



A Break in Neoliberal Ideology?

A Critical Analysis of Bolivian Elite Discourse



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Abstract

Declaration

*For my five grandparents.
I miss you.*

Thank You

When I buy a book or a CD the first place it takes me are the credits and the thank you notes. Of course, I am never mentioned, but I like to see who is. The other reason is that I feel a deep satisfaction and calmness, when reading those lines of appreciation to the exogenous and endogenous contributors to a project. This deep sense of jubilation and happiness lulls me in as if I were a celebration's spectator. I hope the reader enjoys this feeling just now.

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Acronyms

	<u>Spanish</u>	<u>English</u>
ANF	<i>Agencia de Noticias Fides</i>	Fides News Agency
APP	<i>Asociación de Productores de Papa</i>	Association of Potato Producers
ASP	<i>Asamblea por la Soberanía de los Pueblos</i>	Assembly for the Sovereignty of the People
BAB	<i>Banco Agrícola de Bolivia</i>	Bolivian Agrarian Bank
BonoSol	<i>Bono de Solidaridad</i>	Solidarity Bonus
BTU		British Thermic Unit
CAF	<i>Corporación Andina de Fomento</i>	Andean Association for Promotion
COB	<i>Central Obrera Boliviana</i>	Bolivian Workers Central/Union
COBOCE	<i>Cooperativa Boliviana de Cemento</i>	Bolivian Cooperative for Cement
COMIBOL	<i>Corporación Minera de Bolivia</i>	Mining Corporation of Bolivia
CONDEPA	<i>Conciencia de Patria</i>	Patriotic Conscience
Coordinadora	<i>Coordinadora por la defensa del Agua y de la Vida</i>	Coordinator for the Defense of the Water and Life
DEA		Drug Enforcement Administration
EJR	<i>El Juguete Rabioso</i>	The Angry Toy
ENDE	<i>Empresa Nacional de Electricidad</i>	National Electricity Enterprise
ENTEL	<i>Empresa Nacional de Telecomunicaciones de Bolivia</i>	National Telecommunications Enterprise
ERBOL	<i>Educación Radifónica de Bolivia</i>	Education of Bolivia by Radio
ETPA	<i>Estrategia para la Transformación Productiva del Agro</i>	Strategy for the Productive Transformation of the Agrarian Sector
FAZ	<i>German: Frankfurter Allgemeine Zeitung</i>	
FELCN	<i>Fuerza Especial de Lucha contra el Narcotráfico</i>	Special Force In the Fight Against Drug-Trafficking
FIS	<i>Fondo de Inversión Social</i>	Social Investment Fund
FSB	<i>Falange Socialista Boliviana</i>	Bolivian Socialist Phalanax
FSE	<i>Fondo Social de Emergencia</i>	Social Fund for Emergencies
FSTMB	<i>Federación Sindical de Trabajadores Mineros de Bolivia</i>	Syndic Federation of the Miniers
IADB		Inter-American Development Bank
IBRD		International Bank for Reconstruction and Development (World Bank)
IFIs		International Finance Institutions
ILO		International Labor Association
IMF		International Monetary Fund
INRA	<i>Instituto Nacional de Reforma Agraria</i>	National Institute for Agricultural Reform
IU	<i>Izquierda Unida</i>	United Left
LAB	<i>Lloyd Aereo Boliviano</i>	Bolivian Airlines
LLP	<i>Ley de Participación Popular</i>	Law For Popular Participation
LRE	<i>Ley de Reforma Educativa</i>	Law for Educational Reform
MAS	<i>Movimiento Al Socialismo</i>	Movement Toward Socialism
MBL	<i>Movimiento Bolivia Libre</i>	Movement for a Free Bolivia
MDG		Millennium Development Goals
MIP	<i>Movimiento Indígena Pachakuti</i>	Indigenous Pachakuti Movement
MIR	<i>Movimiento de Izquierda Revolucionario</i>	Revolutionary Movement of the Left
MNR	<i>Movimiento Nacionalista Revolucionario</i>	Nationalist Revolutionary Movement
MRKTL	<i>Movimiento Revolucionario Tupac Katari de Liberación</i>	Revolutionary Movement Tupac Katari for Liberation
MST	<i>Movimiento Sin Tierra</i>	Movement without Land

NFR	<i>Nueva Fuerza Republicana</i>	New Republican Force
NGO		Non-governmental Organisation
NPE	<i>Nueva Política Económica</i>	New Political Economy
OAS		Organization of American States
OTB	<i>Organizaciones Territoriales de Base</i>	Territorial Organisations of the Basis
PGDES	<i>Plan General de Desarrollo Económico y Social de la República. El Cambio para Todos (Plan de Todos)</i>	General Plan for Economic and Social Development of the Republic. The Change for all (Plan for All)
PIDI	<i>Proyecto Integral de Desarrollo Infantil</i>	Integrative Project for Childhood Development
PIDYS	<i>Plan Integral de Desarrollo y Sustitución</i>	Comprehensive Plan for Development and Substitution
PNAT	<i>Proyecto Nacional de Administración de Tierras</i>	National Project for the Administration of Land
PRIN	<i>Partido Revolucionario de la Izquierda Nacional</i>	Revolutionary Party of the National Left
PRONAR	<i>Programa Nacional de Riego</i>	National Irrigation Programme
PROSABAR	<i>Programa de Saneamiento Básico Rural</i>	Programme for Rural Basic Sanitation
PS	<i>Partido Socialista</i>	Socialist Party
SAP		Structural Adjustment Programme
SEMAPA	<i>Servicio Municipal de Agua Potable y Alcantarillado</i>	Municipal Service of Drinking Water and Sewer Systems
SIREFI	<i>Sistema de Regulación Financiera</i>	Finance Regulation System
SNIP	<i>Subsistema de Información sobre Planificación</i>	National System for Public Investment
SOBOCE	<i>Sociedad Boliviana de Cemento</i>	Bolivian Society for Cement
SPO	<i>Sistema de Programación de Operaciones</i>	system for operational planning
UCS	<i>Unión Cívica Solidaridad</i>	Civic Solidarity Union
UDP	<i>Unión Democrática y Popular</i>	Democratic and Popular Union
UMOPAR	<i>Unidades Móviles de Patrullaje Rural</i>	Mobile Units for Rural Patrolling
US		United States
VINTO-EMV	<i>Empresa Metalúrgica</i>	National Smelting Company
WTO		World Trade Organisation
YPFB	<i>Yacimientos Petrolíferos Fiscales Bolivianos</i>	

1 Introduction

Evo Morales won a landslide victory; with more than 50 percent of the popular vote, in the December 2005 election in Bolivia. Morales was the first indigenous elected into office in Latin America in 150 years. The presidential inauguration of Morales took place in an indigenous ceremony/rite on 21 January 2006, in Tiwanaku, a former religious and administrative center of a pre-Inca population. The *Aymará*, an indigenous group in Latin America¹ to which Morales belongs, claim to be descendants of this Pre-Inca group. The official inauguration took place in the presidential palace in La Paz, next day, on 22 January 2006.

The indigenous movement, with its claims for equality and power, was personified by Morales. Morales is a coca grower, who grew up in poverty in the *Altiplano* (high lands)², and was schooled only to the sixth grade. Morales was previously the presidential candidate for the *Movimiento Al Socialismo* (Movement Toward Socialism, MAS) during the 2002 election. Despite losing the election to former president Gonzalo Sánchez de Lozada (Goni), Morales and the MAS continued to campaign, particularly against United States (US) influence in the country, and neoliberal policies, much to the displeasure of the White House.

US Ambassador Rocha said in 2002 that, if Morales won the election, the US might reconsider its developmental assistance package to Bolivia.³ A dispute with Ambassador Rocha helped the MAS gain popularity in Bolivia and revealed the political biases of the US, as well as Bolivian government adherence to US instructions. The years between 2002 and 2005 were used by the MAS to deepen their campaign goals, generating a program based on three pillars: (a) setting up a new constitution; (b) a new land distribution policy in favor of the indigenous and landless (who squat in uninhabited and unused territory -- this land will be turned over to the state and then to the people); (c) nationalization of the gas reserves and negotiating new agreements on the basis of the 2004 referendum implemented on 1 May 2006.⁴

Expectations were high in Bolivia, for Morales, and his administration. It remains to be seen if he can secure rights and equality for the indigenous people of Bolivia despite US and neoliberal hegemony; measures leading to genuine peace and justice. Bolivia's indigenous were calm – or rather unsuccessful in reaching their demands - in comparison with those of other Latin America states. Demands for economic and political rights reached mixed results. The 'calmness' in Bolivia is surprising, since social inequality (ethnic and geographic) is the second greatest in the continent, surpassed only by Brazil. Indigenous groups in Bolivia have only begun to successfully protest against the government. These protests are centered around neoliberalism, rather than 'indigenous issues,' since the Water War in 2000. This was followed by the riots in 2003 (Gas and Tax War), which ousted president Gonzalo Sánchez de Lozada. Disrespect for political and economic rights of the indigenous and poor

¹ 40 ethnic groups live in Bolivia. The largest and most known are the *Aymará*, *Guaraní* and *Quechua*. 56 percent of the population is indigenous, 22 percent are white, and another 22 percent are *mestizos* (of mixed race). (F.A.Z. et al. 1999: 191).

² Terms in Spanish are written in cursive throughout this thesis. Next to these a translation by the author in English will appear in parentheses. Some quotes from literature may contain cursive writing (to emphasize relevance). The author left them in cursive to conserve the original meaning. Contrary to the author's practice, other literature might not write Spanish words in cursive or have words in cursive writing that are not Spanish. The author did not alter this in quoted phrases as to not tamper with the original meaning.

³ One of the campaign posters depicted Morales and the words "Bolivians: You decide: Who governs? Rocha or the voice of the people" below him. Morales was uninterested in a public discussion with the media: "The only one I want to discuss with is Ambassador Rocha – I prefer talking to the owner of the circus and instead of with the clowns", he said.

⁴ In this referendum the Bolivian people voted that a gas pipeline for export be built through Peru (rather than Chile).

population by the elite is nothing new: historically, the indigenous have been ignored since the founding of the Republic in 1825.

Oppression of the indigenous people lasted through the War of the Pacific (1879 - 1883), and the Chaco War (1932-5), even though the indigenous were partners with the political elites during these conflicts. During the Revolution of 1952⁵ the situation for the indigenous worsened. The words *Aymará* and *Quechua*, as well as all names for other indigenous groups, were eliminated from official discourse and replaced with the umbrella term *campesino* (peasant) in the interests of an agrarian reform.⁶ Spanish was the only language taught in public schools. Similarly other means of cultural identity were forbidden by several Bolivian governments. Throughout the 1970s indigenous social movements criticized the agrarian reform and the Spanish-dominated school system. Their political parties never surpassed the three percent electoral threshold (from 1979 to 1989) which would have earned them seats in parliament, a fact attributed to clientelism, and institutional mechanisms hindering participation of indigenous voters in the elections.

Oppression of indigenous groups, and the stark inequality characterizing all Latin America, have not only been of profit to the Bolivian elite, but have benefited the US. The US has secured its economic, political and security interests in 'their backyard' through the Monroe doctrine and through military techniques (e.g. the School of the Americas which educated many military dictators such as Hugo Bánzer) and implementation of the concepts of Milton Friedman and the Chicago School of Economics. Neoliberal policies were brought to the region by the World Bank (International Bank for Reconstruction and Development, IBRD) and the International Monetary Fund (IMF), also known as the Bretton Woods Institutions.

The Bretton Woods Institutions have secured Bolivia as a market for the US, and have applied neoliberal (monetary) policies that began in the 1980s, and have lasted until today. Adherence to the US will, and its political and economic ideas, was enabled by consent and cooperation of the ruling elite, most prominently the administrations of Hugo Bánzer and Goni. Most Bolivian governments were probably as racist toward the indigenous population as the US government itself has been, in the belief that non-whites were not yet ready for self-government – blaming the indigenous for the 'backwardness' of the country.⁷ Decentralization reforms in Bolivia were implemented throughout the 1980s and 1990s, much to the pleasure of the international community. Particularly the International Finance Institutions (IFIs) were pleased as these reforms matched their ideals. Economic and political restructuring of the country "added cultural pluralism to the Washington Consensus" (Kohl and Farthing 2005: 11), empowered local councils, and weakened corporate-*campesino* negotiations (Gray Molina 2005: 11). Furthermore, the US linked coca eradication to development aid budgets, most successful during the second administration of Hugo Bánzer (1997 to 2001). The coca plant is used for medicinal purposes, and is part of Bolivian life style and culture (not as a drug). Coca is also the backbone of Bolivia's economy: income from coca surpasses national GDP by 300 percent. US demands for coca eradication are a cultural change imposed from above. No viable alternatives for coca growers have been found. Eradication processes violated human rights and have sparked anger

⁵ This revolution led to universal suffrage (Gray Molina 2004).

⁶ The 'Law of Colonization' declared the lands of the Amazon as "uninhabited and open for colonization". In 1991 indigenous groups (*Yuracare*) protested, motivating the government to overturn the law of 1966 (Becker and Leon 1998).

⁷ "Thomas Mann, the assistant secretary of state for economic affairs under Eisenhower and a long-time Latin American specialist, baldly declared: 'I know my Latinos. They understand only two things – a buck in the pocket and a kick in the ass.' Few Americans of the day viewed the peoples of the Third World with any sense" (Lauderback 2004: 112).

been found. Eradication processes violated human rights and have sparked anger in the Bolivian population.

The idea that 'one Bolivia' (based on ethnicity, class or social background) had never existed, but was an historical, social, political and economic construction, received momentum when neoliberal measures failed to show the promised success. The population had not believed in them from the beginning, as the multiple protests and road blockades by unions and other social groups show. Disillusion with democratic rule heightened during the protests of April and September 2000 (Water War). Protestors demanded their rights after the state sought to privatize water. This had led to price increases of up to 500 percent. Protests continued throughout the years, heightening in the 2003 Gas and Tax War. Rioters criticized the selling of gas to a US corporation and cuts in social spending demanded by the structural adjustment program (SAP) of the IMF. The Gas and Tax War re-emphasized that the majority of the population did not profit from neoliberal policies.⁸ Dissatisfaction with neoliberal policies, and US control over Bolivian politics and economy, grew within the Bolivian population throughout 2005, and led to Morales election into office in December 2005.

This thesis will focus on verifying an assumed change of discourse within the Bolivian elite concerning neoliberalist policies by the IFIs: the IMF, World Bank and the World Trade Organization (WTO) and control by the US. Verification is based on the comparison of three newspapers, all representatives of elite discourse, and the attitudes they voice during two important events in Bolivian history. The first event, the Gas War of 2003, is a moment of crisis for the neoliberal hegemonic system and the second (post-crisis) period is the first month of government by the MAS administration (January and February of 2006). Anti-neoliberal critique (of a neoliberal government) was first successfully voiced during the Water War of 2000 and continued to prevail in 2003. The Gas War is the less prominent but more successful of both wars, as it ended with the ousting of a president and therefore presents a (potential) turning point in the Bolivian elites opinion. Perhaps the Gas War deepened a break of neoliberal hegemony. President Morales was formerly a key figure in the anti-neoliberal riots and the MAS demanded alternative economic policies and social justice. The MAS election into government two and a half years after the riots may have been supported by a (potential) frustration by the elite of Carlos Mesa or a support for anti-neoliberal policy. Static in state policy toward neoliberalism might have prompted the elite to vote for a different actor than before. Thus, superficially, it seems as if the demands made in 2003 have become a reality through the election of 2005. An analysis of newspaper articles during the first month of the MAS government is the second part to the case study of 2003 and proves whether neoliberal hegemony in the elite has been broken or not.

