



THE PRIVATE SECTOR AND THE PUBLIC TRANSCRIPT:
THE POLITICAL MOBILIZATION
OF BUSINESS IN BOLIVIA

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ABSTRACT

This paper examines the origins and development of business interest group activism in Bolivia. During the 1980s, business interest groups became high-profile political actors that worked openly to reshape the policy-making and ideological landscape of Bolivia. The thrust of the campaign was to promote neoliberal economic ideas and to create a more positive public image of the private sector. While these efforts met with some success, challenges by popular class organizations and criticisms of business behavior by politicians tempered the effects of the business campaign on remaking public opinion. Moreover, the continued reluctance of domestic capitalists to undertake substantial new investments further undercut business's attempt to project itself as progressive and productive. Nonetheless, the business mobilization was effective in heightening class consciousness and solidarity. The mixed political and economic record of the Bolivian private sector underscores the continuing problems involved in constructing bourgeois hegemony in Latin America.

RESUMEN

Este trabajo analiza los orígenes y el desarrollo del activismo de los grupos de interés empresariales en Bolivia. Durante la década de los ochentas, los grupos de interés empresariales se convirtieron en prominentes actores políticos, actuando abiertamente para remodelar el panorama ideológico y el proceso de toma de decisiones en Bolivia. Esta campaña consistió en divulgar las ideas económicas neoliberales y en la creación de una imagen pública más positiva del sector privado. Aunque estos esfuerzos tuvieron algo de éxito, los retos de parte de las organizaciones populares y las críticas al comportamiento empresarial de parte de los políticos mitigaron los efectos de la campaña empresarial sobre la opinión pública. Asimismo, el continuo temor de los capitalistas domésticos de llevar a cabo nuevas inversiones substanciales contribuyó también a diluir la imagen de progreso y productividad que los empresarios intentaban proyectar. Con todo, la movilización empresarial resultó efectiva en términos de elevar la conciencia y la solidaridad de clase. La ambigüedad de los antecedentes políticos y económicos del sector privado boliviano pone de relieve la persistencia de los problemas que enfrentan los intentos por edificar una hegemonía burguesa en América Latina.

Introduction

In 1984, Carlos Díaz-Alejandro drew attention to one of the most important contradictions brewing in Latin America's debt crisis—namely, the relationship between “public debt and private assets.” With his usual acuity, Díaz-Alejandro pointed to the political problem involved in the state's assumption of the debt burden as private sector actors (many of whom had actively participated in accruing the debt) scrambled to shield their private household wealth from the effects of the crisis through capital flight. Díaz-Alejandro suggested that this behavior by wealthy private actors not only reduced the legitimacy of governmental efforts to service the debt, but “generated a crisis of legitimacy for the role of the private sector in Latin American development.”¹

This essay examines the contours of this “crisis of legitimacy” of the private sector and the political efforts made by the business community to respond to public challenges to its role.² While the analysis focuses specifically on the case of Bolivia, the behavior described here has its counterparts throughout Latin America in the 1980s. The widespread political activation of business elites in Latin America in this period suggests that the private sector did indeed feel caught in a “crisis of legitimacy” which it sought to resolve through direct political means.

As a number of commentators have remarked, business groups throughout the region demonstrated new levels of organizational capacity, sophistication, and class consciousness. Moreover this surge in political activity was not entirely defensive, i.e., aimed at staving off “negative” public policies. Business political activity broadened to include more concerted efforts to mold the ideological climate along probusiness lines. With the completion of political transitions and the reestablishment of civilian governments, the task of “winning hearts and minds” was one of increasing concern to business groups.

The political activation of business in the 1980s raises the perennial question regarding the prospects for “bourgeois hegemony” in Latin America. While there is little doubt that the overall ideological shift of the 1980s was in the conservative direction, domestic capitalists have a

¹ Carlos Díaz-Alejandro, “Latin American Debt Crisis: I Don't Think We Are in Kansas Anymore,” *Brookings Papers on Economic Activity* 2 (1984): 379. Díaz-Alejandro's observation is underscored in Miguel Rodríguez, “Consequences of Capital Flight for Latin American Debtor Countries” in *Capital Flight and the Third World Debt*, ed. Donald R. Lessard and John Williamson (Washington, D.C.: Institute for International Economics, 1987): 139.

² To clarify my use of terms, I am using “business” to refer to “big business,” i.e., the leading strata of domestic capitalists. I take the position that while their interests (sectoral concentration, market orientation) often diverge, it is possible to make useful generalizations on the behavior of these capitalists as a whole. Specifically, this paper examines how new levels of class solidarity and cohesion were promoted by business interest groups. Also my use of the specific term “businessmen” reflects the continuing domination of the corporate world in Latin America by males.

long way to go in resolving their longstanding lack of hegemony. As the following discussion shows, important contestations of the role of the private sector surfaced in the 1980s and continue in the 1990s. Moreover, the poor economic performance of these capitalists and these capitalist systems means that the minimal material conditions for hegemony continue to be absent. As Díaz-Alejandro pointed out early in the debt crisis, the economic behavior of individual capitalists frequently undercuts the class-wide quest of the bourgeoisie to achieve political acceptance and a stable social consensus on capitalism.

The Post-1952 Reconstruction

Before examining the recent economic and political behavior of Bolivian capitalists, their development must be placed in historical context. The 1952 Revolution was the starting point for the emergence of a new capitalist class in Bolivia and it set the trajectory of state-society relations until the 1980s.

Bolivian capitalism was dramatically recast in the wake of the 1952 Revolution led by the populist Movimiento Nacionalista Revolucionario (MNR). The Revolution began as an armed popular uprising of peasants and miners in response to an attempt by the armed forces to scuttle the election of MNR leader, Víctor Paz Estenssoro, as president.³ Swept into office by this successful popular insurgency, the MNR government wiped out the last vestiges of the old oligarchy. That oligarchy, based in the traditional hacienda system and tin mining, had dominated the politico-economic system since the nineteenth century. A substantial agrarian reform was enacted in 1953; the state nationalized the largest privately owned mines and formed the public enterprise, COMIBOL, to oversee their operations. As part of the *co-gobierno* arrangement struck between the MNR and the trade union movement, the Central Obrera Boliviana (COB) was given control over COMIBOL and oversaw workers' control in the mines. The most radical phase of the Revolution was short-lived. Facing serious economic difficulties and seeking aid from the United States, the subsequent MNR government led by Hernan Siles forced the COB out of the cabinet and enacted draconian stabilization measures in 1956.

With the most radical elements of labor and the left eliminated from the governing coalition, the denouement of the Bolivian Revolution became apparent. The goal of the MNR-led project was the modernization of Bolivian capitalism, not socialist transformation. But in the

³ For further discussion of the Bolivian Revolution of 1952 and its aftermath see James M. Malloy, *Bolivia: The Uncompleted Revolution* (Pittsburgh: University of Pittsburgh Press, 1970); James M. Malloy and Richard Thorn, eds., *Beyond the Revolution: Bolivia Since 1952* (Pittsburgh: University of Pittsburgh Press, 1971); James Dunkerley, *Rebellion in the Veins: Political Struggle in Bolivia, 1952-82* (London: Verso, 1984).

absence of an entrepreneurial class, the state was assigned a pivotal role in the modernization process. Reelected to the presidency in 1960, Paz Estenssoro became the author of a state-centric capitalist model of economic development which remained essentially unchallenged until the 1980s.

