poulantzas's (1973) analysis of the state as a site for class conflict rather than purely as an instrument for class domination and the importance of a dominant political bloc rather than a well-defined ruling class as the determinant of power.

In addition to the various programs in agricultural development, construction, technical assistance, food aid, etc., there was direct financial support of the general budget. In less than ten years, Bolivia had gone from a threatening revolutionary regime to "the model for the Alliance for Progress" (Blasier, 1976: xv). U.S. economic aid during the eight years of the Eisenhower administration totaled US\$192.5 million, US\$178.8 million of it in grants (Rabe, 1988: 77). By 1958, the United States was providing Bolivia with one-third of the government's total budget (Dunkerley, 1984: 82). As a result, U.S. diplomats and technicians were "quite free to give them political advice" (Alexander, 1982: 93). Even the more conservative elements of the party had serious reservations about this level of dependency, but they believed they had no alternative (Dunkerley, 1984: 85). According to Wood (1969: 24-25),

> an aura of dependence and ineffectuality had enveloped the regime and sapped its legitimacy. Unrealized aspirations and the mere passage of time had blunted the fervour of popular commitment. The government had progressively exhausted its symbolic, regulative, and extractive capabilities. . . . The regime was now dependent for its day-to-day operation and its very existence on the "external derivative power" provided by the aid.

As the revolution turned to the right under the Siles Zuazo administration (1956-1960) and Paz Estenssoro's second term, beginning in 1960, the massive popular base of support that had previously protected it from right-wing and traditional elements evaporated.

CONCLUSION

Blasier (1985: 53) has argued that "the Bolivian Revolution is the only genuine social revolution to which the United States provided early and sustained support" and that "the United States was deeply involved for a dozen years in making the Bolivian Revolution 'work.'" What he does not address is for whom it was made to work, other than to acknowledge that the United States had a goal "of moderating or deradicalizing the revolution." Though he persuasively argues that the MNR government during this period did represent an authentic revolution, he also acknowledges that "from the beginning U.S. influence has tended to check the nature and extent of revolutionary change" (1985: 101).

In the end, the United States was able to overthrow the revolution without having to overthrow the government. The reality of a high level of dependency made it possible for the United States to steer the course of the revolution in a direction more favorable to its interests—a move facilitated by the MNR's predominant middle-class orientation and the inability of its more radical factions to dominate it. While the revolution succeeded in undermining much of the old order by breaking up the hacienda system and nationalizing the tin mines, it never succeeded in developing a new order to take its place. This made it possible, in the words of Anthony Freeman of the State Department's Bolivia desk, for the United States "to channel the revolution in constructive directions" (Scott, 1972: 53).

The United States chose to influence the direction of the MNR through large-scale financial support to the revolutionary government. Indeed, its influence over the Bolivian government was greater than it had been prior to the revolution, since the old ruling class—tied to the tin barons—had been in conflict with the United States over the price of tin (Whitehead, 1969). The National Security Council saw the successful handling of the Bolivian situation as a model (OCB Central File 091.4 Latin America [File #3] [3], February 3, 1955, 8), and it was one that would be exploited to the fullest in Latin America and elsewhere.

Scott (1972: 53) and others have argued that the United States could tolerate the Bolivian revolution because of the lack of large-scale direct private investment in the country. However, the lack of large-scale direct private investment in Iran during the same period did not prevent it from intervening to help overthrow the government, nor did the relatively small amount of U.S. investment in Nicaragua minimize the hostility toward the Sandinista regime during the 1980s. In part, there was great concern over the precedent that nationalization and other radical initiatives might set elsewhere in Latin America and beyond. U.S. perceptions of the willingness of the Bolivian government to address the nationalization issue in what was considered to be a responsible manner, one in large part dictated by the United States, made such economic nationalism tolerable.

In many respects, U.S. policy toward Bolivia proved to be a harbinger of contemporary U.S. policy toward Latin America in this age of globalization, in which the so-called Washington consensus, backed by U.S.-supported international financial institutions, has institutionalized economic leverage to the point that more overt forms of intervention to advance strategic or economic interests are no longer necessary. Though the outcome of this policy was not as dramatic as what transpired in Guatemala during the same period, the impact on the people of Bolivia in terms of the human costs of living within a system in which once-promised social, economic, and political rights were subsequently denied to the majority of the population was no less severe. With the globalization of the economy, most Latin American countries now have as few choices in choosing their economic policies as did Bolivia in the 1950s.

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