The opinions of the elite (not those of all the population) on neoliberalism and the MAS will be examined through a newspaper analysis based on articles written from 2 to 19 October 2003 and 22 January to 22 February 2006 in three newspapers and comparison thereof. The first, *La Prensa* (The Press), is a conservative daily based in La Paz and one of the most important newspapers in Bolivia. *La Prensa* represents most Bolivian newspaper and elite thought, as will be explained in chapter 5. The second newspaper, *La Epoca* (The Epoch) is a moderate weekly newspaper, whose primary task

⁸ The dissatisfaction of the Bolivian population with their government and neoliberalism exemplified by the fact that four presidents governed since August 2001. No presidents term lasted more than a year, except Goni, who held his post for fourteen months.

is not to inform, but to analyze events in contemporary Bolivian politics. *La Epoca* is critical toward both the government and the opposition. The bi-weekly leftist newspaper, *El Jugete Rabioso* (The Angry Toy), is a unicum in the Bolivian newspaper landscape. It is part of the analysis, as a depiction of the streams of thought in the new elite, because its association with and support of the elite is questionable. Similarly, the old elite would not associate or support this newspaper (openly). As Morales and the MAS existed in 2003 and their opinions toward the government and neoliberalism remain the same, it is feasible to compare the reactions by the elite to the 2003 riots and those to the MAS government acts in 2006 to each other. The results will answer the central question of the author: Has a shift of opinion toward neoliberalism taken place within the Bolivian elite?

Prior to presenting discourse analysis and change thereof, the author explains critical theory under Antonio Gramsci and Robert Cox in Chapter 2. Cox claims neoliberal hegemony and its existence depends on consent by the elite of a country. Consequently, definitions of neoliberalism and its political incarnation will be presented before staging the methodology of this thesis (Section 2.2). Neoliberal discourse in Bolivia's elite is presented in two chapters. The historic chapter (3) and the important contemporary topics chapter (4), which are both based on secondary literature. They prove the existence of neoliberal hegemony in the Bolivian elite by depicting their standpoint on state policies (and opposition to them) throughout Bolivian history and particularly the 1980s and 1990s. Chapter 3 also delves into the opposition to neoliberal reforms. Beginning in the year 2000, Section 3.4 describes, in the form of a brief outline, what led to and was the Gas War of 2003, the starting point of neoliberal hegemony's crisis in Bolivian elite. This section will focus on the demands of the rioters and depicts the goals of MAS from their founding in 2002, throughout their campaign of 2005 and the beginning of their governing period in 2006. Dissatisfaction with neoliberal policies presumably culminated in the election of Evo Morales as the first indigenous president in Bolivia and the second in the history of Latin America in December 2005. Chapter 4 outlines the factors apart from neoliberalism which surround and influence discourse in Bolivian society and the elite in particular. It offers five sections on relevant topics to Bolivian economy and politics and therefore continues the symbiosis with Cox' critical theory: including the relevance of social construction in one's analysis. Chapter 5 (newspaper analysis) explores whether consensus on neoliberalism in the Bolivian elite has been broken from 2003 throughout 2006 by aide of a press analysis. The press analysis in the empiric section is conducted with help of eight topic categories which are all derived from critical theory. It will be proven whether a change of consensus toward neoliberalism exists within the elite and if this change expressed itself in the election of Morales and the MAS into government and in agreeing with their policies. Chapter 6 presents an overall conclusion and discusses the significance of the findings of this thesis to Bolivia's future.

2 Critical Theory in International Relations

The second chapter of this thesis, focuses on neoliberalism as hegemony and the role of the state in reference to Gramsci and Cox. Antonio Gramsci was an Italian theorist on hegemony and civil society, writing throughout the 1920. Robert W. Cox is the former director of the International Labor Organization (ILO) and founder of neogramscianism. This second chapter concludes with a section on methodology, tying together principles of critical theory and events in Bolivia from 1980 to 2006.

International relations as a discipline is basically interested in studying states. In analyzing the role of the state, one of many methods in the international relations discipline draws on Antonio Gramsci's theory of hegemony, or more specifically on gramscian critical theory developed by Robert Cox.⁹ It is assumed that within the past decades, the state has added to its role as an actor that pursues interests through foreign policy, to include civil society functions toward internal peace for an entity which primarily acts in the interest of the market – an expression of neoliberal hegemony (Cox 1981: 86). This thesis will focus on the analysis of elite discourse, as critical theory views the elite (the (old) bourgeoisie) as controlling hegemony and therefore society's values and state policy.

2.1 Neoliberal hegemony and the State

The following section depicts critical theory in international relations as envisioned by Robert Cox in reference to Antonio Gramsci. It explains the role of state from the perspective of this theoretical framework, and tries to say why neoliberalism is the hegemonic world order. The specification of both authors is necessary, are many critical theories (Behrens 2004: 41) as in philosophy and other academic disciplines.¹⁰ All of these derive from the concepts of enlightenment, emancipation, reification, criticism (social criticism vs. criticism of science), society, communication (discourse; e.g. Habermas and the Frankfurt School) and the practicality of theory. This chapter seeks not only to create an understanding of Gramsci's and Cox's theories and perspectives, but also to show how they can be applied to the Bolivian case, more specifically to the case study conducted by this thesis.

As the term suggests, neoliberalism is a new form of liberalism, and is, defined roughly as the withdrawal of the state from the economy, as was propagated by liberal thought schools in the early nineteenth century. The neoliberalism, as sought for by the IFIs, the state is minimally involved in economic matters, but is in charge of creating a framework that favors free trade, and the unrestricted flow of capital, and that all (e.g. social and environmental) matters will regulate themselves as the market does: these are the basic principles of neoliberalism. Peet cites John Williamson, a senior fellow at the (Washington D.C.) Institute for International Economics, summarizing sets of economic policies particularly for Latin America, known as the Washington Consensus: 1. Fiscal discipline; 2. reducing public expenditures; 3. tax reforms; 4. increase savings through altering interest rates; 5. create competitive exchange rates and follow these with tax reductions, 6. liberalize trade; 7. encourage foreign direct investment; 8. de-regulate the economy to benefit competition 9. secure property rights (Peet 2003: 204 -207). The term also refers to a set of economic policies favored by the IFIs, who push the interests of the policy-makers (leaders of the G-8 and other industrialized countries) – all bona fide neoliberals. On a global basis, IFIs continue to pressure and encourage developing countries, such as Bo-

⁹ Gramsci is associated with the hegemony of the proletariat. He took current ideas in the circles of the Third International, in which "the workers exercised hegemony over the allied classes and dictatorship over enemy classes" (Cox 1983: 126).

¹⁰ For an example see: *Contested Knowledge: A guide to critical theory* by John Phillips, 2000. Or "Main Concepts of Critical Theory" in: *Educational Science: Hermeneutics, Empirical Research, Critical Theory* by Christoph Wulf, 2003, p 108 – 127

livia (Chapter 3), into adopting neoliberal policies, by tying development aid to conditions, and threatening to cut aid upon failure to comply. Neoliberalism appeals to the Bolivian elite who ferociously pushed its policies since 1982. Links to US government or corporate influence exist since the beginning of recent Bolivian history (see Section 3.1). Thus, neoliberalism is hegemony on a global and national (Bolivian) levels. The principles underlying neoliberalism appeal to all kinds of people across time and space and “ensure conformity of behavior in most people most of the time” – as Cox said (1983: 127).

2.1.1 Critical Theory developed by Gramsci and Cox

Gramsci applied the idea of hegemony to the pre-WWII bourgeoisie, capitalist world order. Bourgeois hegemony was “firmly entrenched in civil society” to the point that the ruling class needed to make no effort to run the state itself. The bourgeoisie had intellectual and moral leadership: “Ideology, culture, philosophy and their ‘organizers’ – the intellectuals – are thus intrinsic to the notion of hegemony” (Fontana 1993: 140). The state, as defined by Gramsci, is not only the administration and government, but the entire political structure and civil society. Civil society acts to internalize certain modes of behavior and expectations through a combination of measures that produce consent. In his analysis, Gramsci distinguished between two types of European societies. The first, societies which had already adapted a thorough social revolution and had thus implemented new modes of production and social relations. The second are those which imported the new order of the first described society “without the old order having been displaced” (Cox 1983: 129). In this second type of society, no bourgeois hegemony has (yet) been established, but the dominant classes created conditions which Gramsci named ‘passive revolution,’ a term describing the power of the subordinate classes as enough to threaten the state, but not sufficient to dislodge it. Bolivia could count as belonging to this second type of society – as discussed in Chapter 3.

Leaning on Gramsci’s theory on hegemony, and the notion that education, hegemony and politics are interrelated (Fontana 1993)¹¹, Cox, former director of the ILO, explored the plurality of states from core, to semi-peripheral to peripheral countries across the globe. For Cox every theory (in international relations or elsewhere) represents a point of view and serves a purpose from the theorists position in time and space.¹² Therefore, reality is perceived; not an objective truth. Cox identified the contradictions which help transformation of the world order, rather than explaining the forces maintaining the system, through contrasting two prevailing theories in international relations (1981: 87). Cox believed that a “proper study of human affairs (...) reveal both the coherence of minds and institutions characteristic of different ages, and the process whereby one such coherent pattern [historical structure...] succeeds another” (1981: 13f). In connecting the present with the past, according to Cox, knowledge of changing modes of social reality are revealed. Therefore, this thesis extensively recounts history from the beginning of the republic to the present and presents short discussions on topics of contemporary Bolivian economics and politics (Chapters 3 and 4).

¹¹ “[T]he question of whom the knowledge addresses assumes decisive importance; for it is through addressing of the subject that the knowledge defines itself and unfolds ‘*nel temporale*.’ The type of knowledge, and the type of subject that is addressed and that knows it, are therefore necessarily of a similar and corresponding character” (Fontana 1993: 108).

¹² “The knowledge is the product of a particular posture toward the world; it is the outcome of a being in movement – indeed, this being in the movement is itself what constitutes the knowledge, such that the consciousness of the subject is the consciousness of this active and dynamic becoming” (Fontana 1993: 112). Knowledge is acquired through a filter of moral, culture and ideology (Fontana 1993: 140).

Contrasting problem-solving theory (which is tactical in nature and limits itself to setting up guides for action) to critical theory (that is strategic and questions the origins of structures of all kinds and seeks to understand social power relations within the large picture) Cox concludes that the latter better serves his purpose for revealing dialectical processes: critical theory “seeks to understand the processes of change in which both parts and whole are involved” as well as considering historical change (of social and political order) therefore “continually adjust[ing] its concepts to the changing object it seeks to understand and explain” (1981: 89f). Additionally, critical theory contains problem-solving approaches, that are transcendent of the existing order and thus better clarifies options for change than problem-solving theory which assumes one solution to be universally applicable across time and space (Cox 1981: 90, 94). Viewing neorealism through the eyes of critical theory to then compare it to historical materialism, Cox labels neorealism as assumptive of a certain rationality and morality among competing actors, which exist in an anarchic state system (1981: 92). Neorealism is not value-free (and serves a purpose of someone somewhere) and predisposes that “each state has adopted this neorealist rationality in order to maintain security within the inter-state system” and that those discarding neorealism will retreat to their own moral sense of order (Cox 1981: 93). In contrast, historical materialism, defined as an examiner of “the connection between power in production, power in the state and power in international relations” (1981: 96), might be more appropriate for Cox’ goals.

Neoreal problem-solving approaches and historical materialism share four important aspects. First and second points are the relevance placed on conflict by both theories that results in a dialectical outlook on the level of history¹³ and logic¹⁴. These commonalities remain true even though historical materialism sees contradictions as a cause of change and neorealism views contrary opinions and actions as a consequence of the recurrent structure (Cox 1981: 95). Third, both theories focus on imperialism to explain state relations. Fourth, both examine the relationship between civil society and the state (even though it is debated whether the state is an expression of particular interests or an autonomous force expressing general interests) (Cox 1981: 96). Historical materialism might focus on the production process to explain history (the creation of wealth within a society; as an explanation for foreign policy and the states power), whereas neorealism ignores production as an explanation for history and also does not include the importance of social forces (Cox 1981: 102). Remembering Gramscis theory on hegemony, which stated that the reciprocal relationship between structure (economic relations) and superstructure (the ethic-political sphere) “contains the potential for considering state/society complexes as the constituent entities of a world order and for exploring particular historical forms taken by these complexes” (1981: 96), Cox concluded that political conflicts either maintain or change power relations of production within a system. The analysis of this thesis ties in at this point. It examines whether a political conflict maintained or altered power relations, particularly after an anti-neoliberal coca grower and indigenous person was elected president three years later. This thesis explores whether the Bolivian elite joined anti-neoliberal thought: is a new historic block in place?

¹³ Confrontation results in development of alternatives.

¹⁴ Contradictions are sought through dialogue.

As Cox demonstrates, stable hegemonies are based on a coherent conjunction “or fit between a configuration of material power, the prevalent collective image of world order (...)”¹⁵ and a set of institutions which administer the order with a certain semblance of universality (...)” (1981: 103). Cox presents five guidelines of his critical theory based upon a logical consequence stable hegemonies basis:

1. action is never free, but dependant upon the framework within which it occurs;
2. theory is a result of time and space;
3. the framework within which theory and action occur are subject to change;
4. framework always has some kind of coherence (historical, material or institutional)¹⁶; and
5. the framework should always be regarded from either below or outside, so that conflicts within can be instrumentalized to change structures (Cox 1981: 95ff).¹⁷

Hegemonic structures contain three interacting sources: material capabilities, ideas¹⁸ and institutions. The latter reflect and encourage collective images of power relations (Cox 1981: 98). Particularly points four and five apply to Bolivia (see Chapter 3). Institutions are important aspects of hegemony. Hegemony cannot be reduced to institutional dimensions, but institutions, exactly like hegemony, efficiently confront conflict with a minimum of force. Institutions are expressions of hegemony, but not hegemony itself. Structures (or historical structures) have three interrelated/interdependent levels: organization of production, form of the state and world order. Change on one level alters another (Cox 1981: 101).¹⁹ Cox named five conditions an institution must fulfill to be an expression of hegemony. These conditions are listed below (in table 1), together with an application to Bolivia:

As will be shown in Chapter 3, the IFIs are considered part of neoliberal hegemony. Also, they pres-

Criteria	Explanation
1. Facilitate expansion of hegemonic world order Gear at economic expansion, rules governing monetary and trade relations	Provide safeguard for institutions for domestic social concerns. National policies are consistent with goal of liberal world economy. Floating exchange rates maintains principle of prior commitment to harmonize national policies in the interest of a liberal world economy – as done in the 1980s.
2. be a product of hegemonic world order State support establishes the economy and controls acquiescence of other states. Second-rank countries are consulted and only some peripheral nations are asked for their consent. Informal structure of influence reflect the different levels of real political and economic power which underlie the formal procedures for decision-making.	Formal participation weighed in favor of dominant powers (IMF & IBRD)
3. ideologically legitimate norms of the world order Define policy guidelines for states; legitimize certain institutions and practices on the national level	Recommend features such as monetarism. Adapt Millennium Development Goals (like Goni; see Chapter 3)
4. Co-opt elites from peripheral countries Equal with <i>transformismo</i> (uniting two groups of different political spectrums; assimilate and domesticate potentially dangerous ideas through adjustment to ideals of the dominant coalition (Section 2.1.3))	Individuals should work within the structures of the passive revolution. Modernization is transferred to peripheries, if this is in interest of established local powers. Bolivia was threatened with cutting of development aid by the IFIs and the US should it not implement measures as demanded by these expressions of hegemony (political demands such as coca eradication are linked to economic “benefits” successfully co-opting elites)
5. absorb counterhegemonic ideas	<i>Transformismo</i> imbibes contradictory into hegemonic doctrine. Arguments against neoliberal policies voiced during the 1980s were adapted into Goni's <i>Plan de Todos</i> in the 1990s.

¹⁵ Norms.

¹⁶ “These structures constitute the context of habits, pressures, expectations, and constraints within which action takes place” (Cox 1981: 97).

¹⁷ “The social group or class that is capable of forming its own particular knowledge and value systems, and of transforming them into general and universally applicable conceptions of the world, is the group that exercises intellectual and moral leadership.” Intellectuals are the organic links between elite and the rest of society (*cultura alta* and *cultura popolare*) and because the values and ideas are so universal, the system is stable (Fontana 1993: 141).

¹⁸ Ideas can be: “intersubjective meanings (shared notions of the nature of social relations) or collective images of social order (view on nature and the legitimacy of prevailing power relations, the meaning of justice and public good)” (Cox 1981: 99).