Paz's successor military governments in the 1960s and 1970s continued the deepening of state involvement in the economy. The most intense expansion came during the first half of the dictatorship of General Hugo Banzer. By the mid-1970s, the domination of the economy by the state, particularly through the proliferation of public enterprises, was evident. Government activities accounted for 33 percent of Bolivia's gross domestic product, 70 percent of all investment, 59 percent of exports and 13 percent of total employment.⁴

This state-centric capitalism did not preclude the development of a private sector—but it created one closely tied to and dependent on the rhythms of state expansion. The new private sector emerged as a highly subsidized creature, extremely dependent on government consumption and investment. By the late 1960s, the contours of Bolivia's new capitalist class were coming into focus. As elsewhere in Latin America, the leading strata of this class were organized into economic groups—i.e., diversified conglomerates controlled by family clans or friendship cliques.⁵ Private wealth became highly concentrated in these groups. The size of the newly emergent dominant class was miniscule. Alejandro Portes estimated the dominant class, composed of the proprietors of modern firms, to be 1.3 percent of the economically active population in 1970 and 0.6 percent by 1980.⁶

One important set of economic groups, headquartered in La Paz, grew up around investments in “medium” mines. Three firms came to dominate production in this sector: COMSUR, EMUSA, and Etalsa S.A. Through shrewd management and aggressive diversification, the three firms became the principal private producers of all of Bolivia's mineral exports by the late 1980s.⁷

In the eastern department of Santa Cruz, economic groups developed agricultural, agro-industrial, and commercial ventures. Starting with Paz's first presidency, the government channelled significant resources to Santa Cruz in order to develop its infrastructure and

⁴ Figures are taken from L. Enrique García-Rodríguez, “Structural Change and Development Policy in Bolivia” in *Modern-Day Bolivia*, ed. Jerry Ladman (Tempe: Arizona State University Press, 1982): 176.

⁵ For a review of the literature on economic groups see Nathaniel H. Leff, “Industrial Organization and Entrepreneurship in the Developing Countries: The Economic Groups,” *Economic Development and Cultural Change* 26, 4 (July 1978): 661-75.

⁶ Alejandro Portes, “Latin American Class Structures: Their Composition and Change during the Last Decades,” *Latin American Research Review* 20, 3 (1985): 22.

⁷ Manuel E. Contreras and Domario Napoleon Pacheco, *Medio siglo de minería mediana en Bolivia 1939-1989* (La Paz: Biblioteca Minera Boliviana 1989).

agriculture. Forty percent of all agricultural credit between 1955 and 1966 went to Santa Cruz, most of it destined to sugar, cotton, rice, and soybean producers.⁸ By the early 1970s, the Santa Cruz region had absorbed 66 percent of all agricultural credit with about half of it directed to medium and large landholders. A high rate of default on agricultural loans ultimately turned the credit program into an enormous give-away to the private sector of Santa Cruz.⁹

Investments in financial institutions was an important dimension in the diversification of the economic groups. The Banco de Santa Cruz, founded in 1966, became the banking hub that brought together virtually all of the economic groups of Santa Cruz, including the Grupo Monasterios, Roda, Kuljis, Willie, Gasser, and Romero.¹⁰ Other leading banks (Banco Boliviano Americano, Banco Hipotecario, Banco Mercantil, Banco Nacional) similarly fell under the control of La Paz-based economic groups.¹¹

For the most part, the small size and the impoverished state of the internal market made manufacturing industries relatively unattractive to the economic groups. In the post-1952 period, Bolivian industrial development lagged significantly behind that of its neighbors, including countries of comparable size like Ecuador. Industrial production remained concentrated in non-durable goods—i.e., food, beverages, textiles, and footwear. Notwithstanding the overall backwardness of the sector, some notable family fortunes were derived from industrial ventures in La Paz, Santa Cruz, and Cochabamba. On the whole, however, investment in manufacturing was not a prominent concern for most economic groups. Eckstein and Hagopian report that manufacturing enterprises constituted the “lead” firm in only two of the fifteen large economic groups they studied.¹²

The economic boom that unfolded during the Banzer dictatorship helped to solidify the position of these emerging economic groups. Conditions in the international market and the probusiness stance of the Banzer government created propitious conditions for the consolidation of the groups. Prices for Bolivia’s agricultural and mineral exports surged in the early 1970s and the state revenues increased with revenues from petroleum exports. The export bonanza led to real growth rates in the gross domestic product of between five and seven percent from 1971 to

⁸ Mario Arrieta et al., *Agricultura en Santa Cruz: De la encomienda colonial a la empresa modernizada* (La Paz: ILDIS, 1990): 193.

⁹ Michael Mortimore, “The State and Transnational Banks: Lessons from the Bolivian Crisis of External Public Indebtedness,” *CEPAL Review* (August 1981): 146.

¹⁰ For further information on economic groups in Santa Cruz see Grupo de Estudios Andres Ibañez, *Tierra, estructura productiva, y poder en Santa Cruz* (La Paz: Centro de Estudios Andres Ibañez, 1983).

¹¹ Miguel Fernandez Moscoso, “La empresa privada y la reactivación: Apuntes para el debate,” *El rol de la empresa privada en el desarrollo*, ed. Taller de Investigaciones Socio-económicas (La Paz: ILDIS, n.d.): 47.

¹² Susan Eckstein and Frances Hagopian, “The Limits of Industrialization in the Less Developed World: Bolivia,” *Economic Development and Cultural Change* 23, 1 (October 1983): 81.

1975. After 1975, the Banzer government was able to prolong the economic boom by aggressive borrowing and deficit spending. Given the extraordinary conditions prevailing in the international financial community, foreign banks eagerly entered the Bolivian market.¹³

It is important to consider that the economic growth that took place during the Banzer period was based on consumption, not new production.¹⁴ Increases in international market prices accounted for Bolivia's improved export performance; production increases registered during this period were modest. The expansion of public sector employment fueled middle-class consumption which, along with government spending, contributed to an import binge. Construction and real estate ventures flourished in response to new government building projects. The economic growth of the 1970s fortified the position of the economic groups, but it did not represent significant new conquests by them. Rather, the economic trends of the 1970s only underscored how closely tied the private sector was to public spending.

Exit, Shyness, and Staying Liquid

By the latter part of the 1970s, the Bolivian "economic miracle" was screeching to a halt. The termination of the foreign credit cycle coincided with an extended political crisis which began with General Banzer's botched attempt to rig his own presidential election in 1978. From 1978 through 1982, a string of interim military and civilian governments failed to reconstitute a stable political regime or remedy the growing economic crisis. In 1982, the installation of Hernan Siles Zuazo as president signalled the end of military intervention but poor macroeconomic management continued.¹⁵ By 1985, Bolivia was in the grip of one of the world's worst hyper-inflations of the twentieth century. The inflation rate for 1985 was registered at a staggering 8,170 percent.¹⁶

At least three propensities marked the economic behavior of Bolivian capitalists during the 1980s: 1) recourse to capital flight (or "exit" to borrow Albert Hirschman's term); 2) a

¹³ Robert Devlin, *Debt and Crisis in Latin America: The Supply Side of the Story* (Princeton: Princeton University Press, 1989).

¹⁴ Horst Grebe López, "Notas sobre la coyuntura económica y sus perspectivas," Documento de trabajo no. 18, FLACSO-Bolivia, March 1988.

¹⁵ Siles Zuazo gained the presidency as the result of the decision to recall the Congress elected in 1980. The Congress was never seated because of the García Meza coup. The Congress, in turn, elected Siles Zuazo to the presidency. Siles had won the popular vote in the 1980 presidential election by a narrow margin.

¹⁶ Juan Antonio Morales and Jeffrey Sachs link Bolivia's hyperinflation to the expansion of seignorage financing by the central government. See their analysis, "Bolivia's Economic Crisis" in *Developing Country Debt and Economic Performance*, vol. 2, ed. Jeffrey D. Sachs (Chicago: University of Chicago Press, 1990).

disinclination to engage in any new productive investment (Juan Antonio Morales refers to this as investor “shyness”); and concurrently 3) a preference for holding liquid assets (which facilitates engaging in the exit option or defending one’s position domestically by transactions in the foreign currency market).¹⁷ These propensities were, of course, not unique to Bolivian businessmen. Capitalists from Argentina to Mexico engaged in similar behavior as the economic crisis descended on Latin America in the 1980s.

