PARASITES, TRAITORS, AND PATRIOTS: 
Popular Development Paradigms in Twentieth-Century Bolivia

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October 2016

Abstract

The 1952 Bolivian Revolution was followed by an intense struggle to define the nature of economic policy. The United States quickly came to the aid of the Nationalist Revolutionary Movement (MNR) government, hoping to steer the revolution in a capitalist-friendly direction. It promoted fiscal austerity, the privatization of state enterprises, foreign investment, and the restoration of “labor discipline.” Bolivians, meanwhile, were broadly united around resource nationalism, or the notion that Bolivia’s mineral and hydrocarbon resources should be used for the benefit of Bolivians. Resource nationalists were themselves deeply divided, however. While the MNR regime advocated a moderate developmentalist path, labor and leftist forces were wary of foreign investment in extractive sectors and also demanded major redistribution. The latter groups articulated homegrown versions of dependency theory and wage-led growth that not only drew U.S. ire but increasingly clashed with the MNR’s own agenda. This paper uses struggles over hydrocarbon policy in the 1950s and 1960s to explore the contours of popular economic thought, calling particular attention to the persistent tensions within resource nationalist coalitions.
In 1936 a popular newspaper noted “a bloody paradox” at the heart of Bolivian history: “that of a pauperized people arguing in a land whose insides contain incalculable riches,” foremost among them tin and oil.¹ Soon thereafter, the newly created Movimiento Nacionalista Revolucionario (MNR) party gained popular support by stressing the need to recover Bolivia’s subterranean resources from foreign control and deploy them in benefit of the population. Resource nationalists viewed minerals and hydrocarbons as both revenue sources and as “levers” for diversifying and industrializing the economy. Upon taking power in the country’s 1952 revolution, MNR leaders promised to fulfill this vision. President Víctor Paz Estenssoro (1952–1956) stressed the need to “establish strong bases for the diversification of our economy, to create new sources of wealth, and to produce, even in part, that which we consume.” Increased oil production was of “primordial importance” in this effort, both to reduce import costs and to power the mines, factories, and agricultural machinery. The mining sector, which comprised 97 percent of export value, was then in noticeable decline, so oil was the hope of the future.²

Grand hopes were soon dashed, however. The initial promise of the state oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), began to fade in the wake of a 1955 decree that reopened the hydrocarbon sector to private investment, a 1956 austerity plan, and the MNR government’s neglect of exploration. The United States government, which had begun aiding the MNR in 1953 to prevent more radical forces from taking power, staunchly opposed resource nationalism and state enterprise and was instrumental in the privatization and austerity programs of the mid-1950s. From 1958 onward, a growing coalition of forces assailed the MNR government’s “open-door” oil policy, and popular discontent with MNR economic policies helped set the stage for the party’s 1964 overthrow in a military coup. The questions of how, by whom, and in whose interest the country’s hydrocarbons should be developed continued to shape the country’s turbulent political history until 1969. In that year, the nationalist military regime of General Alfredo Ovando abrogated the 1955 law and expropriated the Bolivia-based subsidiary of Gulf Oil, which had entered the country following the reform.

The MNR’s changes to hydrocarbon policy intensified preexisting divisions within its support base. The resource nationalist coalition of 1952 had featured widely divergent visions for the future. Some, including most of the MNR leadership, sought primarily economic modernization along developmentalist lines and opposed large-scale redistribution, let alone socialism. Others, like the Central Obrera Boliviana (COB) labor federation created in 1952, demanded not just nationalization of key resources but also workers’ control of industry, the creation of worker cooperatives, and state prioritization of education, health, and housing.³ In this view, resource wealth should benefit not just “the nation” but specifically the subordinate social groups within it. The popular campaign against the 1955 law exposed longstanding tensions within the revolutionary coalition over the nature of global and domestic capitalism. While MNR leaders insisted that private investment could be harnessed to Bolivia’s benefit, more radical voices

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¹ El Ex-Combatiente (Sucre), 13 Feb. 1936.
stressed its exploitative nature. And while the MNR sought “economic revolution, not social revolution” – growth, not redistribution – the radicals demanded both.\(^4\)

The first section below describes the fault lines in economic debates of the early post-revolution years, distinguishing between the “capitalism as exploitation” view widespread among Bolivian popular sectors and the “capitalism as mutual benefit” view promoted by the U.S. government and, with some minor differences, by the MNR leadership. The second section examines how the 1955 oil reform galvanized a new nationalist coalition espousing the more skeptical “exploitation” view; dogged U.S. and MNR propaganda efforts were unable to dislodge that perception. The final section argues that the re-emergent coalition was nonetheless riven by familiar internal tensions, which helped determine the shape of the 1969 nationalization and subsequent policy.

**Exploitation or Mutual Benefit?**

The “bloody paradox” of Bolivian history became sharply apparent during and after the disastrous Chaco War with Paraguay (1932-1935), in which about two percent of the Bolivian population died. In the wake of Bolivia’s devastating defeat, and even prior to the war’s end, public suspicions began to develop about the role of international oil companies in instigating the war. Standard Oil on the Bolivian side and Royal Dutch Shell on the Paraguayan were widely blamed for provoking hostilities due to their interest in the potential oilfields of the Chaco region and, in Standard’s case, its interest in gaining access to waterways to facilitate export. Starting around 1934 public intellectuals like Tristán Marof and Carlos Montenegro helped popularize this argument, and various popular organizations adopted the same narrative.\(^5\) It was a significant oversimplification: it downplayed Bolivian President Daniel Salamanca’s own role in provoking Paraguay, perhaps as a way to increase his own popularity at home amid an economic crisis. Yet the Chaco War entered the popular consciousness as a war over oil. Few moments in the country’s history have produced such unity of interpretation among Bolivians. In the decades that followed, this narrative of the war would serve as a reminder of Bolivia’s subordination to imperialist economic forces.