¹⁹ “The relationship among the three levels is not (...) unilinear. Transnational social forces have influenced states through the world structure, as evidenced by the effect of expansive nineteenth-century capitalism, *les bourgeois conquérants*, upon the development of state structures in both core and periphery. Particular structures of world order exert influence over the forms which states take: Stalinism was (...) a response to a (...) threat to the existence of Soviet state from a hostile world order (...) the prevalence of repressive militarism in periphery countries can be explained by the external support of imperialism (and by a)

sure Bolivian governments to adapt their blue prints of state policy. Beginning in 1982 Bolivian governments became expression of neoliberal hegemony, as Sections 3.2, 3.3 and 4.1 discuss.

2.1.2 The State in a Hegemonic World Order

As has been shown, within hegemony, the state is no longer an independent explanatory factor, but part of many. Both the *pax americana* and *pax britannica* were similar as each contained norms of liberal economics and “provided a universalistic ideology which represented these norms as the basis of a harmony of interests ” (Cox 1983: 103f). *Pax americana* only differed from *pax britannica* in its rigidity. *Pax americana* created alliances to contain the Soviet Union. By establishing rules for an international (hegemonic) economic order (through the revised liberalism of the IFIs) *pax americana* ensured national power for itself and blurred the lines between economy and politics (Cox 1981: 103f). States received a “legitimate and necessary overt role in national economic management” and multilateralized the management of the international economic, making it an intergovernmental quality matter (Cox 1981: 104). The world is thus a pattern of interacting social forces “in which states play an intermediate though autonomous role between the global structure of social forces and local configurations of social forces within particular countries” (Cox 1981: 105).

Hegemony at the international level is thus not merely an order among states. It is an order within a world economy with a dominant mode of production which penetrates into all countries and links into other subordinate modes of production. It is also a complex of international social relationships which connect the social classes of the different countries. World hegemony can be described as a social structure, an economic structure, and a political structure; and it cannot be simply one of these things but must be all three. World hegemony, furthermore, is expressed in universal norms, institutions, and mechanisms which lay down general rules of behavior for states and for those forces of civil society that act across national boundaries, rules which support the dominant mode of production. (Cox 1983: 137)

In a hegemonic world order, the system runs itself without control by those in whose interests the system functions, as states adapt to the system through internal and external measures. Similarly to imperialism, the IFIs are representatives of a hegemonic world order, as they include core and peripheral states, all of which have internalized the structure²⁰ assuring that certain norms are applied through requiring borrowing countries to adapt certain norms for good (Marshall Plan) (Cox 1981: 107f). Internationalizing the state therefore means internationalizing of production and the integration of production on a transnational scale: different phases of a single process are carried out in different countries.

Furthermore, states have (on an internal level) created certain agencies (with internal responsibilities) “in the context of national corporatism” which are not only key points in but also subordinated to the adjustment to international economic policy (Cox 1981: 109). This change in the world structure over the past decades created a link between central agencies of government and big business. These changes overshadowed older and more formalized national corporatism and reflected the dominance of the big business oriented sector over nationally oriented areas of the economy - as was the case in Bolivia of the 1990s (Section 3.3). Consequently, a transnational managerial class²¹ emerged with an own ideology, strategy and institutions of collective action (Trilateral Commission,

particular conjunction of internal forces. Forms of state (...) affect the development of social forces through the kinds of domination they exert, (...) by advancing one class interest and thwarting others” (Cox 1981: 101).

²⁰ “The IMF was set up to provide loans to countries with balance-of-payments deficits in order to provide time in which they could make adjustments, and to avoid the sharp deflationary consequences of an automatic gold standard. The World Bank was to be a vehicle for longer-term financial assistance” (Cox 1981: 108).

²¹ “The members of this transnational class are not limited to those who carry out functions at the global level, such as executives of multinational corporations or as senior officials of international agencies, but include those who manage the internationally oriented sectors within countries, the finance ministry officials, local managers of enterprises linked into international production systems, and so on” (Cox 1981: 111).

IFIs and the OECD). The transnational managerial class developed both a framework of thought and guidelines for policies on a global scale. The rise of this class is linked to the increasing importance of non-established labor and expressed in the high availability of semi-skilled labor in peripheral countries. Governments of these countries have sought to “pre-empt the possibility of this new social force developing its own class-conscious organizations by imposing upon its structures of state corporatism in the form of [state-controlled] unions (...)” (Cox 1981: 112). As will be shown throughout Chapter 4, unions in Bolivia were a part of government throughout five decades, sharing particularly the first twelve years of government after the 1952 Revolution. Bolivian unions continually lost influence, particularly because of the neoliberal reforms of the 1990s.

Cox predicts that third world industrial workforces may not see improvement of their situation despite a new class consciousness among the elites of said countries. Rather, their conditions will deteriorate and they will remain marginalized in the world economy “having no employment or income, or the purchasing power derived from it” (Cox 1981: 113). This exclusion will create a major problem for international capitalism, and, as Section 4.2 explains, this has been the case for Bolivia. For international capitalism to be hegemonic, it must “neutralize the effect of this marginizing of perhaps one-third of the world’s population so as to prevent its poverty from fuelling revolt” (Cox 1981: 113). International capital must also continue the dominance of international over national capital and internalize the state. Cox correctly predicted the Soviet sphere entering the world economy of international production and the international division of labor, although he did not name a specific date. He also correctly writes about the combat of social conflicts in core countries through enterprise corporatism and social conflicts repression through state corporatism in peripheral countries (Cox 1981: 114). Most importantly, Cox envisioned the possibility of counter hegemony developing in third world countries. Opposition to neoliberalism has become acute throughout the past six years in Bolivia, where explicitly anti-neoliberal protests have been staged and even succeeded in expulsion of a president and the election of an anti-neoliberal activist into government. Therefore, modes to overcome hegemony are explained, before acquainting the reader with Bolivian history.

2.1.3 Overcoming Hegemony

Gramsci suggested the proletariat could adopt two strategies in overcoming hegemony: war of the movement; and war of position. The latter would be more fruitful for the European proletariat, according to Gramsci, as it would “slowly build up the strengths of the social foundations of a new state” (Cox 1983: 128) and install so-called bridges between subordinate classes, benefiting the creation of counter-hegemony through establishing alternative institutions and intellectual resources (Cox 1983: 129).²² War of the movement was less apt, because its assertiveness and pre-maturity (such as a *coup d'état*) would cause the bourgeois to reveal the weakness of the opposition and benefit the re-institution of their dominance. The bourgeoisie would “simply reproduce the social and political pattern of existing power relations” (Fontana 1993: 150). A third strategy is the so-called *transformismo*, which consists in gathering two groups of different political spectrums in order to assimilate and domesticate potentially dangerous ideas “by adjusting them to the policies of the dominant coalition” which is not class-based (Cox 1983: 130). *Transformismo* can be assumed for Bolivia. Class differences were

²² For such a process, knowledge is necessary, according to Gramsci: “Political life represents the overcoming of the thought and practice of the feudal past, the creation of a new conception of the world that puts human beings at the center of the world and the world as their conscious creation” (Fontana 1993: 111).

glossed over by replacing all ethnic terms with the word *campesino* after the 1952 Revolution. Until today, people from all spectrums of society unite when pursuing one goal (against the state), but they will disperse around other issues (see Section 4.2).

Cox ties together passive revolution (which we remember to be a state in which a society is in as explained in Section 2.1.1.) and *transformismo*, which he finds “particularly apposite to industrializing Third World countries” (1983: 131). Passive revolution is exemplified on a national level by the spread of revolutions throughout the world such as the French, Revolution in the US and Russia. These revolutions were based upon the reflection of international developments and transmitted their ideological currents to the periphery (Gramsci 1971). A country undergoes a passive revolution by adapting hegemonic structures without a “real” revolution while also not disturbing old power structures. Passive revolutions refrain from adopting hegemonic political models, as Bolivia did (Cox 1983: 137). Hegemony on a global level is thus intense and consistent at the core, but contradictory at the periphery. Cox interprets Gramsci’s as not meaning an indigenous social movement in a third world country that is engaged in building a new economic base and social relations with this definition. Rather, Gramsci meant “an intellectual stratum which picks up ideas originating from a prior foreign economic and social revolution” (Cox 1983: 135). Therefore, war of position, as Cox agrees with Gramsci, is the only way to successfully change structure. This strategy entails the building of a socio-political base and the creation of a new historic block (Cox 1983: 140). This point is examined in this thesis: has the old elite been replaced by a new one?

A new historic block is characterized by the existence of a hegemonic class. Within the new historic block “ideas and material conditions [are] always bound together, mutually influencing one another, and not reducible to the another” (Cox 1983: 132). In other words: a new historic block forms when other (formerly ruling or ‘old’ elite) classes are subordinated (by a ‘new’ elite) and when these new governors have own intellectuals, like the bourgeoisie (or hegemonic class) did. Furthermore, a successful overcoming of hegemony entails political preparation. A new hegemony is created, when a structure transforms into the sphere of superstructures: its institutions and ideologies are then universal, satisfying not only the ruling elite, but subordinate classes, too (Cox 1983: 133). Within such a superstructure, ideology and political organization shape the development of both aspects of production. Production however also shapes the superstructure. This stage of overcoming hegemony might not be examined in the case study of this thesis. It might not reach far enough into the present/future.

Looking at International Relations, Gramsci saw great powers with freedom to determine their foreign policy according to domestic interest and smaller powers with less autonomy. Hegemony can be applied at the international level,²³ according to Cox, and is not only founded upon the regulation of inter-state conflict but also based upon a global civil society (“i.e. a mode of production of global extent which brings about links among social classes of the countries encompassed by it” (1983: 136)). A smaller powers economic life is intertwined with that of powerful nations. Economic life of a small pow-

²³ Hegemony can be dominance of one country over another or a euphemism of imperialism. Cox labels hegemonic and non-hegemonic periods in history; e.g. 1875 - 1945 as non-hegemonic (British supremacy was questioned, destabilized balance of power in Europe lead to two world wars), 1945 to 1965 was hegemonic (US-controlled) and 1965 to present (read: 1983) is non-hegemonic, even though it encompasses a “reconstruction of hegemony with a broadening of political management on the lines envisaged by the Trilateral Commission; increased fragmentation of the world economy around big-power-centered economic spheres; and the possible assertion of a Third World-based counter-hegemony with the concerted demand for the New International Economic Order as a forerunner” (1983: 136).

ers is further complicated by the existence of structurally diverse regions within a subordinate country (Cox 1983: 134). The structurally diverse regions have different relationship patterns to external forces; as is the case of Bolivia: its economic and political levels are highly dependant on the outside. Peripheral countries may be vulnerable to revolutionary actions (such as the 2003 riots), but riots may not be consistently successful. A successful international movement must unite international production, bridging peasants and urban marginals together (Cox 1983: 141). As Chapter 3 and Section 4.2 show, this criteria applies to Bolivia. Accordingly, using critical theory for analysis purposes in this thesis, the following section ties together theory and practice.

2.1.4 Joining theory and practice

Gramsci, at the beginning of the past century, and Cox, in the early 1980s, spoke of hegemony on a global level. Their criticism of theories in international relations, as outlined in Section 2.1.1., was voiced particularly against the then prominent neorealism (for Cox) and centered upon its limited perspective. Cox and Gramsci found fault particularly in neorealisms focus on states and its understanding of a power-oriented hegemony. Above all they criticized its ahistoric understanding of the world; which ignored aspects of inner-state politics and transnational factors (Behrens 2004: 29). One might consider global governance. As Behrens points out, critical theory believes global governance may organize the new complex reality that exists as a result of change. Global governance might also serve as orientation for political action. The drawback to global governance, according to critical theory, is that “world problems are viewed as consequence of globalization and not [as] an integral part [thereof]” (Brandt 2001: 101 in Behrens 2004).²⁴ Thus, the social democratic approach delivered by global governance cannot replace the neoliberal paradigm, but may only belabor its consequences: “economic globalization is equated with laws of physics in the eyes of critical theorists, to which global governance is merely reacting” (Behrens 2004: 34). Criticism of global governance goes further: it is perceived as disciplining neoliberalism, or, specifically: as an instrument creating a discursive framework for a new societal consensus directed at a sustaining neoliberalism.

At this point, the reader may recall the brief review of Bolivian history in the introduction to understand why critical theory can be used to verify whether a potential discourse change within the elite particularly in 2003 and 2006. According to critical theory, interests, structures and identities are embedded in a historical context. Consequently conflicts are illuminated transcendently through the eyes of critical theory, by consideration of both the historic and social construction as this thesis does in Chapters 3 and 4. Examined on the basis of history truth becomes subjective rather than objective. Individuals do not express interests “just like that.” Rather, interests are a result of interaction within society and are rooted in time, space and language contexts, as pointed out in Section 2.1.3. Interests of the Bolivian elite or the IFIs are therefore expressions of neoliberal hegemony, like the Chapter 3 depicts. As time progresses, space adapts and language contexts evolve. Interests will change accordingly. Counter hegemonic ideas are always absorbed to ensure the survival of the structure. As will be shown throughout this thesis, Bolivian parties have done just that: turning over private property to the state during one governing period and privatizing state companies some decades later. Similarly, states are not firmly cemented systems, but are flexible; exactly like power relations such as

²⁴ The literature for this thesis was drawn from different countries and languages. For a more comfortable reading the author translated all foreign language quotes into English but did not label these as translations – all works are cited in the original language of the text in the bibliography. The author may be held accountable for any mistakes.

hegemony (Behrens 2004: 43, 48). This flexibility is what critical theory seeks to analyze. Critical theory also shows that history and the present are inter-related. Further, structural change can be predicted upon the factors explicitly named by critical theory: the interdependence of ideas, institutions and material capabilities within structures and the relevance of global social and productive relations and their dialectics. The notion that the status quo is formed by dialectical processes also implies that the state is not only composed of the government and the administration but of the national and transnational powers within the state (see Section 2.1.1) (Behrens 2004: 53). Understanding Bolivian history, the conflict concerning neoliberal policies becomes predictable; contemporary Bolivian politics and economics were formed by a historic and social framework.

As known, hegemony exists when the ruling class (or hegemonic block) convinces subordinated classes to internalize the system and hegemony faces crisis when conflicts are settled violently (Behrens 2004: 49). In the case of Bolivia, where conflicts seem to be resolved on a violent rather than negotiating basis (Kohl and Farthing 2006), this criteria applies. According to Bieling and Deppe, recent changes in international relations (read: the fall of the iron curtain) brought a renaissance of international political economy and “in the center of many observers view [now] stands the relation between the world market and the nation state” (1996: 729). In international relations theory the state is either seen as a primary entity, followed by the state (realism) or as driven by the market (liberalism). However, both theories view the internationalization of the state as complementary to the globalization of productive, financial, service and social relations. The state has taken over the function of a transmission belt in the global economy and been weakened in turn, resulting in an increasing political incoherence and a more rigid economic coherence (Bieling and Deppe 1996: 735). The transnational historic block and the heightened relevance of social actors opposing political forces translate in the weakening of the power of the nation, while the transnational managerial class gains strength (proven by the IFIs and existence of think tanks).²⁵

Cox’s dynamic structuralism concentrates on these levels: structure of accumulation, state type, world order and intermediation between the spheres. Thus, the “global oriented elites and the ideas and philosophies produced by them are in charge of the dynamic for social change” – kind of a class consciousness (Bieling and Deppe 1996).²⁶ In part, this can be verified for Bolivia: the elites are globalization-oriented, but rather for own profit than for the system itself. Bieling and Deppe recall Cox’s five criteria which a structure should fulfill in order to be called a hegemony:

1. Examining hegemony in its historic context: “International hegemony was exercised through economic and political strength and a leading role in ideology by one single nation state” (1996: 730).
2. Social relations: whose and which class interests are being catered to how within the state.²⁷
3. The structure must be an international historic block: a coherent system of socio-economic, civil and political society; a relation between several states during a certain historical epoch (see Section 2.1.2.)
4. Hegemony spreads through passive revolution, universalizing norms, rules and institutions. Contradictory positions are either neutralized or marginalized.
5. Revealing contradictions in current (read: hegemonic) power relations is equal to finding ways to break and overcome hegemony (1996: 732).

²⁵ For a thorough introduction and analysis of the IFIs, their histories and spheres of influence please see Peet (2003).

²⁶ The three levels of economic consciousness and their purpose: (a) Economic-corporative (be aware of specific interests of other groups); (b) Solidarity (class consciousness; remains at the economic level); (c) Hegemonic (Harmonizes interests of leading and subordinate classes. Interprets/expresses ideology in universal terms) (Cox 1983: 133).