In the recent literature on capital flight, exit is depicted both as a response to and an aggravating component of the debt crisis of the 1980s. Analysts concerned with the origins of the crisis have focused on how domestic capitalists contributed to the debt overload by contracting loans to underwrite the costs of enterprises, while shielding their personal wealth from risk through flight.¹⁸ Other analysts have put forth models of flight that interpret the behavior as a response to the fear of increasing taxes as governments assumed responsibility for guaranteeing public and private debt.¹⁹ In retrospect, the Latin American capital flight of the 1980s appears to have been inescapable. Almost every conceivable economic variable (overvalued exchange rates, high interest rates in the international market, etc.) converged with political uncertainty to make flight appear as the most reasonable option for individual investors.

In the Bolivian case, Oscar Ugarteche and others have argued that flight began to take off in the 1970s.²⁰ During the Banzer government, investors redirected the subsidized loans provided by the state to bank accounts outside of Bolivia. The mismanagement of public sector enterprises also channelled funds illegally to individuals. In a sense, the capital flight of this period in Bolivia was proactive—an aggressive move used by domestic investors to maximize and secure their share of the bonanza conditions in the international credit market. The capital flight of the first half of the 1980s was, in contrast, more defensive—i.e., a push to protect resources in an

¹⁷ The reference is from Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge: Harvard University Press, 1970). The notions of exit and voice were used by Jeffrey A. Frieden, “Winners and Losers in the Latin American Debt Crisis: The Political Implications” in *Debt and Democracy in Latin America*, ed. Barbara Stallings and Robert Kaufman (Boulder: Westview, 1989): 39-58. On investor shyness, see Juan Antonio Morales, “Bolivia’s Post-Stabilization Problems,” Documento de trabajo no. 08/90, Instituto de Investigaciones Socioeconómicas, Universidad Católica Boliviana, June 1990.

¹⁸ See the previously cited work by Carlos Diaz-Alejandro and Miguel Rodríguez. For a discussion of such behavior in the Peruvian case see Richard Webb, “Internal Debt and Financial Adjustment in Peru,” *CEPAL Review* 32 (August 1987): 55-74. For further discussion of the origins and effects of recent capital flight see Manuel Pastor, “Capital Flight from Latin America,” *World Development* 18, 1 (1990): 1-18.

¹⁹ Jonathan Eaton, “Public Debt Guarantees and Private Capital Flight,” *World Bank Economic Review* 1, 3 (May 1987): 377-395; Jonathan Easton and Mark Gersovitz, “Country Risk and the Organization of International Capital Transfer” in *Debt, Stabilization and Development*, ed. Guillermo Calvo et al. (Cambridge: Basil Blackwell/WIDER, 1989): 109-129.

²⁰ Oscar Ugarteche, *El estado deudor: Economía política de la deuda, Perú y Bolivia 1968-84* (Lima: Instituto de Estudios Peruanos, 1986); Robert Devlin, *Debt and Crisis in Latin America: The Supply Side of the Story* (Princeton: Princeton University Press, 1989).

atmosphere of escalating political and economic uncertainty. Poor macroeconomic management and increasing social conflict scared off domestic capitalists.

Estimates of capital flight, based on errors and omissions in the balance of payments, are shown in Table 1. As the table indicates, capital flight accelerated in the second half of the 1970s. By 1985, an estimated US \$400 million was held by Bolivians in banks in the United States, totalling 10 percent of the country's gross domestic product.²¹

TABLE 1
Capital Flight In Bolivia (In US millions)

	Amount	As % of GDP
1971-75	\$77.3	4.0 (1975)
1976-81	\$216.9	6.0 (1981)
1982-83	\$106.2	3.0

Figures are cited in Juan Antonio Morales and Jeffrey D. Sachs, "Bolivia's Economic Crisis" in *Developing Country Debt and Economic Performance*, vol. 2, ed. Jeffrey D. Sachs (Chicago: University of Chicago, 1990), p. 213.

Another way that investors demonstrated their lack of confidence was their reluctance to engage in any new productive investments. Figures for the late 1980s demonstrate the continuing problem of investor "shyness" even after economic stability was restored. As Table 2 shows, there was virtually no change in the private sector's commitment to investment even after stabilization was achieved.

TABLE 2
Investment as a Percentage of GDP*

	1987	1988	1989	1990
Total	10.3	12.2	11.8	11.9
Public	6.4	8.3	8.7	8.1
Private	3.9	3.9	3.1	3.8

* Figures are from the International Monetary Fund and the Banco Central de Bolivia. The table was originally published in "Por qué no hay inversión en Bolivia?" *Epoca*, 27 (August 1991).

²¹ Figure is cited by Morales and Sachs, "Bolivia's Economic Crisis," 213.

The post-1985 “shyness” was a rational choice for investors, especially considering the lessons that businessmen drew from the intense economic stress of the early 1980s. Bolivian businessmen frequently refer to their experiences during the hyperinflation of 1984-85 in dramatic terms; it was *una escuela barbara* (a savage school) or *años amargos* (bitter years). Among the immediate lessons learned by business executives during hyperinflation was the importance of staying liquid (e.g., demanding immediate payments on delivery in US dollars, using assets to engage in currency speculation).²²

The success of the 1985 economic stabilization program notwithstanding, Bolivian capitalists have not rushed in to develop new productive ventures. In a parody on the Gabriel García Márquez title, one analyst referred to the orthodox economic program in Bolivia as “el modelo no tiene quien invierta” (no one invests in the model).²³ While a significant amount of capital was repatriated after 1985 (wooed by high interest rates), the lion's share of this returned capital was placed in short-term dollar and dollar-linked deposits in the banking system. An estimated 90 percent of banking deposits (as measured in June 1989) were located in such accounts. Of the 323 million dollars in such accounts, 175 million were in 30-day accounts.²⁴

In the second half of the 1980s, Bolivian investors clearly preferred to keep their assets readily accessible and moveable. The “hot money” character of these deposits became visible in June-August 1989 when uncertainty over the outcome of the presidential election triggered a run on the deposits. Approximately 28 percent of all bank deposits were withdrawn from the system between the weeks of May 28 and August 4, 1989 as negotiations over presidential succession took place in Congress.²⁵

Exit, shyness, and staying liquid were three strategies used by Bolivian capitalists in the market to deal with the uncertainties of the 1980s. Politics was another avenue. While they acted as individual economic agents in the market, they did not eschew a collective response in the political arena. Defensive economic behavior did not preclude a resort to political voice.

The political mobilization of Bolivian business elites in the 1980s brought together the regional and sectoral groups. Playing a central role in the process were business organizations and leading personalities connected to the major economic groups. A remarkable energy and ambition marked the business mobilization; it was a multifaceted effort aimed not just at honing the

²² Interviews, 27 July 1990 and 29 July 1990, Santa Cruz.

²³ The observation is by Flavio Machicado Saravia, *Sistema financiero y reactivación* (La Paz: ILDIS, 1989): 59. The reference is taken from Gabriel García Márquez's short story, *El coronel no tiene quien le escriba* (Buenos Aires: Editorial Sudamericana, 1969). For the translation see, “No One Writes to the Colonel” in Gabriel García Márquez, *Collected Stories* (New York: Harper and Row, 1984).

²⁴ *Sistema financiero*, 45.

²⁵ *Ibid.* 25.

business lobby per se, but at shaping public opinion and placing individuals associated with business into public office. The following section traces the development of business-led political action and ideological efforts. As influential as the business movement came to be, however, the campaign to promote a probusiness climate in politics and society ran into difficulties—in part because the private sector's own lackadaisical economic performance exposed the distance between its rhetoric and reality.

Public Relations and Politics

The political activation of business in Bolivia began as part of the “resurrection of civil society” during the struggle against military rule in the early 1980s.²⁶ This mobilization extended through the tumultuous civilian presidency of Hernan Siles Zuazo (1982-85) as business lashed out against government economic policies and the militant Central Obrera Boliviana (COB), the powerful trade union organization.