The war also came to symbolize the failure or even treason of Bolivian elites. The long duration of the war, the devastating human toll, and Bolivia’s loss of territory to Paraguay were widely interpreted as signs that a cavalier and morally bankrupt oligarchy ruled the country.\(^6\) Among its gravest sins, that oligarchy had failed to utilize the country’s resource wealth – oil and minerals – in the interest of national development. In light of these popular interpretations of the war, a final aspect of the war’s legacy was a bit paradoxical: it would simultaneously enter popular memory as a heroic campaign to defend the country’s oil, given the location of oil-rich territories in the Southeast near where the fighting took place. All of these perceptions led to the same conclusion, though, insofar as they all underscored the need to safeguard Bolivia’s resources in

\(^4\) Minister of Public Works Adrián Barrenechea interviewed in *El Diario* (La Paz), 11 Jan. 1953. See also Paz Estenssoro’s speech in *El Diario*, 9 Jan. 1953.


\(^6\) This argument was a key theme in Carlos Montenegro’s 1943 *Nacionalismo y coloniaje*. For an analysis of the book and its importance as a reflection of MNR ideology see Mayorga, *Discurso y política*, 93-105.
the interest of national development. Veterans, workers, and intellectuals increasingly demanded the nationalization of Bolivia’s mineral and oil resources in the aftermath of the war.

An acute class resentment pervaded popular discourse of the postwar years. The early publications of the Legion of Ex-Combatants (LEC), the primary war veterans’ organization, attacked “the capitalist rosca” (a common pejorative for the country’s mining oligarchy) and “the comfortable ones” who had not fought in the war. While decrying “the bloody paradox” in 1936, they also called for an end to “the private appropriation of the richest sources of State wealth” and “the unequal distribution of collective wealth.” The war itself, argued one LEC branch, had been “started by foreign capitalists and sustained by national enterprises.”

After 1952 popular economic visions continued to prioritize both economic development (meaning industrialization and diversification) and redistributive justice. Countless union statements advocated using mining exports not merely as a source of rent-based income but as a lever for diversifying and industrializing the economy. In place of the “brutal and systematic theft of our raw materials” by foreign interests, the Cochabamba branch of the COB envisioned a reorientation of production and spending to prioritize human needs:

We could create new manufacturing industries, exploit our [own] natural resources, promote agriculture through state aid, build roads and railroads, create thousands of schools and teaching institutes, establish hospitals, [and] provide sanitary housing for the population. We Bolivians have fought for the nationalization of the mines with this goal in mind. We want the mines to serve the interest of Bolivians and not that of foreign monopolists.

The COB applauded the MNR’s 1952 nationalization of the major mines but also advocated nationalization in additional sectors, including “basic industry,” transportation, and public services. Its 1954 Program called for state intervention in industry “to create, parallel to private industry, [a] cooperative industry in the hands of the unions.” Complete state control over railroads and other transport was deemed particularly important for achieving “economic Independence [sic], the planning of industrial development, and economic diversification.”

The theme of mining as a lever for development was also apparent in the statement of the construction workers’ national congress in April 1953. Delegates demanded “the free sale of tin” on the world market at “appropriate prices” — a condemnation of the U.S.-British monopoly on Bolivian tin exports and perhaps also the below-market prices that Bolivia had accepted during World War II, which had not ceased to be a source of popular anguish. Fairer prices for the country’s tin would “make way for the country’s industrialization, breaking in that way the siege

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7 El Ex-Combatiente, 13 Feb. 1936.
10 COB, Programa ideológico, 32-33.
of Yankee imperialism.”¹¹ With the same intent, the COB advocated formal cooperation among primary-commodity economies in the interest of price stabilization.¹²

University students were also major participants in these early debates. By 1952 most major cities had a Local University Federation (FUL). The FULs, and universities more generally, had been key sites of leftist influence prior to 1952 and would be vocal proponents of radical change throughout the MNR period. The La Paz branch’s 1952 Program asserted the place of students alongside the “working classes of the country” in the struggle for “liberation from the capitalist yoke.”¹³ The 1952 Program of the La Paz FUL prefigured dependency theorists’ later characterizations of the center-periphery relationship in the world economy: “Bolivia is a semi-colonial country with a backward economy due to the actions of Yankee imperialism, [and has] therefore been converted into a simple source of raw and strategic materials for the benefit of the militarist ends of finance capital and into a secure market for its products.”¹⁴

This analysis was dominant within labor and progressive circles after 1952. Despite internal disagreements over the role of the bourgeoisie and whether worker ownership and control were feasible, in the 1950s Bolivia’s urban workers and students were broadly united around a progressive economic-nationalist agenda. They sought to defend and expand Bolivia’s public enterprises (starting with YPFB and the newly created state mining corporation) and sought state intervention to promote industrialization, diversification, and a more egalitarian distribution of the economic surplus. Those demands were rooted in a negative-sum conception of the global economy, according to which foreign capitalists benefitted at the expense of Bolivians.