²⁷ “[T]he structures of international hegemony are based on societal power relations including their social, cultural and ideological reproduction (...) linking this concept to global capitalism this means that it is hegemonic like a certain development model became a standard for societal modernization and is stabilized through transnational regulations” (Bieling and Deppe 1996: 731).

Bieling and Deppe caution, that it is subject to debate whether a new hegemony exists after the fall of the iron curtain. Peet proves the existence of hegemony at least in terms of economic policy by the IFIs, citing three kinds of hegemonic institutional actors economic, bureaucratic and political, assisted by the media and academia (Peet 2003: 201 - 204). As will be shown in Section 3.2 Jeffrey Sachs of Harvard set up the economic shock program in Bolivia during the 1980s, and is a prime example for what Peet cites as a “stamp of scientific approval on the theoretical knowledge that underlies economic policies” (2003: 203). Different national debates on positions since the beginning of the 1990s have shown the transition from a Keynesian welfare state to a national competitive state on the basis of neoliberal policies, as was done in Bolivia during the Sánchez de Lozada administration (see Section 3.3). Neoliberal deregulatory politics aim at three areas:

1. transnational liberalization of good and capital flows (GATT)
2. privatization of transport and communication as well as for social security systems and the minimization of other public services while extending the repressive areas of the state (prisons, police, monitoring), as was done in Bolivia, beginning in 1989.
3. Austerity-oriented politics and demounting of the welfare state with the goal of weakening the unions and the dissolution of every system with collective rules (wage agreements, social rights, collective labor right) which might benefit institutional framework of said power (class compromise). Both of these measures can be noted in Bolivia, as Section 3.3.2 will show (Bieling and Deppe 1996: 736).

On an international level the riots in Seattle in 1999 are seen as the beginning neoliberal hegemonies crisis. The rioters in Seattle demanded – roughly – economic and political policies that respect both human and environmental rights, participation of affected groups in IBRD and IMF affairs, ensure fairness, for a better distribution of wealth across the globe, and are sustainable toward all peoples of all nations, examining the role of the IFIs (Peet 2003) similarly to demands of the protestors of the Water War in 2000 in Bolivia and during the Tax and Gas War. For example, during the Water War of 2000, the rioters demanded the government revise laws on water, natural resources, biodiversity and land use and a land reform as well as labor rights – and they opposed particularly neoliberal policies which they considered counterproductive to their interests (Kohl and Farthing 2006: 123). These demands joined those voiced throughout the past two decades as Sections 3.2 and 3.3.2 depict. The Tax and Gas War of 2003 was sparked in February by the demands of the IMF to reduce national deficit by three percent by raising taxes in Bolivia. Goni, complied with this decision and put forth a proposal for a 12.5 percent tax hike. The riots opposed the demands by the IMF and turned violent when the police went on strike simultaneously, leaving 29 people dead. Even though Goni withdrew the proposal, the political opposition continued calling for his resignation, especially in October, rioting against selling gas to the US. Goni resigned and fled the country to the US and where he has remained, residing in Bethesda, Maryland. During these riots the MAS were both in parliament and on the streets, demanding the end neoliberalism and Goni's resignation. The MAS campaign of 2005 had three pillars and the issue of gas was one of them. As the rioters, they demanded its nationalization, which came into effect on 1 May 2006, on the hundredth day of Morales in power and international labor day. In 2003, the MAS had demanded the Bolivians finally profit from their natural resources rather than transnational corporation. They criticized that for every 24 US-dollars a transnational corporation made, Bolivia received only one US-dollar. Goni had offered a re-evaluation of contracts with the private contract-parties (excluding rioters) in 2003. He rejected nationalization altogether. October of 2003 and January/February of 2006 seem adequate for comparison. They will be used to explore whether the crisis of neoliberal hegemony in Bolivia of 2003, adapted counter-hegemonic ideas into elite discourse or whether neoliberal consensus was broken and gave way to an alternative vision in the elite.

Material concessions bring new groups into the political spectrum. Particularly when these new groups are important to neoliberal politics. Subalterns should the while receive treatment that makes every day life bearable (Bieling and Deppe: 373). Applying Cox's critical theory to Bolivia, proof that neoliberal consensus within the country existed and has been shaken, would also translate into the old elite having lost their conflict regulating capacities. This is clearly true when glancing upon the 2003 riots. They only seized after the president resigned and fled (Kohl and Farthing 2006: 126). The following section explains the methodology used to conduct the case study (press analysis) in Chapter 5.

2.2 Methodology

Discourse analysis, is traced back to Foucault and Habermas. It is a relatively unexplored field in the discipline of International Relations (Behrens 2001: 65), whereas other fields commonly use this method for conversation analysis (by examining forms of speech, symbolism, structure of discourse), to find the roots of discourse reproduction and power relations (Behrens 2001: 66). Critical theory is different from other theories in international relations because of its research and methodological understanding (Hummel 2000: 60). According to Foucault, the dominating discourse expresses power relations (in case of this thesis neoliberal discourse of the elite represented by president Goni, the US and the IFIs), and these will be questioned by alternative discourses (in case of the 2003 rioters and the MAS) and are thus in permanent danger (Behrens 2001: 67). Furthermore, hegemony exists when a set of norms (or economic policies) are internalized and left unquestioned, and when conflicts remain "invisible" (Hummel 2000: 123). But how to study a change of power relations in discourse? By comparison of two relevant periods of one process (assumed through the eyes of theory). And in homage of Hartwig Hummel's (2000) study on the trade conflict between the US and Japan, a discourse analysis based on critical theory and a newspaper analysis. Hummel notes that Cox's analyzes only one area of human activity rather than the entire picture and that it's important to show how structures reproduce and maintain themselves (2000: 64 - 67).

The historic framework, which is conceived by discourse, decides which world orders are seen as possible options in the future, which historic possibilities fit into this framework and which possibilities don't. (Hummel 2000: 69)

This thesis presents a single country study, conducted through the eyes of critical theory and based upon statistics created by the author. The case study seeks to verify or reject the hypothesis that a discourse change occurred in the Bolivian elite between 2003 and 2006. Before presenting the newspaper analysis, the historic and social framework within which neoliberal hegemonic discourse was and is placed is outlined in Chapters 3 and 4. A break or prevalence of neoliberal consensus and power relations will be reflected by comparison of the attitudes three newspapers expressed toward certain topics relevant to neoliberalism and counter hegemonic discourse in two time-frames. This plan reads well. To assure it is thoroughly explained, the author presents an 'interview' with herself:

1. On which basis were the two time-frames of analysis chosen and why are they compatible for comparison to one another?

October of 2003 and January of 2006 are two important eras in Bolivian recent history. The second part of the Tax and Gas War were chosen due to their representative function: the beginning of a con-

flict in neoliberal hegemonic discourse. The riots known as the Water War 2000 and riots in early 2003 circled around one set of complaints against neoliberalism, the government and the IFIs. Perhaps the Water War would be more suitable? No, it is not. The Water War of 2000 might be famous, but in contrast to the riots of 2003, it did not oust a president. The riots of 2003 changed discourse. They showed that a certain group of people (perhaps even a majority) were dissatisfied with a set of policies another group propagated and forcefully implemented, despite protests. The first half of October of 2003 is most apt landmark in neoliberal hegemony's break.

An end of neoliberal hegemony and the implementation of another historic bloc might express itself in the results of the 2005 elections. Rather than analyzing the weeks surrounding the election, it seemed better to chose the first month of government. The study examines elite evaluation of leaders of counter-hegemonic (anti-neoliberal) discourse. Particularly of those involved in the 2003 conflict and in charge of state affairs in 2006. The events of October of 2003 and January 2006 are intimately related and comparable to each other. The first counts as a potential societal conflict that broke neoliberal hegemony and altered power relations. The second will either confirm or shatter this assumption, by showing how leaders of societal conflict are evaluated while in power. Both time frames include articles on comparable topics, particularly neoliberal policies and attitudes toward the opposition and their demands (or gifts, depending on the perspective). The study reveals change of relevance of certain topics throughout these two significant periods in Bolivian history. Both time frames of analysis offer newspaper articles on one actor, albeit in different power positions.

2. What purpose do the historic and social construction chapters fulfill and why are they necessary? How do all of the chapters of this thesis relate to each other? Why?

Foucault claimed that power relations were expressed in discourse (Behrens 2001: 68). Fairclough and Wodak proposed historic comparison of discourse to exhibit power relations and structures maintaining them. This thesis specifically adhered to critical theory developed by Robert Cox (see Section 2.1), who like Foucault believed that (neoliberal) hegemony is the result of historic and social construction. Both elements of critical theory are discussed in detail before delving into the analysis which studies attitudes by the elite (represented by three newspapers) within two relevant time frames. Therefore, Chapters 3 and 4 lay ground work for the empirical study conducted in Chapter 5.

In other words: the social and historic context of neoliberal hegemonic discourse is depicted first to prove it existed. Only then are conditions met to conduct said study. Chapters 3 and 4 serve several purposes: inform the reader on the studied subject, show Bolivia's historic background and create an understanding of Bolivian society and politics. And to honor critical theory in its claim that history explains power relations in discourse. These two chapters are the first stop on the way to a successful discourse analysis. Chapter 4 builds upon its predecessor, the historic chapter, and explains the 'soft facts.' These are important to conceive contemporary Bolivian politics and economics and the non-historic factors influencing all actors regardless of their hegemonic or counter hegemonic placement. Discourse analysis is completed by the press analysis.

Chapter 5 contains the newspaper analysis. It presents the discourse analysis case study by comparing attitudes toward debated themes in discourse on neoliberalism. Newspaper analysis categories are rooted in critical theory, as will be shown in answer of question 5. Analysis results include references to the historic and social factors depicted in Chapters 3 and 4. Finally, Chapter 6 ties up

Chapters 2, 3, 4 and 4, and reveals whether neoliberal hegemonic discourse has been broken or not. Chapter 6 considers neoliberal theory as a blue print to explore whether and how the results of the case study in Chapter 5 apply or not, by referencing Chapters 3 and 4. The author then gives a broad outlook and prediction of what should, will and might not happen.

3. Why base a discourse analysis tracing change in power relations on a press analysis? On what basis were the newspapers in the study selected? How are they analyzed?

As Behrens points out there is no systematic way to conduct a discourse analysis through sampling. Further, discourse analysis as a method is based upon the assumption that change roots in conflict (dialectic relationship) and that confirmation or rejection of whether old discourse has been replaced by new or whether the old discourse absorbed counter-hegemonic arguments is found by comparison (Behrens 2001: 73). The newspaper analysis of this thesis is thorough: including all editions published by all three newspapers during both time-frames.

Illiteracy is prevalent in Bolivian society. The ability to read and write shows someone's relative high social standing. The media landscape in Bolivia is wide but homogenous (in terms of opinions) and newspapers are political actors (or owned by them) (see Chapter 5). That is why the study presented in this thesis can only account for elite opinion and not claim to make statements about the entire Bolivian public as for the most part they can or do not use the media to reflect their political opinion. The three newspapers are representative of possible streams of thought (from conservative to leftist) in Bolivian elite. It is noted that newspapers are not as matter-of-fact as official documents, as Behrens points out (2001: 71). In the Bolivian case, they can be seen as influencing, maintaining or altering actors in neoliberal hegemonic discourse. Newspapers belong to the elites or depend on elite funds for survival. Each newspaper represents a different political spectrum and streams of thought in Bolivian elite: one conservative (*La Prensa*, a daily), one moderate (*La Epoca*, weekly) and one leftist (*El Juguete Rabioso*, bi-weekly).

As Behrens notes, discourse change has to be proven (2001: 77). The analysis thus includes key phrases or words used by the "old" elite to legitimize neoliberal hegemony. Behrens suggests limiting each discourse analysis to one topic (or actor). This actor is chosen according to his or her institutional relevance. The actor in discursive society can either be placed as the discursive elite (in our case "old, neoliberal Bolivian elite") or a social movement with a collective discursive identity (in our case the "new elite"; the MAS). The newspaper analysis integrates actors new to discourse and their topics – in our case the MAS and the topics relevant to the old elite – as will become obvious in answer 4. Newspaper categories were drawn from the perspective of the MAS in government and the topics relevant in 2006. The categories the articles are placed in hail from a time in which counter hegemonic ideas might have replaced old hegemony. To cover all spectrums of elite political thought, each newspaper is different: conservative, moderate or leftist. This distinction will reveal how the varying trails of thought within the elite handle counter hegemonic discourse by using an empiric-analytical method (Behrens 2001: 6). Newspaper articles are evaluated from perspective of the MAS (negative, positive or neutral): it is an examination of the old elites evaluation of counter hegemonic thought during two time frames. The quantitative method works best for institutional and socio-cultural framework analysis (Behrens 2001).

4. Which categories are newspaper articles placed in and why? How is the evaluation measured? Where do categories stem from - critical theory or reality? How are results compiled, evaluated and why?

As discourse analysis roots in critical theory, all articles are placed in categories to show the results of the newspaper analysis in the form of statistics. The quantitative method was chosen, because the large mass of material and the scope of this thesis did not allow otherwise. Analysis context is extensively examined in Chapters 3 and 4, allowing a rough qualitative analysis of the results, without delving into each and every article in detail. The articles will be placed in one of eight categories of political or economic relevance in (counter) hegemonic neoliberal discourse, creating a deeper, orderly analysis. The analysis also reveals the change of importance (qualitative estimation) of topics across time (by variation in quantity).

Newspaper articles inform. But whether intentionally or unintentionally, they convey opinions and evaluate events, actors and opinions themselves. The articles included in the analysis will receive one of three possible degrees of evaluation: neutral, positive or negative. This evaluation will always be made from perspective of the (hegemonic neoliberal) “old elite” in judging the “new elite” (the rioters and their goals, the MAS and Evo Morales). Based on critical theory eight categories were created. Subsequently these eight categories are presented, as well as their roots in critical theory.

1. **Neoliberalism and IFIs:** Includes all articles on neoliberal hegemony brought to Bolivia from outside. This category includes articles on policies as formulated in the Washington Consensus (see Section 2.1). Evaluation of articles shows attitude toward neoliberalism or the IFIs or consequences of the *Plan de Todos*. This category distinguishes itself from the others as does not evaluate the MAS. Rather, this category evaluates attitudes toward neoliberal hegemonic actors outside of Bolivia in 2003 and 2006.
2. **Economic Policy and Development:** All articles written on Evo Morales and MAS idea of how (counter-hegemonic) economic policy and development within Bolivia should be and how these ideas were evaluated are included in this category. This area of anti-hegemonic argumentation is especially important and thus the area of economics and politics within Bolivia deserve an own category. The category also includes Morales' handling economic inheritances from previous governments.
3. **MAS goals and policies:** This category includes all articles written on the counter hegemonic actor and their opinions/state policies. The MAS expressed several anti-neoliberal goals during their participation in the 2003 riots and during their 2005 campaign. MAS ideas and opinions are translated into state policy (e.g. halving state salaries, land reform, nationalization of gas) since January 2006, when the MAS became the “new elite.” Articles written on any of the following topics are to be found in this category: (a) constitution reform; (b) altering government structure; (c) fighting corruption; (d) land reform; (e) reduction of salaries in the public sector; (f) indigenous rights; (g) ending (historic) structures of oppression.
4. **Hydrocarbons:** This category is an extension of category 3 and includes all articles written on gas and oil reserves and how the idea of nationalizing these (a counter-hegemonic goal) was perceived. As Bolivia's natural resources are very important to neoliberal policy and the countries development in general and in contemporary politics (see Section 3.4) this area receives special attention.
5. **Bolivia's foreign relations (non-US):** Similarly to categories 1 and 2, this category and the following examine evaluation of foreign relations by the MAS government (e.g. access to the sea) or how foreign countries speak of the protestors goals or the MAS government, as interpreted by the old elite.
6. **Relations with the United States:** this category examines articles written on Bolivia's relations to the US, with a particular emphasis on the coca/cocaine issue. Both the coca leaf and US are very intimately linked to one another on a historic and social level (see Section 4.4). The US is regarded as the hegemonic actor on a global level and their primary topic of conversation with the Bolivian government is coca/cocaine, which they link to all other economic, political and social matters.
7. **Inner Politics in General:** rioters and MAS are spoken of in relation to all topics covered by the preceding six categories, but are also linked (by purpose, coincidence or reality) to other events. The MAS and rioters might be linked (positively or negatively) with topics or events (and their outcome) they were or were not involved in. The category seeks to find out if the MAS government has legitimacy as a state actor in the eyes of the Bolivian elite, particularly in regard to their background as protestors. This category examines how Bolivian elite perception of counter hegemonic discourse and their participants becoming responsible for state affairs prior to 2003 or how they perceived protestors involvement in events then.
8. **Comment, Editorial, Interview:** Bolivian newspapers include many “opinionated” articles, which are labeled specifically as such. Other articles are followed by smaller (but independent) text blurbs citing opinions on certain issues by “experts” on the issue of the main-article (in any are of the previous seven categories). To distinguish regular (informative) articles from “opinionated” articles”, the author chose to keep these in a separate, this, category as to not slant the analysis. This category reflects the overall attitude of the old toward the new elite.