The business mobilization of the 1980s was organized through a pre-existing network of organizations. The umbrella organization that incorporates sectoral and regional groups, the Confederación de Empresarios Privados Bolivianos (CEPB), was created in 1962. Among its founding institutions were the Chamber of Industry, the Banking Association, the Chamber of Commerce, and the Chamber of Construction.²⁷ Also joining the foundation of the CEPB was the Association of Medium Miners which had been reconstituted in 1957.²⁸ Once founded, however, the CEPB remained skeletal, staffed by a single director and a secretary.²⁹

In Santa Cruz, business elites were organized into three associations. The oldest was the Cámara de Industria y Comercio founded in 1915. New agricultural entrepreneurs organized the Cámara Agropecuaria del Oriente (CAO) in 1966. The CAO became the umbrella group for the agricultural producers' groups in the region (e.g., the Federation of Cane Growers, the Association of Cotton Producers, the Federation of Ranchers, etc.) The Federación de Empresarios Privados de Santa Cruz acted as the umbrella representing cruceño interests in the

²⁶ The reference is from Guillermo O'Donnell and Philippe Schmitter, *Tentative Conclusions about Uncertain Democracies* (Baltimore: Johns Hopkins University Press, 1986): 48-56.

²⁷ Industrialists had been part of the Cámara Nacional de Comercio until 1931 when they split to form their own Cámara de Fomento Industrial; this was transformed in 1937 into the Cámara Nacional de Industrias. For its history see Cámara Nacional de Industrias, *Breve historia de la industria nacional* (La Paz: Empresa Editora Gráfica, n.d.). The Bankers Association was founded in 1957.

²⁸ The AMM was founded in 1939. For a discussion of the early interest organization that preceded the AMM, see William L. Lofstrom, “Attitudes of an Industrial Pressure Group in Latin America: The Asociación de Industriales Mineros de Bolivia,” M.A. thesis, Cornell University, 1968.

²⁹ Interview, CEPB, 18 February 1986, La Paz.

CEPB. Similar organizations also developed in the city of Cochabamba. Among the oldest were the Chamber of Industry and the Chamber of Commerce. The Federación de Empresarios Privados de Cochabamba, founded in 1970, linked these local groups to the CEPB.

All these organizations remained relatively quiescent throughout the Banzer period. Because Banzer's policies were generally favorable to the private sector, there was little cause for mobilization. Moreover, when conflicts arose, the dictatorial character of the government made public dissent difficult. Disagreements were voiced behind closed doors.³⁰

The political instability of the post-Banzer period prompted business organizations to take a more active role in reference to the question of regime transition. The repressive and internationally embarrassing military government of General Luis García Meza (1980-81) galvanized leaders inside the CEPB to push for a definitive return to civilian rule.³¹ Business pressures coincided with broad popular opposition to García Meza. In Santa Cruz, business organizations joined in defiance of the García Meza government as part of the regional civic committee, the Comité pro-Santa Cruz.³²

Although the CEPB supported the deal leading to the installation of the Siles government, it swung into action almost immediately to defend business from what it knew would be a center-left administration with labor sympathies. The Siles period became a turning point for all players in Bolivian politics—business, labor, and parties. Composed of a heterogeneous mix of communists, social democrats, and “independents,” the Siles cabinet vacillated between the demands of labor and business in the making of economic policy. In the process, Siles satisfied neither group. Conflicts over economic policy spilled onto the streets as unions and civic committees undertook direct actions to press their claims. According to Roberto Laserna, an average of 53 instances of collective action (civic strikes, marches, road blockades) took place monthly during Siles's 33 months in office.³³ The number of industrial strikes and work actions also surged. The COB called a total of nine general strikes. This labor militancy was not confined to wage demands. In 1984, the COB issued its “emergency plan” which called for an immediate transition to socialism.

³⁰ Interview, 11 February 1987, La Paz.

³¹ I have treated business's role in the transition in “Retreat to Democracy: Business and Political Transition in Bolivia and Ecuador” in *Democratic Transition and Consolidation in Southern Europe, Latin America, and Southeast Asia*, edited by Diane Ethier (London: Macmillan, 1990): 73-90.

³² Gonzalo Flores, “Movimiento regional cruceño: Aproximación e hipótesis” in *Crisis, democracia y conflicto social*, edited by Roberto Laserna (Cochabamba: CERES, 1985): 262.

³³ Roberto Laserna, “La protesta territorial (La acción colectiva regional y urbana en una coyuntura de crisis democrática)” in *Crisis, democracia y conflicto social: La acción colectiva en Bolivia 1982-1985* (Cochabamba: CERES, 1985): 203-252.

Bolivian businessmen were profoundly threatened by the mobilization of the leftist labor movement during the Siles government. By 1984, the convulsive state of the society and economy placed Bolivia at the brink of what Guillermo O'Donnell has called a "crisis of social domination"—i.e., a situation in which disruptions in the capital accumulation process are accompanied by "lower class behavior that undermines the social relations upon which the capitalist order is built."³⁴ In short, the future of the private sector itself appeared to be at stake. This is how the CEPB characterized their perception of the threat,

The Bolivian private sector, because of cumulative events (some frontal and others carefully furtive), is certain that a systematic offensive exists to weaken it and eventually displace it from the national economy. This operation has its roots in the most radical political sectors that use democracy as an instrument of its ends.³⁵

It was within this crisis atmosphere that the CEPB was galvanized as a organization and emerged as the voice of a capitalist class seeking to reassert itself. Fernando Illanes served as the CEPB's president during the critical years, 1982-1985. Illanes, himself a member of a La Paz-based economic group, was strongly supported by other economic groups in his efforts to transform the CEPB from a shoestring operation into a modern professional lobby. Illanes began by hiring a regular staff that included economists and installing computers in the office.³⁶

The CEPB used its new resources for three related tasks: 1) to mount a lobby capable of countering the COB and generating alternative economic policies; 2) to educate and mobilize its own membership in support of new policies; and 3) to launch a broad public relations campaign to organize support for business. In short, the CEPB and its allied organizations began a conscious effort to shift elite and public opinion away from the state-centric and populist formulas that had dominated policy-making in Bolivia since the 1950s. The CEPB wanted to replace the old formulas with market-driven economics and proprivate sector attitudes.

Even before Illanes assumed the presidency, leaders inside the CEPB had developed a critique of the state's economic role and were arguing in favor of a greater role for the private sector. The CEPB commissioned several economic studies between 1978 and 1981 that attacked inefficiencies in the public sector and defended the productivity of the private sector. Once the full-time staff was in place, these efforts to develop a comprehensive set of policy proposals continued. Many of the policy proposals developed by chief economist Fernando

³⁴ Guillermo O'Donnell, *Bureaucratic-Authoritarianism: Argentina 1966-1976 in Comparative Perspective*, trans. James McGuire (Berkeley: University of California Press, 1988): 24-30.

³⁵ "Discurso de clausura del Ing. Fernando Illanes de la Riva en el encuentro de la libre empresa," *Pensamiento y acción de la empresa privada 1982-1985* (La Paz: CEPB, 1985): 295.

³⁶ Information on the development of the CEPB is taken from numerous interviews conducted with CEPB officials from 1986 through 1990.

Candia and his staff prefigured the components of D.S. 21060, the neoliberal package launched under the subsequent government of Víctor Paz Estenssoro in August 1985.

Formulating an orthodox remedy for Bolivia's economic woes was just one dimension of the CEPB's hyperactive style in this period. CEPB leaders realized that the new ideas had to be "sold" to the public at large, and to many of the CEPB's own members who were accustomed to the protection and subsidies provided by Bolivia's hypertrophied state. CEPB leaders recognized that an ideological campaign had to be a component of its overall political strategy. Illanes contracted a public relations firm to correct the "distorted image of the private sector" and commissioned a Gallup poll to tap public opinion on issues of concern to the CEPB.