Faced with such sentiments, the main priority of U.S. propaganda agents in the country became “promoting popular acceptance of private capital investment.”¹⁵ The United States Information Service (USIS) sought to counter the widespread suspicion of imperialism and class exploitation and foster trust in the mutually beneficial, positive-sum nature of international and domestic class relations. Resource nationalism, they hoped, would be replaced by an abiding faith in free enterprise, foreign investment, and U.S. goodwill, while Bolivian workers would realize the folly of class struggle and join hands with their employers for their mutual advancement. Whereas resource nationalism assumed the existence of opposing interests in the global economy, USIS propaganda asserted that all parties benefited in fair proportions from economic transactions. It followed that the route to prosperity was not redistribution but cooperation – between bosses and workers, and between rich and poor countries – in the interest of boosting production.¹⁶

¹¹ Quoted in Agustín Barcelli S., Medio siglo de luchas sindicales revolucionarias en Bolivia, 1905-1955 (La Paz: Editorial del Estado, 1956), 316-17. See also Rebelión (La Paz), 1 May 1952.

¹² COB, Programa ideológico, 31. See also El Diario, 12 Nov. 1954.

¹³ FUL-La Paz, “Programa de principios” (1952), in Reforma 1, no. 1 (1953): 74-75.

¹⁴ FUL-La Paz, “Programa de principios,” 75.

¹⁵ USIS La Paz to U.S. Information Agency (USIA), Washington, May 27, 1958, in U.S. National Archives, Record Group 306, Entry 1021, Box 2. Subsequent citations from the U.S. National Archives (NA) follow one of two formats: for Central Decimal File (CDF) documents (1950-1954) the date and decimal number are given; all others follow the format [Record Group]/[Entry Number]/[Box]. Page numbers are given only for exceptionally long documents.

Starting in the late 1950s, USIS propaganda increasingly emphasized the constructive role of private capital in places like Bolivia. For instance, a 1958 USIS pamphlet intended for a working-class audience publicized the role of the Williams Brothers oil company in constructing an oil pipeline from Sicasica to Arica, located on the Chilean coast. The intended message was clear: rather than serving its own selfish ends, private capital was helping Bolivia to develop its national infrastructure, and doing so with “specialized technical personnel and modern machinery.” The USIS also tried to counter Bolivians’ suspicions of U.S. government motives. A 1961 report noted that “the criticism is often heard that the United States aid programs are not developing the economy of the nation but merely making the rich richer” and that the U.S. government sought to use aid as leverage to shape Bolivian policies. USIS messaging argued “that the United States aid program has the basic purpose of helping this country achieve a sound and diversified economic development,” and that U.S. aid was “of material benefit to all of the Bolivian people.” U.S. officials visiting Bolivia publicized aid initiatives like the Point IV technical assistance program to illustrate how “free nations can work together for their mutual benefit.”

MNR officials echoed these themes, emphasizing the need for “labor responsibility and discipline.” Since the early years of the revolution they had argued that strikes were counterproductive; “the only way to defend working-class interests in Bolivia at the current time is to support the Government” and “give it the cooperation of selfless, disciplined, and productive work.” President Víctor Paz Estenssoro’s particular version of this argument claimed that whereas politicians and capitalists in the wealthy countries had previously opposed Latin America’s development, after World War II they had realized that “it was good business to develop the backward countries” so that the latter could purchase more manufactured goods.

Bolivian capitalists developed a similar discourse. The Said textile factory in La Paz, for instance, published a regular magazine that preached the virtues of “understanding between Employers and Workers” and called for the “conscious and friendly cooperation of the unions.” Rather than taking “a hostile attitude” toward their employers, workers were exhorted to respect “the principle of authority and hierarchy in [the] factories and fields.” Higher productivity “will result in the strengthening of the national economy and in fair rewards for all the company’s workers.” Each issue of the magazine showcased a handful of dedicated workers who embodied these ideals. Often the leaders of the factory’s white-collar employees’ union would be quoted to the effect that “capital and labor…are not conflicting interests.”

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19 Víctor Paz quoted in El Diario, 10 Apr. 1961; La Nación (La Paz), 30 Nov. 1955.
Accompanying the discourse of “responsible” labor was a message about responsible, “modern enterprise.” Government leaders distinguished foreign companies and the nascent Bolivian bourgeoisie from the tin oligarchy of the pre-1952 era, emphasizing their positive contribution to national economic development. Bolivian business owners depicted themselves as understanding, progressive, and dedicated to the revolutionary nationalist goal of industrial diversification. Antonio Said, owner of the Said factory, contrasted the “backward or retrograde enterprise” model of old with the new spirit of “modern enterprise” among business owners who realized “that their mission corresponds to the general economic interest.”

All these statements were implicit reflections of the obstacles posed by public opinion. Far more worrisome than the 5,000 or so registered Communists and Marxist intellectuals in the country was the deep suspicion of U.S. motives, foreign corporations, and capitalism in general that was widespread among workers and the poor. Most Bolivians had no formal affiliation to Marxist parties (and at times even repudiated them), but “a leftist thought pattern” was widespread and posed a continuous dilemma for U.S. policymakers. If Soviet-style Communism inspired little support among Bolivians, nor did U.S.-style capitalism and the racism, militarism, and imperialism widely associated with it. In late 1958 Ambassador Bonsal complained “that such concepts as the role of the free world economy in helping underdeveloped countries, private enterprise as the key for better living standards, [and] the constructive role of the United States in situations such as Bolivia, are under severe attack.” Conversely, loose notions of socialism and quasi-dependentista views of the global economy held strong appeal, particularly in the wake of the 1959 revolution in Cuba. U.S. reports from Bolivia in the 1960s noted the “widespread sympathy for the aspirations and objectives of the Cuban revolution.” Despite favorable changes in economic policy after 1955, U.S. officials would often lament that public attitudes about economic development, class conflict, and international relations remained quite consistent. The U.S. failure to achieve ideological hegemony in Bolivia is evident in its increased reliance on military aid to the MNR starting in the late 1950s.