The results of the newspaper analysis are compared twice: all newspapers among each other, once for 2003 and again for 2006. Then, the results are compared across the years, to show how newspapers changed attitudes (or not). This leads to the verification or rejection of the hypothesis: a change of discourse toward neoliberalism in the Bolivian elite took place. First, the existence of consensus in the Bolivian elite must be proven, thus without further hesitation, the author presents the chapter on Bolivian history which will be followed by a glance into relevant economic and political topics in contemporary Bolivia.

3 Neoliberal discourse in Bolivia before the year 2000

Recalling Robert Cox's critical theory and its manner of understanding societal processes, it is important to examine historical and societal construction of the studied object. The following chapter depicts Bolivian political and economic history, creating an understanding of how contemporary Bolivia was shaped. The historic chapter considers the dialectic processes: opposition to relevant governmental or societal actions. As critical theory emphasized: the context in which hegemony operates changes. The fourth chapter explores seven topics relevant in contemporary Bolivian economics and politics. But in order to understand how neoliberal hegemony was so successful (at least on a superficial level) during the past 25 years, Bolivia's early history is examined first.

3.1 Introduction to Bolivia: history to 1982

In contrast to the elite, the majority of the population lived on the Altiplano which offered little possibility for agrarian activity as it is more than 3.000 m above sea level. Quechua and Aymará were excluded from all development or benefit from social, political and economic aspects. The result was social and economic backwardness. (Neumann 1997: 87).

Bolivia is an Andean landlocked nation of the size of 1.1 million km² (three times the size of Germany) (F.A.Z. et al. 1999: 183). The landscape is quite varied and differing with height (the Sajama, the highest mountain in the Bolivian Andes, has 6,540 m altitude, and the lowlands of the Amazonian basin are 150 m below sea level), with a corresponding variety of climatic zones, flora and fauna. Two fifths of the Bolivian population live in the highlands of the Andes, the remaining three fifths live in the lowlands of the east and north (Stadler-Kaulich 2003: 13).

Bolivia is the poorest country in South America, with 73 percent of the eight million citizens considered poor, about half live in absolute poverty (Stadler-Kaulich 2003: 15, F.A.Z. et al. 1999: 183). Bolivia has the highest amount of indigenous people in Latin America, including about 41 tribes (divided in Andean indigenous in the highlands of *Quechua* and *Aymará*, and the lowland indigenous, the *Sevicolas* and *Tupí-Guaraní*) (Cordova de Hernichel 2000: 66). About 57 percent of Bolivians belong to an ethnicity (26 percent *Quechua*, 18 percent *Aymará*, 1.4 percent *Guaraní*), about 0.04 percent are Afro-Bolivians; the remainder of the population are *mestizos* and a relatively small population of whites, who control politics and economics and can therefore be considered the elite (Stadler-Kaulich 2003: 14). The official state language is Spanish; since 1976 (although this date is debated in literature) *Quechua*,²⁸ *Aymará* and *Guaraní* are also official languages. According to the 1992 census 60 percent of Bolivians consider one 35 indigenous languages their native tongue. About half of the population speaks Spanish (in public and at home), the other half speak their native tongue at home; close to 12 percent of Bolivians do not speak Spanish at all.

The elite mostly lives in the cities of La Paz, Santa Cruz, Cochabamba and Sucre. El Alto, a satellite city to La Paz, and the second highest metropolis in the world (Potosí being the highest) also houses the highest airport in the world and is the only exception of elite living there: 500.000 citizens reside on 4,000 m above sea level, most of them indigenous migrants from rural areas (Stadler-Kaulich 2003: 13). El Alto residents and their opinions have been important for the outcome of recent political events. Their perseverance (or support for protests and demands made in them), particularly

²⁸ *Quechua* was the official language of the Inca and is the general term for a language that has several different regional dialects, with various forms of grammar, sentence structure, vocabulary and pronunciation. Until present, no terms for modern day things such as technical objects have been found (like in Latin). Some Spanish words have entered every-day *Quechua* vocabulary and vice versa (Stadler-Kaulich 2003: 25). Bolivian introduced a 33 character alphabet in 1954 for *Quechua*, which is seldom used. "Quechua (...) is the language of the 'uneducated' Indian population of the rural regions (and migrants to urban areas)" (Stadler-Kaulich 2003: 28).

during the 2003 Gas War and the 2006 election, greatly impacted the results of these events. According to a BBC journalist, the residents in El Alto decide which president stays in office and which doesn't (BBC 2006). The influence of the masses on Bolivian politics is quite recent (and not set in stone), changing the century long structure of unquestioned power by the elite over all cultural, economic and political matters. The concept of an authoritarian state hails from the Inca Empire, the Spanish conquest and all governments thereafter. As Section 4.1 depicts, politics was always a dirty business in Bolivia, in which clientelist practices and corruption dominated (Hofmeister 1996: 28). The change of the power structure, if it in fact exists, is an accomplishment of a process that presumably began during the same time as oppression.

Before the Spanish *Conquista* in the late 1400s, the Bolivian territory was part of the prosperous Inca Empire. The Incas, a society with authoritarian structure, and no social mobility, desired a homogenized people (Mansilla 1987: 6). Even though the Incas deported entire villages to uninhabited areas to populate their empire and spread their ideology, they left the structure of the communities, mainly the so-called *Ayllus* (village communities) of the cultures they conquered in the Bolivian territory, intact. *Ayllus* were autonomous, collective and community-oriented, culturally and economically self-sufficient. The Inca empire, a centralized, planned and agrarian economy, a "despotically organized socialism", suffered no economic crises, and the masses were treated better than by any government which ruled Latin America in the aftermath of the colonization (Cordova de Hernichel 2000: 19f, 22).

Colonization by the Spanish was violent and bloody, as can be read in history books and therefore it doesn't need to be explained any further. Despite their brutality the conquerors struggled in adapting the old world order into the structures of the new world. With some minor changes, such as integrating Inca values into their belief system,²⁹ the creation of a paternalistic and centralistic order under Spanish conquest was a prime example of hegemony (Mansilla 1987: 14; Stadler-Kaulich 2003). During this time, Potosí was basis for economic growth until the 1700s, when its population shrank massively (Mansilla 1987: 87). Spanish values, of Arab influence, such as *Machismo*,³⁰ became part of the Bolivian value-catalogue. Furthermore, the conquerors adapted the old world school system to that of the new world (even though only the elite derived benefit from this, leaving the masses illiterate for centuries). These schools taught Spanish and Christian values, such as humility, obedience and selflessness, and granted a more to the conquerors. Internalizing of these values by the conquered created dependence as they implied discipline and unquestioned trust in authority (no critical thinking) (Cordova de Hernichel 2000: 24).

The tendency to ignore the needs of the majority of the population, the indigenous, the poor and the rural, throughout the political processes between the *Conquista* and the founding of the Republic in 1825, continued. The development of Bolivia to a modern state began in the 1800s, initiated by the increase of silver and tin prices, creating a bourgeois elite, but no profit for the indigenous and poor, particularly farmers (Sejas 2002: 24). The idea of emancipation was popular during the 1800s with the elite. Yet, the matter of including the indigenous in emancipation, was out of the question.

²⁹ Authoritarianism, integrating or tolerating Inca religious rituals so that Christianity became a "second nature" in the eyes of many – my favorite is that the devil is a Spanish import.

³⁰ *Machismo* not only labels degrading treatment of women, but also defines degrading treatment of those with different opinions than one's own; it also labels those with militaristic tendencies (Mansilla 1987: 8f, 47).

Liberals (intellectual *criollos*) and conservatives (land owners, merchants and colonial officers) differed on the concepts of freedom, equality and justice and on the type of state Bolivia should be. While the conservatives wanted an aristocratic, hierarchic, traditional and centralized state with a protectionist economic policy, the liberals insisted on an export-oriented economy based on agriculture and mining (Cordova de Hernichel 2000: 27). Indigenous were mere instruments of labor; 36 ethnicities were united arbitrarily in the terrain that became known as Bolivia (Revollo Fernández 2004: 60f).

The image of the elite in the eyes of the Bolivian population was first questioned during the Chaco War between 1932 and 1935, as the conflict cost many lives, particularly of farmers, indigenous and the rural population, who eventually mobilized against the war (Sejas 2002: 24). The causes which led to the war are disputed by historians. Some suggest Bolivia is to blame for escalating the conflict into war; that it was a measure of then president Salamanca to pull the elites back on his side, as they were increasingly dissatisfied with him due to the economic world crisis and its effects on the Bolivian economy (Herzig 1996: 90). However, it is a fact that Latin America became capitalistic because of the dominance of British capital – between 1820 and 1914 most of the capital invested was British, benefiting the *latifundios* (squires) and their say in politics (voting rights were tied down to land ownership and education, excluding ninety percent of the population) (Herzig 1996: 30ff). Nonetheless, in 1860, 40 percent of state income came from the indigenous, and 60 percent of income was received from silver and tin exports. By 1920, 72 percent of Bolivian exports were tin; the tin barons and the government agreed on virtually no tax payment by this business. The elites did not make structural adjustments during this prosperous time and maintained old structures throughout the modernization phase, rendering no profit for the country or the population as a whole. A 30 percent decline of tin prices during the 1920s resulted in a 28 percent loss of income for the government (Herzig 1996: 37-38, 44-46). By this time, Bolivia was already highly indebted to foreign lenders, using 37 percent of the state budget to pay back loans and another 20 percent on the army. Throughout the early 1930s tin exports declined (from 47,087 tons to 14,957 tons between 1929 and 1933), creating a larger crisis for the Bolivian than the Paraguayan elite at the beginning of the Chaco War (Herzig 1996: 168).

Other historians claim the Chaco War was an issue between Standard Oil of New Jersey (Exxon) and the Royal Dutch Shell (Shell), due to their (not officially confirmed) involvement in the war through financial assistance to the respective governments (particularly Exxon to Paraguay). Many other foreign companies³¹ profited from the war due to the large amount imports required to participate in the conflict. The interest of the oil companies in Bolivia is known to have evolved during the 1920s, when president Salamanca opposed giving a concession to exploit the oil reserves to Exxon. The concession was given to Exxon and Shell lost the concession and was expelled. Exxon claimed the Bolivian oil reserves to be dry. However, the company smuggled oil to Argentina between 1925 and 1926, avoiding to pay taxes to Bolivia. Throughout the war Argentina sold (Bolivian!) combustible to Paraguay, which it used in the Chaco war against Bolivia. Exxon refused to produce fuel for the Bolivian army; referring to a paragraph in the contract between the government and the company in which it should not be involved in state affairs, as it could lose its concession as a consequence (Herzig 1996: 46, 68-82, 84f). President Salamanca threatened Exxon with taking away its concession and Exxon

³¹ Fiat, Krupp, Mauser, Oerlikon, Semag, Schneider, Stokes Brandt, Vickers-Armstrong to name a few.

provided Bolivia with fuel and began to pay taxes. Later, when the involvement of Exxon in the conflict became apparent, its concession was taken away and the company was turned into state property. Exxon was the first company turned into state property in all of Latin America. What became the *Yacimientos Petroliferos Fiscales Bolivianos* (YPFB) drained twice as much oil from the “dry” Bolivian oil fields as Exxon. The Chaco War was also referred to as *La Guerra Estúpida* (the dim-witted war) (Herzig 1996: 86, 165).³²

Between 1900 and 1952 Bolivia lived through two transformations: the consolidation as a nation-state and the integration of the country into the capitalist world market as a producer of minerals, and a revolution that ruptured the social fabric of the country (Lagos 1994: 8). The Chaco War was followed by 17 years of political confusion. Bolivia was hit harshly by WWII, resulting in only one buyer for its minerals. Journalist Demetrio Canelas, who lived in Bolivia between 1920 and 1956, wrote in an article dated 1947 that a rehabilitation for Bolivia comparable to the Marshall Plan would be an adequate compensation for the losses due to the World War (1992: 425). Canelas viewed corruption within (private) enterprises (such as the mines) as a reason for Bolivia’s development problems. Enterprises have to cooperate with the state, who cannot solve all problems on its own, he wrote in 1952 (Canelas 1992: 438).³³ In 1951 the *Movimiento Nacionalista Revolucionario* (Nationalist Revolutionary Movement, MNR), a party of young intellectuals who were frustrated with the middle class, won the election. The MNR campaign included anti-feudal, anti-capitalist and anti-oligarchic sentiments and ideas. The MNR strived for a class-overarching movement to control the state, dismiss all foreign powers out of the country and introduce a new development concept (Hofmeister 1996: 28). The party was prohibited after the military’s rise following immediately the election. In a violent fight known as the 1952 Revolution, the MNR (whose members, among others, were future presidents Paz Estenssoro and Siles Zuazo) gained power over the government and implemented various reforms (due to pressure by the unions, particularly the *Federación Sindical de Trabajadores Mineros de Bolivia* (Syndic Federation of the Mining Workers, FSTMB) (Lizárraga Zamora 2001: 118; Hofmeister 1996: 28), including universal suffrage. After the 1952 Revolution, the state sought to achieve economic growth through the reactivation of the mining sector, “modernization” of agriculture and the development of the *Oriente* (eastern lowlands). Economic growth was to come from producing export crops and import-subsidizing of crops and livestock, but spending only an average of 3.2 of GDP p.a. on *Oriente* to build roads to Santa Cruz and to *El Chapare* (Wennergren and Whitaker 1975 :40 in Lagos 1994: 65). The development program included credit, price-support programs, colonization projects and the promotion of mechanized modern agriculture.

The agrarian reform disowned squires³⁴ and gave land to those who worked on it.³⁵ The land could be taken away just as easily from those who seized to work it, a threat Bánzer made us of during

³² US-involvement in the conflict was criticized. Senator Huey Long (Alabama), claimed the US negotiated and did not mediate in the talks between Bolivia and Paraguay. Long claimed Exxon sought access to the oil reserves of the Chaco Boreal and the Paraguay river in order to transport the product to the US. Throughout the 1920s, the US followed a highly protectionist strategy. The Hoover, Hughes and Kellogg administrations implemented an aggressive capital and product export expansion, resulting in high growth within the US. Simultaneously, Latin American governments owed the US. Dues accumulated to thrice the amount borrowed. As a result energy and resource production in the peripheral countries rose to astronomical heights, surpassing demand, resulting in the crash of the agrarian market. Many Bolivians lost their jobs and the government was unable to compensate them, due to the financial shortage (Herzig 1996: 35, 36; 83, 101).

³³ For a detailed description of important historic events (Chaco War, Issue of the sea with Chile, 1952 Revolution) as they were happening by Canelas, please see “Dictadura y democracia en Bolivia” Editorial Canelas S.A. Cochabamba (1992).

³⁴ In 1954, four percent of the population owned 92 percent of land. Lagos writes that 92 percent of *arable* land was owned by 6 percent of land owners.

the 1970s. The agrarian reform was successful, but met resistance in Santa Cruz, where the richest and most conservative squires resided. The agrarian reform is not always seen as successful, as it failed to create new production factors or improve existing factors of production. According to Nohlen and Nuscheler, the agrarian reform failed as it did not benefit the socio-economic life standards in rural areas and limited the development of and social mobility in the country (Nohlen and Nuscheler 1995 in Stadler-Kaulich 2003: 17).