The ensuing advertising campaign of the CEPB (which included both newspaper ads and radio spots) pivoted around two themes. First, the ads sought to portray the private sector as an ardent defender of democracy and civil liberties while casting aspersions on the conduct of other (unspecified, but undoubtedly leftist) actors. The contrast drawn was that between the democratic commitment of the CEPB and the oppressive nature of the antibusiness opposition. Here is the copy of two such ads:

What kind of society do you want for yourself and for your children? One in which you choose various work, familial, and religious options? Or one in which everything is imposed on you? DEMOCRACY IS FREEDOM TO CHOOSE.³⁷

Do you want a fractured Bolivia—one dominated by violence, arbitrary acts, and hate among brothers? We Don't! That's why we support respect for the law, pluralism, and free choice without marginalizing anyone. WE VOTED FOR DEMOCRACY. LET'S DEFEND IT!³⁸

The other thrust of the ad campaign was to promote a positive image of business by contrasting the "productivity" of the private sector with the inefficiency of the public sector. One ad featured graphs showing that private enterprise accounted for 70 percent of all tax contributions; another claimed that the private sector produced 500,000 new jobs without "deficit spending or inflation."³⁹ Another juxtaposed the wheels of industry with that of a machine spewing forth money. The bold type in the ad declared, "We live by production, not by emission!"⁴⁰ The concluding tag line of this series of ads was "Free Enterprise: Pillar of a Productive Democracy."

Meetings and public forums served as important venues for putting forth the ideas of CEPB leaders and developing a consensus within the CEPB on the need for an orthodox

³⁷ *Presencia*, 10 April 1983.

³⁸ *El Diario*, 28 May 1983.

³⁹ *Presencia*, 18 August 1983.

⁴⁰ *Presencia*, 18 August 1983.

restructuring of the Bolivian economy. The activity was intense. In 1983-84, nine “extraordinary” general assemblies and meetings were called to discuss the deteriorating economic situation and draft policy recommendations to the government. One event reported to have had an important ideological impact was a meeting featuring a speech by Alvaro Alsogaray, an ultraliberal Argentine economist. Another was the “Free Enterprise Encounter” held in May 1983. In addition to the meetings, the CEPB began publishing *El Empresario* (The Entrepreneur) to communicate on a regular basis with its members.

The CEPB did not confine its mobilization to meetings. It joined in the street politics characteristic of the Siles period. The CEPB organized two business shut-downs in 1984. A 48-hour strike was held in February to protest government economic policies; it was followed by a September action to express outrage at the murder of a prominent businessman. The murder was portrayed by the CEPB as an act of aggression against the private sector as a whole.

The number of business groups affiliated with the CEPB ballooned during the Siles period as smaller and medium business looked to the CEPB for leadership and defense. Leaders in the CEPB cultivated ties with small business—and this was reflected in the ad campaign. One of the 1983 ads pictured a young man in a cap (clearly *clase popular*) and declared,

This mechanic is also private enterprise...because a mechanic that works in his own shop is a person that undertakes an activity in which he risks the resources that he has.

Private activity benefits the entrepreneur, but it also creates wealth, progress and work for the whole country.⁴¹

The CEPB extended its ties to small business by creating a foundation to promote small enterprise in 1984. In 1987, the CEPB invited the Peruvian champion of the informal sector, Hernando de Soto, for a visit.⁴² Other groups picked up on the idea of an alliance with the informal sector. In 1988, for example, the Federación de Empresarios Privados de Cochabamba (a regional affiliate of the CEPB) kicked off a campaign called “Empresarios Somos Todos” (We’re all entrepreneurs) to promote the idea of free enterprise and pride within the business community.⁴³

One more aspect of the ideological ferment is worth noting—namely, the efforts to develop business-oriented educational programs under private control. The CEPB, for example, sponsored IDEA, a program that offered courses to executives on such topics as tax and industrial

⁴¹ *El Diario*, 29 September 1983.

⁴² A Bolivian chapter of de Soto’s Instituto Libertad y Democracia was founded in 1989 in Cochabamba, *El Mundo*, 5 January 1989. The institute floundered, however, and by 1991 was moribund.

⁴³ *Presencia*, 28 April 1988.

policy. In Santa Cruz, the effort to develop alternative education went even further. The Cámara de Industria y Comercio, with the support of individuals from Santa Cruz's leading economic groups, founded a private university in 1984. The Universidad Privada de Santa Cruz de la Sierra (UPSA) was conceived as a site to train professionals for private enterprise without the strikes and political agitation that plagued the public system. Majors are confined to systems analysis, computer science, and communications. It is not surprising that this ambitious project was hatched inside the ranks of the cruceño private sector. Santa Cruz business elites cultivate the image of being innovative entrepreneurs—and have been successful at tying free enterprise rhetoric to the emotional appeals of Santa Cruz regionalism. An extensive network of institutions in Santa Cruz articulates a probusiness position. One of the major daily newspapers, *El Mundo*, was founded in 1979 by the Cámara de Industria y Comercio. Moreover, the private television stations are owned by the principal economic groups as are a growing number of public relations firms. The Cámara, CAO, and the Federación de Empresarios Privados occupy an important position inside the Comité pro-Santa Cruz, the departmental civic committee that wields enormous political and ideological clout.⁴⁴

As in other Latin American countries, high-profile positions in business interest groups became a launching pad for political careers in the 1980s. The new "political-businessmen" were major players in the electoral resurgence of the right.⁴⁵ The most important figure to emerge from this process in Bolivia was Gonzalo Sánchez de Lozada (popularly known as "Goni"). Raised and educated in the United States, Gonzalo Sánchez de Lozada is a major shareholder in COMSUR, Bolivia's largest private mining company. He began his political career as an MNR deputy, elected to the 1980 Congress. He became a biting critic of the Siles government and an ardent defender of the positions of the CEPB. He urged his fellow businessmen to get involved in politics, not simply through participation in the CEPB, but to take action "through individuals."⁴⁶

As the hyperinflation and social disorder spun out of the control, President Siles succumbed to calls for an advance in the scheduling of presidential and congressional elections of 1985. Sánchez de Lozada subsequently won a Senate seat for the MNR in the 1985 election; he resigned the presidency of the Senate at President Paz's request in January 1986 to take over

⁴⁴ Grupo de Estudios Andres Ibañez, *Tierra, estructura productiva, y poder en Santa Cruz* (La Paz: Comité Ejecutivo de la Universidad Boliviana, 1983).

⁴⁵ President León Febres-Cordero of Ecuador, who governed from 1984 to 1988, launched his political career as president of the Guayaquil Chamber of Industries. In Peru, Vargas Llosa's Movimiento Libertad drew a number of high-profile business group leaders into politics who went on to become congressional candidates in the 1990 election.

⁴⁶ *Presencia*, 6 May 1983.

as Minister of Planning. He held that position until he launched his own presidential campaign in 1989.⁴⁷

Sánchez de Lozada's involvement in politics had a profound impact on the course of economic policy and the entire ideological climate in Bolivia. He became one of the most effective advocates of the free market and the driving force behind Paz's orthodox stabilization program. The program included measures for downsizing public sector enterprises, trade liberalization, and economic deregulation.⁴⁸ As the intellectual architect of the program, Sánchez de Lozada was able to translate many of the ideas that had been bubbling inside the CEPB since the 1970s into a concrete plan of economic reform. Moreover, his personal style—built on a disarming sense of humor and “tough but honest” talk—lent credence to the ideas and policies of the Paz government.⁴⁹ The success of D.S. 21060 (at least in halting hyperinflation) gave even further credibility to the discourse of economic liberalism.