The Crusade to Save Bolivia’s Hydrocarbons

The U.S.-backed liberalization of the oil sector in 1955 further exposed this clash of economic paradigms. In 1937 a nationalist military regime had nationalized Standard Oil’s properties and created a state company, YPFB. In the immediate aftermath of the revolution YPFB had shown impressive growth thanks to state investments. However, the new oil code decreed by

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24 Bonsal to Rubottom, 29 Nov. 1958, in NA 59, CDF 824.06/1-1058; Weise to Coerr, 11 Nov. 1960, in NA 59/3172/1.

President Paz Estenssoro in October 1955 and later approved by Congress provided highly attractive opportunities for foreign companies. It divided the country into four major zones, reserving three for private concessions and one for YPFB (Figure 1). Private companies were offered low taxation rates (an 11-percent royalty and 30-percent profits tax) and concession rights for 40 years.\(^26\) YPFB’s designated zone represented only eleven percent of the national territory.\(^27\) U.S. oil companies eagerly anticipated the decree and rushed to Bolivia after 1955. Within two years nineteen foreign companies – eighteen U.S. companies plus the British giant Shell – had obtained concessions in the country.\(^28\) The Bolivian Gulf Oil Company, of which Gulf owned 80 percent, received a contract for two million hectares in Zones 1 and 2 plus another 1.5 million hectares in YPFB’s designated zone.\(^29\)

Figure 1: Zones created by the 1955 oil code. The 1955 law established three major zones (with Zone 3 subdivided into three) for exploitation by private companies, plus a zone in the Southeast for YPFB. Map by the author, based on La Nación, 27 Oct. 1955.

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\(^{26}\) YPFB, Código del petróleo: Edición oficial (La Paz: YPFB, 1955), 41-42. 27. Critics later argued that the effective tax rate amounted to less than 20 percent (Sergio Almaraz Paz, Petróleo en Bolivia [La Paz: Juventud, 1958], 188).


\(^{28}\) Despatch 285, 8 Oct. 1958, in NA 59, CDF 824.2553/10-858. By early 1959 the number was twenty-one (Memorandum of Conversation [hereafter MemoConv], 11 Feb. 1959, in NA 59, CDF 824.2553/2-1159). For DoS meetings with oil companies see Atwood to Holland, 19 May 1955, 824.2553/5-1955; MemoConv, 7 Sept. 1955, 824.2553/9-755; MemoConv, 8 Aug. 1956, 824.2553/8-856 (all in NA 59, CDF).

\(^{29}\) Despatch 528, 13 Dec. 1957, CDF 824.2553/12-1357; Embassy to DoS, 17 May 1957, 824.2553/5-2157; MemoConv, 15 Aug. 1957, CDF 824.2553/8-1557 (all in NA 59, CDF).
The code also had negative effects on YPFB. After five years of impressive growth following the revolution, the enterprise’s production levels steadily declined after 1957. By 1962 YPFB was no longer able to meet domestic consumption needs. The exhaustion of existing oil wells played some role in this decline, but the code also constrained YPFB’s ability to develop new reserves. MNR officials, meanwhile, placed little priority on exploration to locate new reserves. A harsh monetary stabilization and austerity plan, implemented in December 1956 following several years of high inflation, further hurt YPFB by reducing its budget and cutting in half its foreign exchange receipts. Annual investment in YPFB was 50 percent less in 1962-65 than in the previous decade. The grand hopes of the early 1950s for oil-based development had gradually dissipated by the end of the decade.

The MNR leadership’s reasons for embracing foreign investment were somewhat complex. Clearly U.S. imperial power was one major factor. In early 1955 Assistant Secretary of State Henry Holland wrote that one of the MNR’s “obligations” was “an oil law which will afford [a] sound and attractive basis for the U.S. companies to come into the country.” Department officials hinted that a failure to implement the reform would jeopardize future U.S. aid, which in the 1950s covered up to one-third of the national budget (but which the MNR was forbidden from using to assist YPFB). Imperial power does not fully explain MNR actions, however. The mainstream party leadership had previously proposed opening up the hydrocarbon sector to private investment. Five months after taking power the Paz administration had signed a contract with the U.S.-based McCarthy oil company, the first private contract since the 1937 nationalization, and in 1953 communicated through diplomatic channels its “new ‘open door’ policy” in oil. In private discussion with U.S. officials, Paz Estenssoro approvingly characterized


31. This complaint was the main reason for the resignation of YPFB head engineer Enrique Mariaca in 1963. See Enrique Mariaca Bilbao, Mito y realidad del petróleo boliviano (La Paz: Los Amigos del Libro, 1966), esp. 279-80, 310, 531-34.


34. Holland to Sparks, et al., 4 Apr. 1955, in NA 59/1132/1. In 1958 Ambassador Philip Bonsal would write that “this problem of maintaining the position of American oil companies in Bolivia and other parts of South America” was “one of the most important with which we are faced” (Bonsal to Rubottom, 20 May 1958, in NA 59, CDF 824.2553/5-2058). State Department officials met regularly with company representatives. See for instance Atwood to Holland, 19 May 1955, 824.2553/5-1955, and MemoConv, 7 Sept. 1955, 824.2553/9-755, both in NA 59, CDF.


the 1955 reform as “a most liberally contrived invitation to the foreign oil industry” and said “that whatever might stand in the way…should be swept aside.” MNR officials were not consciously seeking to undermine YPFB (unlike U.S. officials), but they had no objection to encouraging private investment alongside public. Like many Latin American structuralists of the 1950s, they welcomed foreign investment and insisted that it could yield mutual benefits.