Furthermore, after the revolution, the three largest mines (Patiño, Aramayo and Hochschild)³⁵ were nationalized and the *Corporación Minera de Bolivia* (COMIBOL) was founded. Canelas categorized the nationalization of mines as a punishment of the owners, who had abused the Bolivian economy, but spent their profits elsewhere (Canelas 1992: 443). Anthropologist Maria L. Lagos considers the nationalization of the mines as the most important reform of the Revolution, as it abolished slavery (or unpaid labor) (1994: 51). The reform also introduced of the term *campesino* (farmer), replacing words such as *Quechua*, *Aymará* and other labels for ethnicity, summarizing them in one term. This cause many *campesinos* to deny their roots and adapt a western style of clothing and living (Revollo Fernández 2004: 61f). A Department for *Campesino* Affairs (*Ministerio de Asuntos Campesinos*) was created in May of 1952 as that it would cater to indigenous and peasant needs. To Lagos the land reform presents a political compromise between squires and the government. This is why the *campesinos* had to work the land, but could never own it and why the state was in position to re-seize it quickly. The land a person could own was limited and depended on the location (arability and fertility). The Revolution gave incentive to some indigenous to “awaken,” taking over *haciendas* and killing their owners and led to *campesinos* continual contesting those in power (Lagos 1994: 61):

In 1956, when rampant inflation eroded some of the massive popular support the MNR had previously enjoyed, Bolivia received the largest amount of United States aide to Latin America to implement the Plan de Estabilización Económica. (...) [T]he Bolivian government was pressured by the International Monetary Fund to end state intervention in the economy and promote foreign investment. This led to the realignment of forces. The MNR turned against the left and labor, began to reorganize the army, and relied on peasant militias to control the forced challenging the government. The peasant-labor alliance was thus broken up. (Lagos 1994: 61)

After 1952, the *Central Obrera Boliviana* (COB; Bolivian Worker's Central/Union) was highly involved in the government affairs. Hurtado labels the COB involvement in the state throughout the agrarian reform of 1952 as a demobilization and demounting of the masses (1986: 21). Even though the COB was not legitimated by vote, like the MNR, it made decisions on an administrative level. The MNR and COB brought political ideology to Bolivia and coined it for over 30 years. The MNR stood for revolutionary nationalism for the bourgeois, while the COB was Marxist/Leninist with trotskyist influences. These factors inhibited them from consoling with bourgeois democracy, keeping conflict between the parties alive (Hofmeister 1996: 29). The post-revolutionary government also failed to restructure and weaken the military and put it under civil control. The MNR was the only party to profit from this dispute: it ensured (and controlled) indigenous support until the military coup in 1964:

[T]he MNR hindered the strengthening and creation of other political powers through corruption, manipulation of elections and cooptation. (Hofmeister 1996: 29)

The twelve years after the revolution were dampened by conflicts, some ending bloody, between fractions of the MNR on issues of political direction. Conflicts ended in a military coup in 1964

³⁵ „La tierra para quien trabaja“ (Sejas 2002: 24).

³⁶ The owners were later compensated with 120 million US-dollars (Gebhardt 2002: 12).

and brought General René Barrientos Ortuño to power.³⁷ Barrientos expanded the agrarian reform. He assisted rural infrastructure through an alliance between the peasant unions and the military government, the so-called *pacto militar-campesino* (peasant-military pact) (Sejas 2002: 24). Barrientos attempted to rehabilitate the state mines by limiting the power of the unions, firing workers and cutting social benefits. The workers protested and fought bloody clashes with the state.

Between 1964 and 1980 governments (not based on parties) ruled in cooperation with the military and the union apparatus. Barrientos was the first in a series of generals to govern Bolivia (Hofmeister 1996: 29). Barrientos passed away in an accident in 1969, and was succeeded by Luis Adolfo Salinas, a member of the left wing of the military. The governments of General Alfredo Ovando Candia (September 1969 to October 1970) and General Juan José Torres Gonzales (until August 1971) were supported by Bolivian intellectuals. The country experienced democratic openness and political mobilization under Torres Gonzales: the oppression of the miners unions ended, their wages rose and a nation-wide alphabetization campaign begun. Two US-companies, Mine Matilde Corporation and the International Metal Processing Company, were expelled. The governments of the generals were, however, characterized by a polarization of the population. Marxist student groups occupied US-institutions and fought against fascist gangs (Sejas 2002: 24f). The COB proclaimed the most radical declaration of its history, and said to be a legitimate part of the government. The COB boycotted General Torres' government and demanded the introduction of a socialist societal system in mid 1971. Tensions within the population rose. Particularly entrepreneurs feared the xenophobic and unpredictable property policy under Torres. In August 1971, General Hugo Bánzer became president through a coup; assisted by military and industrials. Bánzer stayed in power due to a "weird/strange" coalition between MNR and the fascist *Falange Socialista Boliviana* (Bolivian Socialist Phalanx, FSB), the MNRs largest political opponent during the 1950s. Animosities between all parties continued, assisting Bánzer his declaration of sole power over the country in 1974 (Sejas 2002: 25).

Bánzer wanted to suppress communism, in agreement with the red scare in the United States at the height of the Cold War. He replaced many leaders, including some in the *campesino* movement, with protégés and rendered the unionization of truckers, cab and bus drivers mandatory in 1973 (Lagos 1994: 62). Bánzer patronized the *campesinos* and controlled all unions in the country. He did not hesitate to crush a road blockade in Cochabamba which protested the inflationary effects of the devaluation of the Bolivian *Peso* and killing an unknown number of men, women and children (Lagos 1994: 63). The *campesino* alliance of the department of Cochabamba was polarized by this conflict, and divided its members into the nationalist *Confederación Sindical Unica de Trabajadores Campesinos de Bolivia* (Only Syndic Confederation of the *Campesino* Workers of Bolivia, CSUTCB), and a dissident organization of the COB, which opposed the military-*campesino* alliance, called (*Sindical de Trabajadores Campesinos de Bolivia* (Confederation of the *Campesino* Workers of Bolivia, CSTCB).

From his principal aim of rapid economic growth, Bánzer pressured the *campesinos*. During the land reform, the MNR had expected the *campesinos* to evolve into agricultural entrepreneurs and increasing production. Yet, the opposite occurred. Immediately after the reform, agricultural production

³⁷ In the Cochabamba valley two factions fought over the control of the *campesino* movement between 1959 and 1964. The dispute ended by intervention of General Barrientos, who overthrew the MNR government in 1964. Barrientos (a populist) settled the conflict, winning sympathy of the *campesinos* (Lagos 1994: 62).

declined, leading to threats by the government to take away the land (Lagos 1994: 64). The state priorities concerning development are apparent when glancing at rural development credits: between 1964 and 1979, the *Banco Agrícola de Bolivia* (Bolivian Agrarian Bank, BAB) granted half of its total loan volume to medium- and large-sized farms, most located in Santa Cruz. A remaining 41.5 percent went to associations, groups or societies. A mere 8.6 percent of credit was assigned to *campesinos*. Distribution of credit changed during the mid-1970s, when US-Aid financed the Second Agricultural Refinancing Fund and other similar credit lines designed to provide credit to small farmers and cooperatives. Similarly to the agricultural sector, the educational system did not improve for the majority of the population throughout the dictatorships. Curiously, university attendance grew exponentially during this time.³⁸

Reasons for the failure of the agricultural reform are attributed to state policy. During the Bánzer era seeds were only sold by the government, in turn fertilizers were distributed for free in a very successful campaign. Promotion measures, such as exempting markets in certain areas from taxes failed as the markets for *campesino* harvests already existed. Interestingly enough, even though few *campesinos* became entrepreneurs, almost all of them became dependent on commodity markets. Of course in an “asymmetric and subordinate” position.

At the center of this intensification of petty commodity production, the state focused its small capital investment on agriculture not in the campesino regions, but in the lowlands. (Lagos 1994: 65)

This fact served as a confirmation to the government (and the elite) that the *campesinos* and their characteristic laziness were to blame for the backwardness and underdevelopment in the country. Most parties did not succeed in contradicting Bánzer and the policies during his governing era; others increased in popularity such as the *Movimiento de Izquierda Revolucionario* (Revolutionary Movement of the Left, MIR) and the *Partido Socialista* (Socialist Party, PS) (Hofmeister 1996: 30).

Even though economic growth of 6.1 percent p.a. was recorded during the Bánzer years, the country remained highly indebted on an international level (2,234 million US-dollars). The government continued taking out loans with long grace periods and interest rates of twelve percent. Real income increased during the 1970s, but dropped throughout Bánzers administration: according to COB sources by 33.8 percent. This trend continued throughout the early 1980s. By 1980 the interest rates reached 20 percent of state budget; in 1979 the IMF forced a credit of 115 million US-dollars on the Bolivian government. The *Peso* suffered a de-valuation of 25 percent, while basic commodity and fuel prices increased, sparking *campesino* protests. By 1982 national growth was negative by 2.8 percent and all sectors (mining, production and agrarian) stagnated. Urban unemployment in the formal economy increased from 5.8 percent to 10.9 percent between 1980 and 1982. The simultaneous expansion of the informal economy was the only solution for survival for many. External debt rose to 3,612 million US-dollars; in 1982 the amount used to pay back loans was 43.4 percent of total export income, enforcing the influence of the IMF and other IFIs (Krempin 1990: 6-8).

A coup brought García Meza to power in July 1980 and made coca/cocaine the primary axis of the economy (an estimated 115 million US-dollars income), making Bolivia even more dependent upon the illegal income and the informal sector. After the end of the Bánzer Regime in 1978, Bolivia had had seven military and two civil governments by 1982. The turmoil was ended through the coali-

³⁸ Between 1972 and 1983 enrollment rose 270 percent. In the years afterward a yearly increase of 56 percent has been noted, and continued until present (Lizárraga Zamora 2001: 169).

tion under president Hernán Siles Zuazo, which was instable in face of the economic crisis (Hofmeister 1996: 30). The hopes and expectations for the results of his administration were high, and he did not try to curb their enthusiasm (Krempin 1990: 9). Siles Zuazo from the *Unión Democrática y Popular* (Democratic and Popular Union, UDP) took over the administration in 1982 and had many inherited issues to confront.

Reasons for the failure to improve the livelihood of most Bolivians, namely those living in poor, rural areas and the indigenous people, lies in endogen and exogenous factors. One of them is the political culture and the unfair practices pervading all areas of economic, social and cultural life within the Bolivian society, such as depicted in Section 4.2.

3.2 Reforms of the 1980s, and their results

When Siles Zuazo (UDP) took over the government in 1982, the country was in shatters and highly indebted. The formal economy had lost many employees and the tax income decreased from 2.8 percent of GDP in 1981 to 3.1 in 1982 to 0.6 in 1984. Politicians were surprised by the severity of sanctions imposed on the country by the IFIs after the development programs had not worked (Cariaga 1996: 14; Faguet 2005: 4). The state capitalism and control of prices of basic commodities, which benefited the middle class and left out of scope the rural poor, had to end (Cariaga 1996: 143, 145). Inflation rose to the seventh highest recorded in human history (24,000 percent inflation p.a.; price raises of 1.4 percent p.h. and a total 628.8 million US-dollars loss to the Bolivian economy). Simultaneously natural disasters hit the country, creating a deficit of 30 percent in agrarian production compared to the year before. This led to high migration of *campesinos* to coca growing or urban areas (Cariaga 1982: 24; Lizárraga Zamora 2001: 132; Eróstegui T. 1996: 37; Krempin 1990: 15). Demands by the unions to adapt wages to the inflation rates led to even higher inflation and an economic and social crisis (mass demonstrations and strikes). Much of the rural population realized that the government was not going to solve their problems immediately. After losing their crops, sheep and llama herds, entire villages on the *Altiplano* were abandoned. Villagers migrated to the cities, becoming beggars, partially because much of foreign financial aid sent for these people did not arrive at its designated destination. Rather, middle-men profited politically or financially from these funds and contributed to the increased dependence of the *campesinos* on outside help (Lagos 1994: 145f).

With much encouragement and assistance by the IFIs and the Bolivian elite, the government implemented a structural adjustment program (SAP) based on neoclassical economic theory, giving direction to the measures implemented for administrations to come during the 1990s (Goni and Bánzer) (Soliz Rada 2002: 7; CEDLA 2003: 9, Von Gleich 1998: 21). Throughout the November 1983 and March 1985, the UDP government pushed through five economic packages. Some adhered to the concepts and suggestions of the IMF, some did not, particularly aiming at stabilizing the economy. The last package adhered entirely to IMF ideas. All of these packages failed due to the weak position of the government and the strong opposition to the program (Cariaga 1996: 51f). Neoliberal hegemony was imposed on Bolivia by the ruling elite, such as spoken of in Chapter 2. Cariaga, a future finance minister of Bolivia, participated in the secret committee that concocted reform plans of the Paz Estenssoro administration (1985 – 1989). He refers to the program of the Siles Zuazo administration as “our own perestroika [or “Moscow Line”], as it was the key to development everyone thought of as legitimate” (Cariaga 1996: 17; Soliz Rada 2002: 1).

The first package of the Siles Zuazo administration was implemented in November 1982. It fixed one US-dollar at 200 *Pesos* and demanded all transactions within the country to be made on basis of the *Peso*. This measure was called the “de-dollarisation” of the economy (Krempin 1990: 10; Cariaga 1996: 47f). Entrepreneurs speculated upon the new package, profiting from the decrease of their loans which had been taken out in US-dollars. Some took out loans (in reality designated to encourage production within Bolivia) and changed them into dollars. They then paid back the loans and kept the difference lost due to inflation. As production within Bolivia decreased, entrepreneurs most likely made more money from speculation than production. Prices of petrol products doubled. All subsidized products received a price cap and the prices of basic products were adjusted (Cariaga 1996: 48f). The economic package created import-prohibitions for about 500 goods (luxury and products which were made in Bolivia as well), pensions were frozen and medicine prices declined by 45 percent. Minimum wage was fixed at 8,490 *Pesos* and all wages increased by 30 percent (Eróstegui claims it was 40 percent). The New Political Economy (*Nueva Política Económica*, NPE) also included measures such as a new, investor-friendly legislation, particularly in the mine and natural resources sector. It also integrated a reform of state institutions (judicial system) and securing property rights and the flow of capital in- and outside of the country (Cariaga 1996: 20). After consultation with Price Water House Coopers, the state closed some state mines and reduced the number of workers from 26,500 to 5,000, leaving over 20.000 unemployed but keeping production levels the same (Von Gleich 1998: 23; Kohl and Farthing 2006: 54f). The decision was in large part influenced by a subsidy system the government could no longer afford. 8,000 COMIBOL workers received 400 liters of petrol a month, costing 11.5 million US-dollars. This subsidy was ended by the reform. The YPFB in turn almost doubled its workforce from 4,500 to 8,000 workers between 1980 and 1984. Yet, its income shrunk from 9.1 percent to 7.8 percent of total GDP. This is due to the tax elimination on raw materials; as had been suggested by the IMF (Cariaga 1996: 32, 197). As outlined in Section 3.2, hegemonic institutions fulfill five criteria (expand hegemony, be a product of hegemony, legitimate it, co-opt elites and absorb counter-hegemonic ideas). In the case of the economic and political measures implemented in Bolivia during the 1980s, it is obvious that they were neoliberal and in sync with the nine points of the Washington Consensus (see Section 2.1).