By 1989, a remarkable consensus had emerged within the political class on the desirability of continuing on with the market experiment initiated by the Paz Estenssoro government. All three major parties vying for power in the 1989 presidential race—the MNR, MIR, and ADN—publicly committed themselves to maintaining neoliberal policies. This consensus reflected the relative success of neoliberal business leaders and technocrats in capturing important posts within the parties. In both the MNR and the ADN, neoliberals occupied top party positions and acted as trusted advisors to the party chiefs, Paz Estenssoro and Banzer respectively. The ascent of neoliberals within the MNR and ADN, however, did not go completely unchallenged. In both parties, the neoliberals found themselves at odds with populists who balked at the idea of reducing the size of the public sector and resented being displaced by the new strata of politicized businessmen and young technocrats. In the MNR, for example, this conflict crystallized in the competition between Sánchez de Lozada and longtime MNR stalwart Guillermo Bedregal over the party's presidential nomination. The populists lost and Sánchez de Lozada won the party nomination.

The presence of a core of businessmen and technocrats inside the MNR and the ADN was crucial in keeping the initial stabilization and reform effort intact. As Minister of Planning from

⁴⁷ Sánchez de Lozada went on to a narrow win of the popular vote in the 1989 election. In accordance with Bolivia's constitution, the election was thrown into the Congress for a final decision since no candidate achieved a majority. A political agreement struck between Banzer's ADN and Paz Zamora's MIR denied Sánchez de Lozada the presidency. The position went to Jaime Paz Zamora.

⁴⁸ The politics surrounding the launching of the neoliberal project in Bolivia is described in Catherine Conaghan et al., “Business and the ‘Boys’: The Politics of Neoliberalism in the Central Andes,” *Latin American Research Review* 25, 2 (1990): 3-30.

⁴⁹ For a discussion of “gonismo” see Carlos F. Toranzo Roca and Mario Arrieta Abdalla, *Nueva derecha y desproletarianización* (La Paz: ILDID, UNITAS, 1990): 58-69.

1985 to 1989, Sánchez de Lozada provided strong leadership for the economic team and ensured that the program would not be whittled away by the populist factions inside the government or by popular protests. At the same time, the ADN provided political support for the economic reforms by entering into a pact with the MNR in 1985. This pact insured that there would be no congressional majority that could act to institutionally block the actions of the executive. The ADN continued its support for neoliberalism when it sealed a subsequent pact with the MIR in 1989.

Spreading the doctrine of economic liberalism and organizing political support for it became the project of business elites and allied technocrats. It would be a mistake, however, to attribute this spread solely to the energies of business leaders. It is important to keep in mind that the neoliberal project enjoyed unusually propitious circumstances in Bolivia in this period. The catastrophic deterioration of the economy under the direction of the center-left Siles government undermined the public's belief in leftist prescriptions and severely undercut sympathy for the COB by 1985. Moreover, the capacity of the COB to project an alternative to economic liberalism faded further as Paz's policies effectively dismantled the COB's constituency—especially the mineworkers who were dismissed as part of the cutbacks in the state-owned mining sector. And, by the end of the 1980s, changes in the international climate (i.e., the collapse of Soviet bloc socialism, the electoral defeat of the Sandinistas) deprived what remained of the left of external referents. Along with the weakening of the left, another factor had a critical effect on Bolivia's ideological climate: the real pressures emanating from international public and private financial institutions to restructure the economy and renegotiate the foreign debt.⁵⁰ Given these pressures, the conditions prevailing in the 1980s were ripe for domestic capitalists to push a neoliberal economic project.

Yet, the political victory of the new neoliberal coalition in Bolivia was not without its contradictions. While Bolivian capitalists celebrated the virtues of the market and staked a claim as authors of "productive democracy," they balked at risk-taking investments. Even after economic stabilization was consolidated in 1986 and the major parties endorsed neoliberalism, Bolivian investors remained "shy." Business leaders have explained this reaction by underscoring the need for further assurances from the government to reestablish fully a climate of confidence. The demands from the private sector now include: 1) a systematic program of privatization of public

⁵⁰ For a discussion of the new pressures exerted by internal institutions see Miles Kahler, "Orthodoxy and Its Alternatives: Explaining Approaches to Stabilization and Adjustment" in *Economic Crisis and Policy Choice: The Politics of Adjustment in the Third World*, ed. Joan Nelson (Princeton: Princeton University Press, 1990): 33-62. For a discussion of the "Washington consensus" on restructuring see John Williamson, "What Washington Means by Policy Reform" in *Latin American Adjustment: How Much Has Happened?* ed. John Williamson (Washington, D.C.: Institute for International Economics, 1990).

enterprises; 2) sweeping legal reforms to facilitate both domestic and foreign investment; 3) a more aggressive channelling of “reactivation” credits to the private sector and a lowering of interest rates; 4) continued reduction of the fiscal deficit. In addition to these specific policy measures, business leaders also stress that politicians must demonstrate their “seriousness” and managerial prowess. The competence of politicians, rather than their ideology, has become the prime concern of the business community. The fears that continue to prevail among businessmen have to do with skepticism about the capacity of politicians to act as skillful and sober guardians of the new neoliberal model over the long haul.

Contestation and Credibility: Who’s Kiddin’ Who?

Through its new activism and intensive public relations work, the domestic private sector in Bolivia reinvented itself as a political and ideological force in the 1980s. Yet, these efforts did not put an end to public skepticism regarding business’s capacity to act as an agent of economic growth and development. While business projected itself as the heroic protagonist of accumulation and growth, other voices contested that image in a variety of ways. Due to length considerations, a complete description of the contestations during the 1980s will not be attempted here. Rather, I will briefly highlight some of the ways in which various actors (including some business allies) challenged business’s political and ideological assertion in this period.

One would expect, of course, a challenge “from below.” But business’s traditional challenger, organized labor, was not the sole (nor the most important) voice of opposition. Organized labor, represented by the COB, suffered a major blow with the enactment of Paz Estenssoro’s economic stabilization and restructuring program. The “New Economic Policy” (NEP) drastically reduced the number of miners in COMIBOL and the liberalization of the labor code allowed private employers to dismiss workers at their own discretion. By 1988, 23,118 miners had been dismissed from COMIBOL and 5,371 miners from private firms had been released.⁵¹ An estimated 29,000 industrial jobs were eliminated between 1985 and 1987.⁵² The net result of this state shrinking and labor liberalization was a dramatic decline in the ranks of organized labor. An important segment of the labor force was effectively “deproletarianized” as dislocated workers were forced into informal sector activities or returned to agriculture.⁵³

⁵¹ These figures are cited in Godofrino Sandoval and M. Fernanda Sostres, *La ciudad prometida: Pobladores y organizaciones sociales en El Alto* (La Paz: ILDIS, 1989): 147.

⁵² Alvaro Aguirre Badani et al., *NPE: Recesión económica* (La Paz: CEDLA, 1990): 151.

⁵³ For a discussion of this process see Carlos F. Toranzo Roca, “La desproletarización e ‘informalización’ y sus efectos sobre el movimiento popular” in Carlos F. Toranzo Roca and Mario Arrieta Abdalla, *Nueva derecha y desproletarización en Bolivia* (La Paz: UNITAS-ILDIS, 1989): 115-141. Also see, CEDLA, *El sector informal urbano en Bolivia* (La Paz: CEDLA, 1988). For

In addition to this reduction in the constituency of organized labor, the COB was further debilitated by the government's use of force in the application of the NEP. Paz Estenssoro invoked emergency powers on two occasions to deal with union protest and his cabinet ministers threatened repressive action on numerous other occasions.