By 1958, as working people bore the brunt of austerity and foreign oil companies seemed poised to profit, disparate sectors of Bolivian society began to coalesce around their opposition to the MNR’s open-door oil policy. Prominent working-class critics included the petroleum workers’ federation, mineworkers, factory workers, peasant unions, Chaco War veterans, and the COB. Oil was also a key focus for middle-class nationalists of various stripes, including students, military officers, lawyers, and journalists. This newly emergent nationalist coalition was initially spearheaded by the Communist and Trotskyist parties but quickly expanded to include the MNR’s own “left” faction as well.

Most criticisms of the 1955 code singled out its generous provisions for foreign investors. Critics deemed the taxation rate too low and pointed to other oil-producing countries that reaped up to six times more money per barrel than Bolivia. They condemned additional hidden tax breaks like the “depletion allowance” that compensated foreign companies for the exhaustion of reserves, effectively exempting 27.5 percent of production from taxation. And they pointed to myriad other ways in which the code and the MNR’s broader oil policy seemed to privilege foreign companies at the nation’s expense: the failure to compel companies to refine the oil within Bolivia or to reinvest profits domestically, the tailoring of pipeline infrastructure to the needs of companies exporting through Chile to the United States rather than to neighboring markets, and the generous time window before companies had to begin drilling (a common critique was that foreign oil companies were mainly interested in accumulating reserves in order to maintain high global prices). Many nationalist and leftist voices felt that YPFB, meanwhile, was being deprived of lucrative oil reserves by the code’s provisions and of funding by the recent austerity plan and the U.S. refusal to loan it money.

Denunciations of the oil code and ensuing contracts channeled longstanding suspicions of foreign capital in general. Like the tin barons before 1952, oil companies were accused of repatriating most of their profits and contributing little to Bolivia’s industrialization, all while paying low taxes and enjoying taxpayer-funded infrastructure and other subsidies. The natural resources themselves were exported to markets in the developed world rather than benefiting Bolivian consumers. Foreign investments in extractive industry were deemed particularly suspect,

37 Merritt to DoS, 10 May 1955, in NA 59, CDF 824.2553/5-1055.

38 Mariaca cited Venezuela, Iran, Saudi Arabia, Kuwait, Indonesia, and Egypt (Mito y realidad, 414-36).


41 Almaraz, Petróleo, 169ff; Mariaca, Mito y realidad, 183-98, 256-57.
as they were in many other Latin American countries. For instance, one YPFB chief engineer who became a prominent critic of oil policy differentiated “between investments dedicated to transformative industry and investments dedicated to the extraction of a national treasure.” Oil extraction had a particularly low multiplier effect, meaning that its effects on industrial development were minimal.

Oil workers were a main source of early opposition. By 1958 the Federación Sindical de Trabajadores Petroleros de Bolivia (FSTPB) was calling for major modifications to the code and condemning what it characterized as an effort to starve YPFB of resources. In July it threatened to strike if taxes on foreign oil companies were not raised. In October, just prior to the FSTPB’s Fifth National Congress, the federation and La Paz union leaders issued a public statement arguing “that the Stabilization Council [the body in charge of implementing the 1956 austerity plan] and the International Monetary Fund have refused any financial aid for the development of the only state entity which offers promise to the country in order that the entity not prosper.” They warned the “people of Bolivia” to “be on the alert” to “preserve the life of the petroleum industry of Bolivia which you have defended with your blood in the Chaco war.”

The FSTPB Congress in December focused on the oil code. Its “liberal structure threatened the future of the nation,” said an official resolution. Although delegates noted their support for foreign investment in the oil industry, they demanded major changes to policy. The Cochabamba refinery workers proposed a substitute code that would stop concessions within YPFB’s zone, force companies to drill quickly, compel them to refine more of their oil in Bolivia, eliminate the depletion allowance and other tax loopholes, and give YPFB control over all pipelines. Beyond reforming the code, they advocated three policy changes that would become central to left and nationalist demands: that the government expand exploration activities in order to boost YPFB’s reserves, that it accept loans and investments from anywhere (a reference to a recent Soviet loan offer reportedly worth $150 million), and that it expand cooperation with other primary-commodity exporters. The proposal passed and marked a turning point in the FSTPB’s position on government oil policy.

Oil workers and their allies frequently cast themselves as the guardians of nation and revolution, in opposition to government leaders who were betraying “the sacrifice of the 50,000 Chaco martyrs, whose blood had paid for YPFB’s creation.” FSTPB leaders proclaimed their

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43 Mariaca, *Mito y realidad*, 263-64. See also Canelas, *Petróleo*, 33, 81.

44 Despatch 69, 18 July 1958, in NA 59, CDF 824.2553/7-1858.

45 Quoted in English in Despatch 288, 15 Oct. 1958, in NA 59, CDF 824.2553/10-1558.


47 1966 quote from Gustavo Chacón, a well-known nationalist intellectual who had helped develop oil policy for the reformist military governments of Germán Busch (1937-39) and Gualberto Villarroel (1943-46). See his “Prólogo,” in Mariaca, *Mito y realidad*, 7. René Barrientos’s 1964 military coup led to increased repression, but there were many continuities with the MNR period. Critics like Chacón increasingly saw Barrientos’ resource policies as a continuation of the MNR’s anti-nationalist orientation, and often denounced both regimes in the same breath.
constituency’s “most renowned patriotic zeal and love for [YPFB].”\textsuperscript{48} The death of YPFB would mean “the defeat of the Bolivian people,” argued the Cochabamba refinery workers’ newspaper, for the state enterprise was “the last chance that our country has to be Great, truly Free, and genuinely Just.” Protecting the country’s “virgin wealth” and avoiding the “fateful cycle of tin” was a crucial national imperative.\textsuperscript{49} In the various strikes and strike threats by oil workers starting in 1958, the tightening of the oil code’s lax provisions and the patriotic defense of YPFB were often key themes alongside more traditional wage demands.\textsuperscript{50}