The shock-therapy of the Siles Zuazo administration failed. It led to inflation and an increase of external debt (Cariaga 1996: 47f). In January 1983, some MIR ministers, who had been elemental in planning and supporting the first economic package, resigned. The population lost belief in the abilities of the government, while drought and floods also hit the country and lowering the availability of basic goods. The rigidity of the opposition against the Siles Zuazo government grew, partially because the administrations measures were not implemented with the desired consequence. This created opportunity for employees of the Central Bank and the YPFB to expand their power (Krempin 1990: 12). Many measures envisioned in the economic packages reached the opposite of their intentions: (a) dollar exchange rates on the black market were much higher than the official rate in an estimated relation of one to ten, devaluing the *Peso* even more; (b) bread and flour, which was subsidized to benefit the poorest, was smuggled to Peru and sold there as were other basic commodities (rice, sugar and gas); (c) the import and duty policy of the Siles Zuazo government favored smugglers. Particularly industrially produced goods for consumption were re-sold to Bolivia’s neighboring countries and income from

legal imports decreased (Krempin 1990: 12); (d) the informal economy thrived, particularly cocaine export, estimated at five times than GDP of the formal economy. By 1984 58 percent of the population worked in the informal sector (opposed to 47 percent in 1976 or 53 percent in 1980). The government failed to curb inflation rates of 20,000 percent between August 1984 and 1985 (Krempin 1990: 11-13). Bolivia's debt to the international community continued to burden the country: in 1984 paying off external debt made up 49.8 percent of total export income (Cariaga says it was only 25 percent (1996: 59)). As mentioned, the economic packages by the Siles Zuazo government were not accepted well by the population and particularly opposed by the COB, which organized many strikes.³⁹

The Siles Zuazo administration was not all bad. For one, it respected democratic rights and freedoms as no other administration did prior or afterwards. It never proclaimed the state of emergency when people protested the reforms, as Paz Estenssoro and Paz Zamora did later (Krempin 1990: 15). Incentive to cut the military budget came from the Siles Zuazo administration. This incentive was not enough to alter the traditional relationship between civil society and the military, which refused to be controlled by parliament. While the armed forces received 393 million US-dollars in 1980, the amount was reduced to 133 million US-dollars by 1990. Not only the military lost power throughout the 1980s, but also the second most important political actor did: the COB (and political parties). Political structures also lost credibility (Birle 1996: 20). The IFIs had little confidence in the Siles Zuazo administration, particularly after Mexico declared bankruptcy and feared Bolivia would do the same. Problems of the outside economies profited inflation: the crisis of external debt and the public spent all its money upon receiving and benefited the vicious cycle (Krempin 1990: 14).

As the Siles Zuazo government failed to create supportable solutions for the structural issues within the country, the UDP lost the election to the ADN and MNR in 1985. At this point financial chaos hit the country. Paz Estenssoro was elected into office, although he and his party reached only placed second by entering a coalition with the MNR, which begun its neoliberal period then and there. Former dictator Bánzer had earned the highest amount of votes. Cariaga narrates his involvement in a secret committee which concocted the reforms between 1985 and 1989, even though he had formerly been an electoral advisor to Bánzer. Cariaga and others who conceived Bánzers electoral campaign traveled to Harvard to consult with Oliver Oldman and Jeffrey Sachs to develop on an economic program Bánzer would propagate during his electoral campaign with them (Cariaga 1996: 91; Soliz Rada 2002: 2).⁴⁰ Then-President of the senate Sánchez de Lozada had invited Cariaga, who hesitatingly accepted. Cariaga felt that Paz Estenssoro was too populist, but accepted to be Minister of Finance, next to Goni who was Minister of Planning (1996: 94; 130). Sachs was important in the development of the economic program of the Paz Estenssoro administration. An acquaintance of Bolivian ambassador to US Fernando Illanes, Sachs was elemental in restoring Bolivia's credibility in front of the IFIs. Their will to render economic relief ended a six year period during which Bolivia received no loans from the IBRD (Cariaga 1996: 104). Until 1986, only the Inter-American Development Bank (IADB) and the *Corporación Andina de Fomento* (Andean Association for Promotion, CAF) loaned to Bolivia (Cariaga 1996: 79).

³⁹ In 1983 278 strikes cost 802 working days. In 1984 1,500 working days were lost due to 422 strikes (Cariaga 1996: 27).

⁴⁰ Bánzer wanted to get rid of his image as a dictator by being involved in the civil party ADN (representative of private enterprise interest) (Hofmeister 1996).

Cariaga's on the importance Sachs' opinion for the IMF, presidential candidate Bánzer and later president Estenssoro should not be underestimated. Re-calling structures of hegemony as listed by Peet the reader knows hegemony hails support by institutional actors from the economic, bureaucratic and political spheres. The media and academia support hegemony. The latter legitimizes sets of policies, such as the Washington Consensus (see Section 2.1.3). In the same breath, failure of said policies are not attributed to the policies themselves, but (in Sachs' and Bolivia's case) the "mediterranean condition of our country" (Soliz Rada 2002: 2). Sachs is perhaps to blame for the mass dismissals in the public sector. The extent of the influence of the Harvard professor will forever be unknown. However, Cariaga cites a mysterious memorandum which Sachs sent to Paz Estenssoro. No one but the president ever read it. Before agreeing on a program with the IMF in June 1986, Paz Estenssoro already initiated the neoliberal era in Bolivia through Decree 21.060 on 29 August 1985. The shock-therapy (also known as NPE was to be implemented from 1985 to 1989. It demanded parallel economic and structural reforms, sought to reduce inflation and create reasonable tariffs for services and goods and commercialize Bolivia's gold reserves (Cariaga 1996: 106; Soliz Rada 2002: 11).

The Decree sparked protests and continued criticism already voiced against Siles Zuazo. A year after decree 21.060 was implemented, 23,000 workers of the state mines and 45,000 other employees of the state and in the private industry lost their jobs (Eróstegui T. 1996: 38). Continuing the crisis initiated during the Siles Zuazo administration, the COB further lost power, particularly due to capitalization of state owned firms. Rather than recognizing the loss of powers as a crisis, the COB labeled this period as a "state of tiredness" and attributed this state to the many conferences, strikes and meetings since the beginning of hyperinflation. Particularly one branch of the COB, the FSTMB, lost many members, leading to a discussion on de-proletisation within the COB and the increasing importance of new societal actors. The FSTMB discussed if the *campesino* branch of the COB should receive more weight in the decision-making process. The COB ideologically split in two fractions: one claiming privatization of mines would improve the state of the economy, the other fraction disagreed (Krempin 1990: 40). Despite its "state of tiredness", the COB protested the political package of Paz Estenssoro extensively. It particularly criticized the social spending cuts, which were larger than those of the previous dictators. By September 1985, the government declared the state of emergency after a general strike of the COB; sending 143 union leaders to desolate forest areas (Krempin 1990: 38f). The MIR also split in two ideological spectrums: Leftists founded the *Movimiento Bolivia Libre* (Movement for a Free Bolivia, MBL).⁴¹

Unfortunately, none of the protests stopped the Paz Estenssoro reforms, manifesting the amount of power the unions had lost. The closing of a state mine in August 1986 left 4,800 miners unemployed. The March for Life (*Marcha para La Vida*)⁴² protested this measure. 5,500 mine-workers, their wives and children walked to La Paz, growing to 10,000 people by the time the crowd was a two day walk away from the city center (Molina 2006 cites 50,000 participants). The Paz Estenssoro administration sent the military to corner the protestors. Unarmed, the marchers consented to be re-

⁴¹ Their principal campaign goals are anti-corruption, the fight of indigenous discrimination and. The party does not oppose neoliberalism, but wants a second agrarian reform and a strengthened state in economic and social matters. MBL is an important stabilizing factor in politics and has been scandal-free as the politicians are fairly young. They have provoked new confidence in politics and the governing system (Hofmeister 1997).

⁴² Many social groups appear to hold events labeled the March for Life (see section 4.4) or *Mujeres Marchistas* 1996.

turned to their homes by government transport. The March of Life was useful. After mediation by the catholic church, the FSTMB and the government re-drafted government policy, keeping 13,000 mine workers in total. Unions official quit protests, dissatisfying their basis. The result of said re-drafting of state policy was more than other critics of the shock package could ever hope for: teachers and student protests failed, and workers of the YPFB and the coca growers reached only partial implementation of their demands and only due to many strikes and street blockades (Krempin 1990: 41).

By June 1986, Paz Estenssoro agreed on a stand-by package from the IMF worth 186 million US-dollars and an SAP of 57.59 million US-dollars. These were followed by an even more elaborate SAP in April of 1988 worth 136.05 million US-dollars. During this period, gas and oil prices increased and were controlled by the state, securing substantial income for the government (Cariaga 1996: 128). Many state employees were fired: 1,000 workers of COMIBOL, 4,000 from YPFB, 21,000 miners and 23,500 other employees. Taxes were raised to gain the trust of the IFIs. All imports were taxed and taxes on property, vehicles, cigarettes and alcohol were raised (or created) (Cariaga 1996: 253, 156; 167). The higher educational sector was liberalized through an educational reform, leading to the founding of many private universities; a result of the pressure by the private sector.⁴³ The *Universidad Boliviana* later criticized the educational reform. It was implemented upon advice of the IBRD and pushed through without consideration for Bolivian reality (Lizárraga Zamora 2001: 134, 220). All of these protests and arguments against the neoliberal reforms by the state voiced by different social groups of Bolivian population underline the Cox' prediction that the third world industrial workforce would not see improvement of their situation despite a change of structure and new class consciousness among the elite and that they would remain marginalized in the world economy (see Section 2.1.2).

The Paz Estenssoro administration achieved the end of hyperinflation⁴⁴ and reduced public deficit (Krempin 1990: 16), even though it feared Bolivia was dying, as the president said (Soliz Rada 2002: 2; Peredo Leigue 2002). The many negative effects, the extent of which have not officially been calculated, are not to be ignored. The speculation between the official and the black market by entrepreneurs/companies continued throughout the Paz Estenssoro administration. By creating the *Bolsín* (currency exchange), to control trade prices for money, Paz Estenssoro legalized money laundering and contributed to the stabilization of the newly introduced currency. It is understandable, because Bolivia's economy is dependant upon 60 individuals (or as the case may be, institutions) who own eighty percent of bank deposits in foreign currency. Withdrawal of these monies would have drastic consequences. Pressured from in- and outside, the Paz Estenssoro government created the *Ley de Régimen de la Coca y Sustancias Controladas* (Law 1008), the first law against drug business (Krempin 1990: 26f), much to the displeasure of the *campesinos*.

The reforms in general and the liberalization of trade in particular heavily impacted the Bolivian economy. Especially for the industrial sector, which was highly vulnerable to competition from neighboring Argentina, Brazil and Chile (Krempin 1990: 17). The number of permanent employees in the industrial sector sank from 35,000 to 17,000 during the reforms. The new tariff reform catered to smugglers and is to be blamed for this development. Unemployment in the cities reached 25 percent.

⁴³ By 1988, there were 37 private institutions for higher education, manifesting the populations' distrust in public institutions (Lizárraga Zamora 2001: 138).

⁴⁴ From 8,170 percent in 1985 to 66 percent in 1986 to 10.7 percent in 1987.

Not even the *Fondo Social de Emergencia* (Social Fund for Emergencies, FSE) that accompanied the SAP (Cariaga 1996: 19) made the negative effects disappear. The FSE was to keep the negative effects of the shock-program to a minimum and create 733,000 new employment opportunities a month, indirectly benefiting a total of 1.738,988 Bolivians. About 200,000 people were helped directly through FSE, tying together organizations of civil society and the state. The FSE served as an example for similar programs in 35 other nations implemented with SAPs up to 1996 (Cariaga 1996: 201f). Timely with the FSE, a Social Investment Fund (*Fondo de Inversión Social*, FIS) was implemented, creating coverage for health and education services for the poorest in demand-driven projects (e.g. requested by non-governmental organizations (NGOs)) (Cariaga 1996: 203f; Von Gleich 1998: 37). The slow effect of the shock program is to be found in the lack of approval by the Bolivian people (and the government), according to Cariaga. The economy would not uplift only because of a decree. Similarly the lack of modification in the mine and petrol sector and the slow process of privatization (begun in 1989) as well as the absence of an integrative state reform contributed to the weary modernization and reform of the economy (Cariaga 1996: 214). The Siles Zuazo administration faced a hard task and paved the way toward a liberal and democratic Bolivia (Cariaga 1996: 54; 72). Cariaga firmly believes that the Bolivian economic policies between 1985 and 1989 were successful. Also, they could have been tougher; as hard as the government had originally planned. For example, originally all additional wages and bonuses should have been eliminated (they were) and people were to work Saturdays (Cariaga 1996: 101). SAPs today include wage compensation, whereas the Bolivian case did not. Each case of offering compensations resulted in asking for higher compensations and lead to week-long general strikes (Cariaga 1996: 196).

The package by Paz Estenssoro excluded encouragement of small agrarian institutions, encouraging Bolivians to buy foods such as onions, beans, lenses, eggs and fruit from Chile (Krempin 1990: 18). Overall, the Bolivian population was discouraged from consuming national goods contrary to the intention of the reform. Consumption of national goods sank from 70 percent in 1985 to 50 percent in 1989. The mine sector confronted many problems. The dropping of the international mineral prices affected wages and exports. The government closed seven of 24 state mines. It kept the eight most profitable and turned the remaining nine over to mine worker corporations (Krempin 1990: 18). From 30,172 workers employed in state mines as of 31 August 1985, 23,069 lost their job by 22 May 1987. Another 6,000 were fired from public mines. Krempin estimates another 20,000 people being fired from the public sector, including teachers. This created particularly high unemployment rates among the members of COMIBOL and furthered the goal of debilitating the unions (Krempin 1990: 22). Nonetheless, COMIBOL production increased by 20 percent. These developments explain the thrive of the informal economies throughout the Paz Estenssoro administration as well as the anger toward these reforms within the population and the devaluation of the *Peso* by 15 percent p.a. (Krempin 1990: 19). The poor suffered most during this time, as they were affected worst by the ten percent tax raised on all goods. According to the IMF, Paz Estenssoro's reforms, particularly decree 21.060 began to show results. Tax income increased from .9 percent of GDP in 1985 to 2.7 percent in 1987 (Krempin 1990: 19). The demands by the IMF had to be met, as the grounds for receiving a five year moratorium on paying back loans by the IFIs and rescheduling debt was only possible if their conditions were met. Further, debt was to private banks was to be reduced from 456 million US-dollars

to 222 million US-dollars (Krempin 1990: 22). As Cariaga might agree, the reforms of the Paz Estenssoro administration were labeled as successful, but it is evident, as Krempin puts it, that the five year shock-period was only an opportunity “to catch a breath of fresh air.” Given the sacrifices and consequences of the shock-program in the social sector, one cannot speak of a stable economy (Krempin 1990: 23). If one were to speak of a stable economy in Bolivia after Paz Estenssoro’s reforms, it is important to remember that the stability was owed to the “support” by the cocaine sector, which upheld the reforms through money laundering. If the cocaine sector were to leave Bolivia, the economy would collapse. This will only happen, when cocaine is no longer a fashion drug or after it can be produced synthetically.

The COB resisted state reforms (decrees 21.060 and 21.660) throughout March and July 1987. It criticized the dismissals, lifting of dismissal protection, the new wage policies, the tax reform (Krempin 1990: 44). The ideological split within the COB deepened and resulted in the fall of Juan Lechín, who had led the COB since 1952. Lechín was also a member of the *Partido Revolucionario de la Izquierda Nacional* (Revolutionary Party of the National Left, PRIN) and was voted out of office by thirty votes (Krempin 1990: 37). The loss of power by the COB accelerated, and was drastically made visible during the teacher strike in July and August of 1987. The motivations for protests by the teachers were legitimate, given the poor pay. Nonetheless, the population did not support the strikes, an attitude the government took advantage of (Krempin 1990: 45). The discussion within the COB on the distribution of seats in favor of the *campesinos* continued throughout September, when the *campesinos* walked out on the VIII COB congress. This led to the creation of a second secretary for the *campesino* unions and implementation of more democratic structures and a just society, as manifested during the X COB Congress (Eróstegui T. 1996: 39).⁴⁵

After change of government policy in 1985, the coca growers repeatedly organized against the state and were supported by the COB in its anti-government and anti-US argumentation (Shams 1992: 56). Between 25 April and 7 May 1988, 10,000 workers participated in a hunger strike, only interrupting their protest for the visit of the pope, as the administration had promised to revise its policy, resulting in a 16 percent increase of wages (less than inflation rates and not nearly enough) and the seizing of protests. The coca growers emphasized resistance to state policy through impeding eradication plans of June and July of 1989 by road blockades (see Section 4.4).