With the power of labor eclipsed, some of the most effective popular resistance to the probusiness agenda came from residentially based groups asserting the rights of the community over that of private enterprise. The most important instance took place in August 1990 when 800 members of indigenous communities from the Beni marched 650 kilometers to press their land claims in La Paz. The protestors were objecting to the concessions extended to six lumber companies and demanded the creation of an indigenous controlled territory in the Chimanés Forest. In an unexpected move, President Paz Zamora acceded to the demands and ordered lumber companies out of the zone by the end of October 1990.⁵⁴ In another act of local resistance, the civic committee of Potosí (a poor mining town) organized a series of demonstrations against the granting of a concession for lithium exploration to a North American firm, LITHCO. Protestors argued that the terms of the agreement would bring little in the way of new revenue or employment to the region while conceding windfall profits to LITHCO. In this case, Paz Zamora also backed off and withdrew the concession.⁵⁵

Both decisions drew the wrath of business organizations, including the CEPB. The Chimanés decision was portrayed as an illegal disruption of contractual relations and an attack on the rights of business. In both cases, the CEPB underscored the detrimental effects of action against business on the overall investment climate. The head of the Chamber of Lumber Industries (Cámara Forestal), Edgar Landivar, put it even more bluntly. He declared that such reversals in the "rules of the game" would permanently douse investor interest in Bolivia. Landivar warned that the concession to indigenous groups could trigger parallel demands for mining and agricultural zones under their control. "Next they are going to want to be the owners of the petroleum," he concluded.⁵⁶

President Paz Zamora's capitulations to popular protest was objectionable to the business community at large for two reasons. First, the decisions gave weight to the idea of collective rights. Second, they raised concerns about the commitment of the Paz Zamora

further discussion of the decomposition of the labor movement see Jorge Lazarte, "El movimiento obrero: Crisis y opción del futuro de la COB" in *Crisis del sindicalismo en Bolivia*, ed. FLACSO-ILDIS (La Paz: FLACSO-ILDIS, 1988): 251-259.

⁵⁴ See "Ya no son fantasmas: Volverán con territorio y dignidad?" *Informe R* 10, 203 (September 1990); "El fin de una larga marcha," *Informe R* 10, 204 (October 1990).

⁵⁵ "Congreso extraordinario: Lento pero...seguro," *Informe R* 10, 194 (May 1990).

⁵⁶ Quoted in "La esperanza en el futuro," *Informe R* 10, 204 (October 1990).

administration to “hold the course” on neoliberalism. From the perspective of business, it raised the question of the government's credibility.

This brings us to a consideration of the disruptions created by the behavior of yet another set of actors—politicians. One of the lessons that business elites have been forced to learn in the period since the transition to democracy is that even politicians whom they perceive as “their own” (i.e., committed to a probusiness posture) can stray as political calculations warrant. Given the electoral logic that can take over politicians, it is no surprise that they frequently opt to carry out “reform” functions rather than accumulation functions.⁵⁷

Business-government relations in Bolivia remained uneasy even after economic stabilization was secured by the Paz Estenssoro administration. In 1986, a polemic over economic “reactivation” led businessmen and politicians into a game of casting blame on each other for the lack of economic growth. Leaders of the CEPB hammered the government for a rapid disbursement of “reactivation” credit and a lowering of interest rates. They were quick to dissociate themselves from the economic recession even as the government pointed to the private sector as a part of the problem. Carlos Iturralde, president of the CEPB, repeatedly intoned that “it was not fair or honest to try to transfer the responsibility for economic reactivation to the private sector.”⁵⁸

By 1989, business leaders broadened the debate over reactivation by arguing that fundamental reforms (e.g., privatization of public firms, decentralization, restructuring of the legal code) were required as a signal of the government's good faith before new investment could occur. In other words, business always seemed to be “moving the goal post”—ratcheting up the conditions that would define what constituted a stable investment climate.

But there was also some notable frustration with the private sector's posture even among some of its ardent spokespersons. Some of the most pointed criticism came from Hugo Banzer, leader of the conservative ADN and supporter of the neoliberal model. In March 1990, Banzer cautioned business that the security of the investment climate was already assured and that the only missing element was a “courageous participation” by the private sector.⁵⁹ Banzer's criticisms continued over the following months. In June, he suggested that investors engage in some “self-criticism” regarding their lack of entrepreneurialism instead of constantly blaming the

⁵⁷ For a discussion of the tension between reform and entrepreneurial functions see Albert O. Hirschman, “The Turn to Authoritarianism in Latin America and the Search for Its Economic Determinants” in *The New Authoritarianism in Latin America*, ed. David Collier (Princeton: Princeton University Press, 1979).

⁵⁸ “Mensaje a los empresarios por el President de la CEPB, Lic. Carlos Iturralde Ballivian,” 5 February 1988 in *Memoria anual 1987-1988* (La Paz: CEPB, 1988).

⁵⁹ *El Mundo*, 24 March 1990.

government.⁶⁰ In another speech, Banzer challenged the private sector to “show your face in this historic moment and invest something in this country—and like in any business, run a risk.”⁶¹

Banzer’s biting comments rekindled questions about the character and the commitment of the Bolivian bourgeoisie. Moreover, Banzer’s reprimands demonstrate another way in which business discourse is contested in these settings—from inside the ranks of business supporters and conservative ideologues. As much as business leaders try to project themselves as heroes of a dynamic capitalism in the making, it is an image that is not completely believed even by capitalists themselves. Evidence of such inner skepticism frequently emerges in private conversations with entrepreneurs. It also spills out in the public arena in ways that undercut the efforts to project business in a positive light. The recent participation of high-profile businessmen in elections opened the doors for an attack on their values and behavior.

One such attack was made on Gonzalo Sánchez de Lozada during his 1989 presidential bid. Hugo Banzer, his rival for the presidency, launched a negative ad campaign against Sánchez de Lozada which repeatedly raised questions about his business behavior. A number of the negative television spots opened with a clip of a speech by Sánchez de Lozada in which he pronounced, “Bolivians will bring back their money to Bolivia when they have confidence in their country.” This was followed by a red screen and black letters that declared, “NO SENOR SANCHEZ DE LOZADA.” A dramatic voice-over intoned,

Nobody has asked you how you made your money. The only thing the people ask and that you don’t want to answer is—how many millions of dollars have you taken out of Bolivia because you have no confidence in Bolivia?

The query was followed by booming music and two male voices that read the names of eight firms incorporated in Panama, Argentina, Brazil, and Peru which are affiliated with Sánchez de Lozada’s COMSUR.⁶² While it is impossible to draw any firm conclusions about the overall impact of such an attack on public opinion, the tactic was targeted to play on deep-seated public skepticism about the behavior of the upper echelons of Bolivia’s business class. In a political culture steeped in populism, portraying one’s rivals as *La Rosca* (literally, “The Screw,” the traditional term for the Bolivian oligarchy) is a well-worn political tactic. Nonetheless, the recurrent use of such imagery by politicians (including those on the right of the spectrum) helps keep

⁶⁰ *Hoy*, 27 June 1990.

⁶¹ *Hoy*, 2 July 1990.

⁶² The transcript of the commercial appears in Raul Rivadeneira Prada, *Agresión política: El proceso electoral 1989* (La Paz: Librería Editorial ‘Juventud’, 1989): 144-45.

populist thinking alive and subverts the notion of a hard-working, sober, and deserving upper class.⁶³

Rewriting the Public Transcript?

In certain respects, the politico-ideological mobilization just described should strike a familiar chord among observers of U.S. politics in the 1980s. As David Vogel and others have argued, the American business community also moved to reassert its political and ideological clout in the same period.⁶⁴ In the 1980s under Ronald Reagan, the celebration of business and business values was in full swing.

In both the U.S. and Latin America, the political resurgence of business was part of an effort to go on the offensive. In the U.S., corporate elites recognized the need for more effective political intervention and favorable public opinion as the power of the public-interest lobby (consumer, environmental groups, etc.) grew in the 1970s. The mobilization of business in Bolivia occurred in response to an even more profound type of threat emanating from the labor-left and a collapsing state structure. In both settings, corporate and business interest group leaders responded to the new threats by developing a more sophisticated political apparatus for business, increasing solidarity within the business community, and injecting probusiness values into political culture.