While YPFB workers were a natural constituency for oil nationalism, they were not alone. Soon after the 1958 FSTPB Congress, the U.S. Embassy reported on a “crusade to defend YPFB” involving the factory workers’ confederation, the national peasant confederation, and the COB. The factory workers officially condemned the “machinations of Yankee imperialism” to “destroy YPFB to benefit U.S. firms which only seek [to] preserve concessions as reserves in order [to] control international prices.” They called upon the administration of Hernán Siles Zuazo (1956-60) to accept the Soviet loan offer and modify the oil code “to reflect [the] nationalist sentiment of our people.”\textsuperscript{51}

Nationalization alone was widely deemed insufficient: hydrocarbons and the revenue therefrom should serve as instruments for fomenting industrial development. Most critics, like Sergio Almaraz, advocated the use of oil as a “lever” to “develop a more solid and independent economy.” The Cochabamba refinery workers’ newspaper argued that oil should not simply take the place of tin, but “should constitute one of the firmest pillars for a new type of Bolivian economy.”\textsuperscript{52} These statements implied the need for fundamental changes in the nation’s economic structure, and three things in particular: diversification of exports, import substitution, and the domestic processing of minerals and hydrocarbons. This last goal was especially central to the debate. A longstanding popular demand was for a smelter that would enable Bolivia to refine its own tin, freeing it from dependence on U.S. and British smelters.\textsuperscript{53} Similarly, most resource nationalists stressed that oil and gas should be refined domestically.

\textsuperscript{48} El Diario, 27 Mar. 1959.

\textsuperscript{49} El Petrolero (Feb. 1959): 14, 30, 3.

\textsuperscript{50} On strikes see for instance El Diario, 12 Apr. 1959 and 31 Mar. 1965. Ironically, many MNR and U.S. leaders had viewed diversification into oil in part as a way to undercut the militant mineworkers. According to economic adviser Cornelius Zondag, “Being much less labor intensive than mining, the petroleum industry in its early days was bound to have a relatively clear sailing as far as labor problems were concerned” (The Bolivian Economy, 121). Cf. Timothy Mitchell, \textit{Carbon Democracy: Political Power in the Age of Oil} (London: Verso, 2011).

\textsuperscript{51} Quoted in Embassy to Secretary of State, 28 Aug. 1959, 824.2553/8-2859, and Embassy to DoS, 27 Aug. 1959, 824.2553/8-2759, both in NA 59, CDF.

\textsuperscript{52} Almaraz, \textit{Petróleo}, 287; El Petrolero (Feb. 1959): 3.

\textsuperscript{53} For mineworkers a smelter was seen as a partial remedy to the long-term decline of their sector. MNR leaders (and later military leaders) voiced support for domestic tin smelting but were unwilling to prioritize it given U.S. opposition, even though Soviet leader Nikita Khrushchev offered to fund smelter construction “with no strings attached” (George Jackson Eder, \textit{Inflation and Development in Latin America: A Case History of Inflation and Stabilization in Bolivia} [Ann Arbor: University of Michigan Press, 1968], 521).
These goals were impossible to achieve, maintained most critics, without a reassertion of national control over production and export by YPFB, especially given hydrocarbons’ importance as fuel sources for other economic activity. National control would return more revenue to Bolivia while permitting greater economic planning. Bolivia would also benefit from the power to decide its export partners: rather than prioritizing the far-away U.S. market, it could build closer ties to nearby economies like Argentina and Brazil. The focus on neighboring markets was a key part of critics’ proposals for cooperation among underdeveloped nations. The Trotskyist POR went farther, advocating “a Latin-American petroleum pool controlled by the workers” that would include state oil companies in Bolivia, Argentina, Brazil, Chile, and Mexico.

There was a range of views about what “national control” meant and how far it should go. Some stopped short of advocating full nationalization, arguing that foreign investment could be harnessed to national needs, including YPFB’s own development. The 1958 oil workers’ congress emphasized its openness to foreign capital provided that it abide by strict limitations. It resolved that “mixed ventures” (sociedades mixtas) should be allowed in YPFB’s zone. Others condemned the very presence of foreign oil companies, insisting that all production and sale be under YPFB’s control. Guillermo Limpias, a COB official, argued that YPFB could not “develop as the Bolivian people wish as long as it has by its side the treacherous and watchful monopolies with a blade hidden under their poncho, ready to plunge it into the heart of the nation – that is, into

54 Mariaca, Mito y realidad, 373-74.
55 e.g., El Petrolero (Feb. 1959): 14; Almaraz, Petróleo, 260, 272.
56 Despatch 1009, 13 May 1958, in NA 59, CDF 824.2553/5-1358.
YPFB.58 Such voices pointed to YPFB’s impressive growth in the early 1950s as proof that foreign investment in the oil sector was unnecessary.59 If YPFB needed extra capital, they said, it could be obtained from the Soviets in the form of a low-interest loan or from European countries. After a big initial investment, the company would be self-sustaining.60

Figure 3: This 1957 mural by Bolivian Trotskyist Miguel Alandia Pantoja, titled “Petróleo en Bolivia,” captures Bolivian nationalists’ dreams of industrialization in the hydrocarbon sector. It remains on public display at the YPFB headquarters in La Paz.