While there are broad similarities in the conditions that provoked new political activity by business, the tasks faced by the respective business communities in the U.S. and Latin America are extremely different. In the U.S., business was attempting to reassert its position in a context in which there is already a large reservoir of support for business in society and culture.⁶⁵ In contrast, Bolivian businessmen are seeking to assert themselves in an environment where there is no such reservoir of goodwill. It should be no surprise to conclude that the search for political and ideological ascendance by these domestic capitalists is and will remain extremely problematic.

The essential "hegemonic" problem for Bolivian capitalists is that they are identified as leaders of an incompetent capitalist system. So far, the Bolivian economy has failed persistently to produce the material base of a sustainable class compromise. As Adam Przeworski and other

⁶³ For an amusing look at the colorful language of Bolivian politics see Waldo Peña Cazas, *El lenguaje político en Bolivia: Guía para entender el oficialismo y la oposición* (Cochabamba: Ediciones Runa, 1991).

⁶⁴ David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (New York: Basic Books, 1989). Also see Thomas Ferguson and Joel Rogers, *Right Turn: The Decline of the Democrats and the Future of American Politics* (New York: Hill & Wang, 1986).

⁶⁵ Certainly, strong populist challenges to business have also been a feature of American life. For a discussion of the growth of support for business in the U.S. see Louis Galambos, *The Public Image of Big Business in America 1880-1949* (Baltimore: Johns Hopkins University Press, 1975).

theorists argue, hegemony is not simply smoke and mirrors, i.e., it is not a question of clever manipulations by capitalist elites.⁶⁶ In the advanced capitalist economies, hegemony involved the trading of compliance by workers for investment and economic performance by capitalists. This is the trade that is missing in the Bolivian—and most Latin American—cases. Certainly, domestic capitalists are quick to offer up an endless inventory of explanations as to why they have not performed ably; these explanations are focussed typically on the “dysfunctional” state and its irrational interventions. But with the neoliberal model now in place, capitalists can no longer point to the state as the sole source of the problem. With neoliberalism in gear, capitalists will have to bear some of the responsibility for economic performance.

In retrospect, the business campaign in Bolivia looks like an attempt to substitute public relations for the missing economic performance. The selling of capitalist rhetoric without any accompanying “proof of the pudding” in these settings is not easy. It is important to appreciate not only the immediate contradictions involved, but also the difficulties posed by the historical context in which the claims to legitimacy by capitalists are being asserted. Bolivia is a country in which popular memories of the oligarchical past remain alive, stoked by populist language and daily experience. Indeed, many domestic capitalists still cling to the seignorial cultural styles associated with that past. Moreover in this racially divided country, popular alienation from business elites is further fueled by their identification with white society.

Status anxieties and fears about the loss of control over family firms are important variables in understanding the investment behavior of Bolivian economic groups; such concerns are often at odds with their attempt to project themselves as authors of a dynamic modern capitalism. The extreme underdevelopment of the stock market reflects these fears of loss of control and of associating with anyone outside one’s immediate circle of family and confidantes.

Let me conclude with one example taken from a recent interview of how such concerns affect investment behavior in Bolivia. Several years ago, a couple of the largest economic groups in Santa Cruz expressed an interest in mounting an airline to compete with the state-run Lloyd Aero Boliviano, but were short of capital to start up the project. A local executive consulted by the groups suggested that they tap into the financial resources of “informal sector” merchants in Santa Cruz. After speaking to a number of these merchants, the executive compiled a list of hundreds of individuals willing to become stockholders in such a project. On second thought, however, the economic groups backed away from the project. When pressed by the executive to explain their decision, the group managers confessed their reluctance to get involved in an investment with “people from the street.”⁶⁷

⁶⁶ Adam Przeworski, *Capitalism and Social Democracy* (Cambridge: Cambridge University Press, 1985): 133-163.

⁶⁷ Interview, 25 July 1990, Santa Cruz.

In recent years, the growth of a nouveau riche strata connected to the drug trade has reinforced this tendency of economic groups to fear collaboration with new investors. While such fears may be well-founded, the closed character of the economic groups reinforces the image of big business as a closed oligarchic (and white men's) club. In Bolivia, the rocky relations between Max Fernandez and the business establishment illustrate the point. Fernandez is a businessman from Cochabamba who purchased and refurbished Bolivia's major beer bottling plant in La Paz. It was widely rumored that the start-up capital for this project came from the drug trade. His high-profile approach to business has also included major promotional efforts of his products, philanthropic activities, and more recently launching his own political career.⁶⁸ Because of his allegedly unsavory connections, Fernandez has been the object of scorn from established business elites, politicians, and the U.S. embassy. Yet, if there is anyone who can lay claim to being a popular hero of Bolivian capitalism it is probably Fernandez, who came from a humble background and "made it." By rejecting Fernandez so roundly, the established economic groups have distanced themselves from the one figure who can attest (with some measure of authenticity in the public mind) to the opportunities in the marketplace.⁶⁹

Business did make significant gains through its political mobilization. The antistatist attack by business organizations produced greater support for free-market thinking inside the parties and the economic policy-making apparatus. The political victories by conservative forces have been important, but they are not irreversible. Business leaders have learned a great deal about the uncertainty of democracy over the last decade—and they know that their gains can be eroded or completely overturned. As such, business recognizes the need to foment ideological change as part of the overall strategy to recast the policy-making environment.

One can look back at the 1980s as a period in which Latin American business leaders began a definitive push to rewrite the "public transcript" of capitalism in these systems. That is, they attempted to paint a new official portrait of themselves as proficient economic actors and defenders of democratic freedoms. As James Scott argues, any "public transcript" has a number of functions. One of the functions is to make an ideological case for domination that can have at least *some resonance* among subordinate groups. The problem for Bolivian capitalists is that their own track record (at least so far) strips much of the resonance away from their public claims that they are acting in ways that promote the general health of the Bolivian economy. A second

⁶⁸ For a fascinating discussion of Fernandez as head of the party, Unión Cívica Solidaridad, see Fernando Mayorga, *Max Fernandez: La política del silencio* (La Paz: ILDIS, 1991).

⁶⁹ For a discussion of the development of the "burguesia chola" in Bolivia see Carlos F. Toranzo, "Los rasgos de la nueva derecha" in *Nueva derecha y desproletarianización en Bolivia*, edited by Carlos F. Toranzo Roca and Mario Arrieta Abdalla (La Paz: UNITAS-ILDIS, 1989): 43-75.

function of the public transcript is to draw elites themselves together around common beliefs and rituals. Scott suggests,

If much of the purpose of the public transcript of domination is not to gain the agreement of subordinates but to awe and intimidate them into a durable and expedient compliance, what effect does it have among the dominant themselves? It may well be that insofar as the public transcript represents and attempts to persuade or indoctrinate anyone, the dominant are the subject of its attentions. The public transcript as a kind of self-hypnosis within ruling groups to buck up their courage, improve their cohesion, display their power, and convince themselves anew of their high moral purpose? The possibility is not all that farfetched...If autosuggestion works with individuals it might well characterize one of the purposes of group ritual as well.⁷⁰

On this level, the business campaign of the 1980s was somewhat more successful. It conjured up visions of a flourishing capitalist future—one with a minimalist state and a civil society infused with respect for business and entrepreneurial values (“*empresarios somos todos*”). For business classes riddled with identity questions and self-doubt, the dream was a welcome relief. It fed class solidarity and laid the basis for the collective political action of the 1980s.

⁷⁰ James C. Scott, *Domination and the Art of Resistance: Hidden Transcripts* (New Haven: Yale University Press, 1990): 67-68. Scott develops the notion of “public” versus “hidden” transcripts at length in this insightful work. He defines the public transcript as the official discourse of the dominant while the hidden transcript is the discourse of subordinates that takes place outside of the direct observation of the dominant.