Most Bolivian nationalists did not seek the total exclusion of North Americans from the country or from trade partnerships, provided that the arrangements were fair and equitable. Few advocated autarky. Mariaca and Almaraz, two of the more radical critics, favored the judicious use of “foreign experience” and suggested that foreign investment in sectors other than oil might be permissible.61 The POR mentioned the need for imports of technology and capital.62 Even those who proposed barring U.S. companies from economic activity inside Bolivia were seldom guided by blanket “anti-American” sentiment, but rather a discriminate hostility toward specific targets like oil companies, the State Department, or imperialist policies – a nuance often obscured in antagonistic accounts of resource nationalism.63

58 Quoted in Canelas, Petróleo, 121.
59 Almaraz, Petróleo, 244-52; Mariaca, Mito y realidad, 13, 384-436; Canelas, Petróleo, 104-07, 163-75, 222-28.
60 El Petrolero (Feb. 1959), 14; Almaraz, Petróleo, 260; Canelas, Petróleo, 104-07, 230-36; Despatch 1009, 13 May 1958; Despatch 36, 3 Aug. 1959, in NA 59, CDF 824.2553/8-359.
61 Almaraz, Petróleo, 261 (quote); Mariaca, Mito y realidad, 263-64, 293-94; Canelas, Petróleo, 34, 81.
63 See for instance the 1959 State Department memo quoted below (note 68), or Fernando Molina, El pensamiento boliviano sobre los recursos naturales (La Paz: Pulso, 2009).
Though most Bolivians did not reject all foreign investment or aid, they were decidedly skeptical of its motives and opposed the undue benefits that foreigners usually enjoyed as a result. Most probably agreed with Senator Ciro Humboldt that “foreign companies, by definition, do not work for the benefit of the Nation.” Amado Canelas argued that Bolivia’s small domestic market made “the monopolistic consortia” especially uninterested “in promoting the development of our transformative industries.” Even most of those who welcomed foreign investment in oil seemed to be under no illusions about this clash of interests. The oil workers’ 1958 support for foreign investment, for example, was conditioned upon a list of rules that implied deep skepticism of the companies’ motives and scruples. Though such critiques were not anticapitalist, they shared a suspicion of private enterprise – a “leftist thought pattern.” In practice, resource nationalism and the formally anti-nationalist ideology of Marxism often reinforced one another. Both, after all, were based on the notion that the average Bolivian and foreign powers (governments or companies) had opposing interests.

These realities never ceased to frustrate U.S. officials. Commenting in 1958 on oil companies’ efforts to secure contracts, the ambassador complained “that it has been a tremendous task to overcome the belief of many people here that in the exploitation of Bolivia’s oil resources, Bolivian national interest would be neglected or, at least, be placed in a subordinate position.” A 1959 State Department memo portrayed such attitudes as paranoid conspiracy theory: “An emotional campaign is under way by the [anti-]Siles opposition and leftists to the effect that Bolivia is being ‘drained of her natural resources,’ with the implication that the ‘draining’ is being done by the private ‘capitalistic’ oil companies and the ‘Tin Barons’ through the ‘connivance’ of the Department of State.”

By the end of the 1950s resistance to the oil code began to have noticeable impacts on policy. In 1959 top MNR officials proposed a revised royalty structure, and in 1964 Paz Estenssoro decreed an expansion of YPFB’s territory from 12 to 30 million acres. At the tail end of the Eisenhower administration, the United States finally granted a $6 million loan to YPFB, tacitly conceding “that the co-existence of private and public enterprise in the petroleum industry is the maximum which can be expected in Bolivia (at the present time).” This and subsequent loans resulted partly from Bolivian leaders’ leveraging of the Soviet loan offer and the Cuban Revolution to wrest money from the United States. But pressure from below – not party leaders’ own initiative – was the main reason for their more assertive posture regarding YPFB.

Nationalist resistance even influenced some leaders in the right-wing Barrientos regime. By the late 1960s one internal memo admitted that the code was “too generous to the companies”

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64 Humboldt, 19 Sept. 1958, p. 189 (note 40 above).
65 Canelas, Petróleo, 33-34.
66 Office of Research and Intelligence, “Communist Propaganda Activities” (note 23 above).
68 Williams to Pitts, 24 Sept. 1959, in NA 59/1162/27.
71 Siekmeier, Bolivian Revolution, 38-98; Mariaca, Mito y realidad, 350-51.
and that the government must act “to rehabilitate YPFB,” though it proposed negotiating with the companies rather than legislative change. It advocated a 51 percent total tax rate, a large increase over the 1955 rate, and a plan wherein “the state’s proceeds will be transferred to YPFB.”72 One top Barrientos official privately counseled “accepting the Code’s revision and reform in only those aspects that are demanded with greatest insistence,” as a way of defusing popular uproar. That way, “the tension created around this issue will have been released.”73

Amalgamation and Its Limits

The culmination of the struggle against the 1955 oil code came in September-October 1969, when General Alfredo Ovando seized power and proceeded to abrogate the 1955 reform and nationalize Gulf Oil’s holdings. The company had become highly unpopular over the past decade as a result of the widespread perception that it was profiting at YPFB’s expense. In the wake of the oil reform it had obtained a contract allowing it to repatriate 79 percent of its profits. Thanks to its massive investment in exploration—over three times the total YPFB budget—Gulf soon accumulated six times the reserves of the state company and by 1967 was producing four times as much oil, which it began exporting to California.74 It quickly became a lightning rod for disillusion with the government’s economic policies.

However, those who flooded the streets to celebrate the October 1969 nationalization seemed to agree on nationalization but little else. The La Paz press reported on a confrontation between a government cabinet member and “a huge group” of students and workers from the La Paz-based Central Obrera Departamental, who approached a government building in the Plaza Murillo chanting “Workers to Power.” Disagreement was also evident in the speeches accompanying the celebration. COB leader Orlando Capriles cautiously praised the nationalization but also conveyed skepticism of the Ovando government, warning about state bureaucracy and the danger of a “new oligarchy [rosca]” emerging. He also advocated an economic development policy that prioritized basic needs over expensive consumer goods, saying that “we don’t need tax-free luxury cars, or Persian rugs, or fine liquors. We need tractors, machines, tools, and laboratories.” He emphasized in particular the importance of achieving national food security to overcome dependence on U.S. wheat and flour imports.75

Ovando’s vision was much more conservative. He quickly promised compensation to Gulf, a move criticized by the oil workers’ federation and others.76 His government did seek to limit the repatriation of profits by foreign companies, but it was hostile to demands for redistribution. Just a week after the nationalization Ovando announced wage freezes for workers, and major

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72 Unsigned and undated note, probably written by Foreign Minister Walter Guevara Arze sometime in 1967-69, in ANB, Colección WGA, Caja 29, Carpeta 5.
73 Unsigned, “Con atención del Ministro de Minas y Petróleo” (n.d.), in ANB, Colección WGA, Caja 29, Carpeta 5.
74 Dunkerley, Rebellion, 128.
76 El Diario, 23 Oct. 1969; Ayllón (Executive Secretary, FSTPB) to Ovando, 3 Nov. 1969, included in Uriona to Quiroga, 5 Nov. 1969, in ANB, Presidencia de la República, #1278. The United States still reduced aid to Bolivia by 63 percent the next year while foreign companies boycotted Bolivian oil, as the FSTPB had predicted they would. The government later agreed to a $78 million compensation settlement (Mitchell, Legacy of Populism, 112-13, 119n21).
redistributive reforms were absent from the rest of his tenure.\textsuperscript{77} His policy agenda sought none of the progressive tax reforms, wage increases, or state support for small agriculture – let alone more radical measures like genuine workers’ control – that were demanded by the left. Clearly not all nationalists wanted redistribution, let alone socialism.\textsuperscript{78} Ovando’s overall record suggests that the Gulf nationalization, though partly a response to a popular movement, was also intended to suppress class-based demands by rallying nationalist support for the regime.

The divisions among oil nationalists are central to understanding the 1969 nationalization and mid-century Bolivia more generally. While Ovando’s decision responded to a popular demand, it was also meant to stifle the spread of demands for redistribution. Precisely because of such conservative motives, leftist critics were often wary of nationalist coalitions, accusing them of obscuring “the fundamental importance of class struggle” within the nation.\textsuperscript{79} Similar observations could be made about the tendency of midcentury hydrocarbon nationalism to obscure hierarchies of gender, ethnicity, and region, evident in its mestizo-centric discourse of national virility. While sexism, racism, and a middle-class economic agenda are not inherent to resource nationalism, nor are they merely incidental to it. The quest to save “Bolivia’s” hydrocarbons almost always foregrounded national identities over others, identifying the main enemy as foreign imperialism. For conservative oil nationalists this framing was intentional, for it justified the repression of domestic demands for redistribution. In the hands of leftists, resource nationalism foregrounded class identity in addition to the national, targeting domestic elites as well as foreign ones. Even in the more progressive latter variants, however, it lent itself to the occlusion of various other hierarchies.

Nationalisms of all types are contradictory, of course. The striking feature of resource nationalism is the extent to which it has proven capable of accommodating the radically progressive alongside the exclusionary. On one hand, it constitutes a powerful challenge to capitalist markets, property rights, and the prerogatives of both imperial and regional elites. On the other hand, resource nationalist coalitions tend to conceal drastically different visions for the future, and resource nationalism itself is often deployed as an instrument for silencing the demands of subordinate groups.

This uneasy combination has remained apparent in Bolivian resource nationalism in the decades since the revolution. In the early twenty-first century resource nationalists have dealt a blow to foreign hydrocarbon investors while thwarting the secessionist schemes of elites in the resource-rich eastern lowlands. Yet even in today’s Bolivia, where higher hydrocarbon taxes and indigenous affirmation mark a decisive break with the past, resource nationalism is still sometimes used to deny the territorial rights of indigenous minority groups. When an urban-based popular coalition ousted President Gonzalo Sánchez de Lozada in October 2003 over his government’s plan to export unrefined natural gas at cheap prices, few of its organizers – whether mestizo, Aymara, or Quechua – seemed to be thinking about the indigenous communities living near lowland extraction sites (many of which belonged to the Guaraní or other minority groups). A

\textsuperscript{77} El Diario, 27 Oct. 1969; Dunkerley, Rebellion, 166-67. Ovando himself had presided over the anti-guerrilla campaigns of the mid-1960s as well as the 1967 massacre of scores of people at the Siglo XX mining camp.

\textsuperscript{78} Even the neo-fascist FSB had been calling for Gulf’s nationalization (e.g., Extra [Cochabamba], 6 Apr. 1968).

similar tension has been evident in the fiscally progressive but extraction-intensive policies of Evo Morales’ administration since 2006.  

The “Oil War,” wrote nationalist critic Amado Canelas in 1963, was becoming a “powerful amalgamating factor” for diverse sectors opposed to foreign domination. Yet resource nationalism’s unification potential was fleeting. As a rallying cry it could only contain the boiling elements beneath for so long, and even when it did seem to contain them, the results were often quite unpleasant for many subordinate social groups. In that contradictory mixture lay its enduring power and peril.

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81 Canelas, Petróleo, 363.