Following the Paz Estenssoro administration and the end of one of the first SAPs world wide, Jaime Paz Zamora (MIR) was elected into government. Paz Zamora won third place in the election and was forced into a coalition with Bánzer and the ADN. Goni had won first place with 23 percent, while the ADN had reached 22,7 percent and the MIR 19,7 percent (Mesa, Gisbert and Mesa: 753). This was a strange combination, given that Paz Zamora was persecuted during Bánzer’s dictatorship. The scars on his face hail from a helicopter crash instigated by Bánzer. The ADN received half of the cabinets posts: the ministries for foreign relations, defense and finance (Krempin 1990: 29). Paz Zamora continued along the lines of Paz Estenssoro and signed the *Acuerdo Patriótico* (Patriotic Agreement) with the IMF which was to decrease Bolivian debt by 20 percent. It should also continue

⁴⁵ According to the COB, the end of societies development has not been reached. Society should develop from a liberal democracy to socialism: a democratic socialism, not a dictatorship by the proletariat. Democratic socialism is specified as “a doctrine against every form of oppression: economic, political, social, cultural, ethnic, based on sex and in any other thinkable way, with the perspective to a society coined with brotherhood” (COB 1995 X Congreso Nacional. Documentos y resoluciones. La Paz in Eróstegui T. 1996: 39).

the liberalization of the economy, beginning with privatization (Cariaga 1996: 145, 154). Paz Zamora restructured bilateral debt (289 million US-dollars) to Argentina and Brazil (Cariaga 1996: 183).

Throughout the Paz Zamora administration, petrol and other state product prices increased. Small duty walls were implemented, but exports did not develop as desired. The only exception was soy (on which high tariffs were placed) that survived against Brazilian soy (Peterson 1996: 59). The government promised further privatizations so that it could receive more credits by the IFIs and did so by decree 22.407, which also created the FIS (budgeted with 20 million US-dollars). Paz Zamora was the first president who officially recognized the relevance of drug-trafficking to the Bolivian economy. He spoke of 100 percent more illegal imports than prior governments. About 1.2 billion US-dollars worth of imports circulated in the Bolivian economy, while official imports reached a mere 600 million US-dollars (Krempin 1990: 30f).

Opposition to neoliberal reforms continued throughout September 1989, when the COB held a hunger strike and the government declared the state of emergency in November, when teachers also demanded higher wages. These strikes led to several arrests and 146 unionists were deported to the tropics (Krempin 1990: 49). The Permanent Human Rights Assembly in Bolivia supported the teachers' endeavor and stated it was unacceptable that social problems remained unsolved and hungry bellies were filled with violence (Krempin 1990: 31). While neoliberal reforms continued to be implemented, the discussion on the re-distribution of power among the mine workers (6,000), street merchants (80,000) and *campesinos* (550,000) within the COB continued (Krempin 1990: 48). *Campesinos* pointed out the relevance of coca growers to the union by voting a coca grower vice president of their Congress. However, the COB did not create viable alternatives to coca growing (Krempin 1990: 49). The COB also failed to overcome its crisis by being unable to redefine its role toward the parties and finding more common ground than just their critique of neoliberalism and anti-imperialist argumentation. The COB crisis was just what the government and neoliberal hegemony had envisioned: reducing the unions power (Krempin 1990: 54).

The Paz Zamora government were billed during the December 1989 communal election when CONDEPA (*Conciencia de Patria*, Patriotic Conscience)⁴⁶ and UCS (*Unión Cívica Solidaridad*, Civic Solidarity Union)⁴⁷ received many votes, displeasing the government and leftist parties (see Section

⁴⁶ CONDEPA is populist and unpredictable. Palenque, a journalist and owner of TV and radio stations (RTP) was particularly known in the *Altiplano* before his passing in 1997. His voters were primarily workers from the informal sector. When the author lived in Bolivia during the early nineties, Palenque appeared live on TV-Show, that lasted several hours, called *Tribuna libre del Pueblo* (Free Tribune of the Peoples) every afternoon on his TV station. Dozens of citizens would pilger to the show and tell Palenque their sorrows (and some times joys). The politician would sympathetically sneer, a mental picture which still makes the author shiver. *El Compadre*, as Palenque was also called, would promise the shows attendants to find solutions to their problems, hold pictures of missing relatives into the camera, listen to greetings or pleas and never miss to emphasize the vastness of his empathy. Politically, Palenque disfavored the economic and political reforms of the PGDES and propagated an endogen model of state intervention; an German evaluation of politics cited Palenque as an unpromising participant for the presidential race (Hofmeister 1997: 34). Monica Medina de Palenque, Carlos' wife, is also a member of CONDEPA and involved in politics. She was mayor of La Paz and was voted among the most promising politicians by Time Magazine in 1994. The Palenque marriage ended during the election campaign of 1997 and also split the party. Palenque died of a heart-attack (rumors say in bed of his mistress) in March of 1997. His death provoked a massive procession through the city of La Paz. People then did not want to leave his coffin, fearing to miss his resurrection. CONDEPA received 17 percent of votes in the 1997 election (after Carlos had died), and entered coalition with Bánzer, which lasted for a year. Monica Medina and Carlos' second wife Remedios Loza as well as his daughter Violeta fought over Palenques material and political inheritance publically and entertaining the Bolivian population with their soap opera which revealed many uncomfortable truths about all feud participants. The public accused Medina of murdering her husband, after it was revealed, that she also had affairs during her marriage with Palenque, sparking anger among the population as that Medina did not leave her house for several months (Goedeking 2001).

⁴⁷ UCS was founded by entrepreneur Max Fernández and was led by him until his sudden death in an accident in 1995. His economic success contrasted with his political unpredictability which consisted of economic, social and populist remarks and 'massive election gifts' rendering him 14 percent of votes in the 1993 election. UCS is a permanent member of congress. Fernández son was elected new party leader after his father's death.

4.1) (Krempin 1990: 32). This was also a bill to the COB, whose former supporters re-directed their hopes to the populist parties CONDEPA and UCS rather than leftist parties (Krempin 1990: 46; 52). The Paz Zamora administrations term ended in 1993 and power was handed to president-elect Gonzalo Sánchez de Lozada (MNR).

3.3 Neoliberalism at its height: the *Plan de Todos*

The structural reforms of the 1980s and those of the first term of president Sánchez de Lozada (1993 to 1997) were a bona fide example of SAP-implementation. The reform included 22 new laws⁴⁸ implemented, from 1994 to 1997, with help from the IBRD (Kohl and Farthing 2006: 65f). The most important reforms are introduced here: the privatization of state companies and the Law of Popular Participation (LPP). The so-called *Plan de Todos* brought Bolivia uninhibited access to the sea (due to MERCOSUR and other free trade agreements) and continued the uninterrupted economic growth since 1987. Most importantly, this was neoliberalist policy at its height and its most thorough form. All measures propagated by the Washington Consensus (see Section 2.1), securing property rights, cutting social spending, liberalizing trade and creating a more competitive economy, were implemented during the Goni administration. Thus, the first legislative period of the Goni administration is also referred to as the “second generation of reforms,” those following the first, the shock-therapy by Paz Estenssoro (Petersen 1996: 52). Above all, the *Plan de Todos* decentralized on a political and economic level and was the third attempt to pass this reform through congress. The concept (reform of government spending and structure; decentralizing education and health) passed in October 1994, after failing both in 1988 and 1990 (Mercado 1996: 43; Von Gleich 1998: 38f). It only passed congress then, because in 1992, all parties had signed an agreement which stated that a constitutional change should involve decentralization. In early 1993, the senate passed a law that allowed the implementation of departmental governments.⁴⁹ Despite the international acclaim for the structural reform, which was based on the highly acclaimed Millennium Development Goals (MDG), implemented during Goni’s first term, growth and prosperity did not reach the majority of the population.⁵⁰ Lack of competitiveness did not lift the structural problems the reform of the second generation were to overcome.

The MNR first voiced neoliberal ideas throughout the eighties, after having turned all institutions over to the state and campaigning against foreign capital in the country during the 1952 Revolution. It developed the ideology to perfection in the *Plan General de Desarrollo Económico y Social de la República. El Cambio para Todos (Plan the Todos, General Plan for Economic and Social Development of the Republic, The Change for All, PGDES)*. The PGDES sought to soothe skeptics of the democratic process, the increasing social problems, show orientation toward market regulation as well as defining a new role for the state (privatizing state-owned companies) (Hofmeister 1996: 32; Birle 1996: 9, 15). The Goni government aimed at turning the land-locked nation into a central mark of the continent by creating a large export corridor toward the sea (via free trade agreements with Argentina, Bra-

⁴⁸ For a list and detailed descriptions of these laws, please see Kohl 2006: 64-74.

⁴⁹ For a list of institutions set up by the PGDES please see Von Gleich (1997: table 12).

⁵⁰ Capital accumulated in urban areas which held 72.2 percent of GDP in 1998 (see Section 4.2). This explains why migration to urban areas is popular. Total population growth is 2.35 percent p.a., whereas population growth in urban areas (particularly the three cities mentioned above) is four percent (F.A.Z. et al. 1999: 190, 195).

zil, Chile, Paraguay, Peru and MERCOSUR⁵¹) and by privatizing state firms to bring the world to Bolivia. Another plan envisioned the export of gas to Brazil via a pipeline and prepare export efforts to Chile and Paraguay (Petersen 1996: 60). In joining MERCOSUR, Bolivia and all members lowered their tariffs, as that by 2005 95 percent of traded products would be tariff-free. The Bolivian industry eyed this measure with skepticism. Bolivia's joining of MERCOSUR was a "diplomatic masterpiece" by Goni, because the country stayed a member of the Andean Union (Ecuador, Colombia, Peru and Venezuela).

The *Plan de Todos* (also referred to as "the revolution from above") was a structural reform of the state and an orientation for sectoral and decentral development. It sought to decentralize power and overcome Bolivia's dependence on the export of its natural resources. It geared at making Bolivia more competitive on an international level, reducing social inequality by ending all (cultural, ethnic, racial and sexist) discrimination, strengthening the democratic process by encouraging participation and, of course, protecting the environment (Petersen 1996: 53). Goni's neoliberal pioneership was no surprise, given that he was the neoliberal head during the Paz Estenssoro administration, in which he held the post of the Minister for Planning. To legitimize himself in front of the indigenous voters and emphasize how much these were to benefit from his plans, indigenous activist and pedagogue Víctor Hugo Cárdenas from the *Movimiento Revolucionario Tupac Katari de Liberación* (Revolutionary Movement Tupac Katari for Liberation, MRKTL), was named vice-presidential candidate. In turn the demand for multicultural and bilingual education and the recognition of indigenous communities as well as an assurance for their participation in state affairs included in the program (Hofmeister 1996: 32; Ströbele-Gregor 1996: 66). Cárdenas was the first indigenous vice-president of Bolivia (Grootaert and Narayan 2001: 12). It is said that the MNR, because of its paternalism, did not govern with the MRKTL, which only received two percent of votes, but as if they had won the election on their own (Birle 1996: 17).

After taking office, Goni implemented two development ministries (one for sustainable development and the environment, the other for human development), precisely as the newest ideas in the development discourse, namely sustainable development, demanded and was suggested by the MDGs (Birle 1996: 9). Goni created the *Consejo Departamental del Medio Ambiente* (Departmental Council for the Environment) in every department after 27 April 1992 (Mansilla 2000: 34, 37). The PGDES was welcomed by the international community as it reformed all political and social areas. The German weekly *Der Spiegel* called Bolivia "Reforms' Dreamland" – and it was. Like any official of the IBRD or IMF would describe a successful reform of politics and economy, the PGDES furthered neoliberal hegemony, internalizing modes of behavior in sync with the Washington Consensus (and hegemony as understood by critical theory developed by Robert Cox).

The Constitution was altered in 1994: Bolivia referred to itself as "multiethnic and pluricultural"; the executive powers governing period was extended from four to five years and the re-election of a person into the same office was only permitted after a pause of one term (Birle 1996: 15). Additionally, the executive branch was re-structured: the 23 Ministries shrunk to nine. Three of these became "super-ministries", housing three resorts each, so that they could cater to the administrations

⁵¹ Members are Argentina, Brazil, Paraguay and Uruguay. Beginning 1997 all members were to lower their tariffs, including Bolivia, in its function as an auditor.

priorities of economic, human and sustainable development. The agricultural department was dissolved and disseminated to other departments. This measure was criticized particularly by development aid organizations, who were confronted with coordination-difficulties of their activities and finding someone responsible for their inquiries. The PGDES prioritized economic activation and securing of sustainable development within the country through the creation of the *Estrategia para la Transformación Productiva del Agro* (Strategy for the Productive Transformation of the Agrarian Sector, ETPA) (Petersen 1996: 57). The program included technical advances such as investment in science and education by intensifying educational and health investments in rural areas through the *Programa de Saneamiento Básico Rural* (Program for Rural Basic Sanitation, PROSABAR), the *Proyecto Integral de Desarrollo Infantil* (Integrative Project for Childhood Development, PIDI). The ETPA also encouraged national cultivation of natural resources and prioritized street and water building through the *Programa Nacional de Riego* (National Irrigation Program, PRONAR). The coordination between those responsible for creating an integrated agricultural policy faced many difficulties, as the agricultural department no longer existed (Petersen 1996: 58). Two new laws in the agricultural sector were implemented in July 1996: the *Ley Forestal* (Forest Law) and the Law of the INRA (*Instituto Nacional de Reforma Agraria*, National Institute for the Agricultural Reform). Both implemented a new and overdue re-organization of the land distribution of 1953, favoring the indigenous population through the *Proyecto Nacional de Administración de Tierras* (National Project for the Administration of Land, PNAT). All of these new laws and institutions were not received well by the population, resulting in many peasant marches and culminating in a two-week long protest in October 1996 in La Paz. Large agricultural interest groups used the reforms for their benefit as it included a property tax reduction (to 1.5 percent) (Petersen 1996: 59).

The political parties promise of 1993 to decentralize, was reversed in 1994 by the constitutional reform. Now, the departmental executive branches were strengthened through creation of presidents for each department and a corresponding administrative organ (*Consejo Departamental*) and municipal councils (*Gobiernos Municipales*) and mayors. All served on a five year basis. Bolivia's character as a Unitarian republic did not change through the PGDES. However, for many regions the government was present for the first time, enabled by the Law for Popular Participation of 1994, the second most important aspect of the Goni-era apart from the capitalization of state firms (Mercado 1996: 44).

3.3.1 The Law for Popular Participation

In April 1994, the government established the presence of the state in all political, economic and administrative matters in all regions of Bolivia by passing of the Law for Popular Participation (*Ley de Participación Popular*, LPP). The LPP, which became effective in January of 1996, intended to form a strong bond between community administrations and the national government (Mercado 1996: 45). The LPP took responsibility and funds away from the national government in the areas of education, health, culture, sports, water management and street construction⁵² and gave it to the communities. This change had obvious effects on rural regions as some had governmental presence until then (Birle 1996: 17). Popular participation was encouraged by altering the distribution of the state budget and

⁵² Communities are responsible for the administration and maintenance of their infrastructure (schools, clinics, sport fields, streets) and their employees.

creating communal governments through the *Organizaciones Territoriales de Base* (Territorial Organizations of the Basis, OTB) such as the *comunidades campesinas* (campesino communities), *pueblos indigenas* (indigenous people), *juntas vecinales* (gathering of neighbors) (see Kohl and Farthing 2006: 98 – 101). These groups were to control the planning and spending process within their communities and assure the participation of former “blank spots.” The *Comités de Vigilancia* (monitoring committees) should end the marginalization of indigenous and ethnic groups through their right to veto or revise the decisions made by the municipal administration. Thus, government money could be spent more effectively according to people’s wishes and needs. By 1996 192 of 311 communities had founded *Comités de Vigilancia*. Altering societal control within Bolivian society also included handing rural development to the communities. They were now responsible for securing foods and encouraging gender equality. Within the first two years after the law was passed, 311 governments for communities were established (of which 30 percent consisted of 5,000 people or less (Grootaert and Narayan 2001: 11)); prior there had been only three dozen (Mercado 1996: 45). The LPP encouraged indigenous organizations and coca growers to enter government on the municipal level (Assies 2004: 33).

To finance their projects the communities received a budget half made up of national taxes, based on a per-person system according to the results of the 1992 census (in favor of ethnic, indigenous and rural inclusion) and another half all departments received in equal amounts (profit from the taxes paid by the oil and mine industry (which make up 25 percent of total Bolivian GDP)) as well as dues (*regalías*) from other natural resources from the individual department’s territory (Mercado 1996: 44f). Formerly, the national government was funded by 40 percent of taxes and 50 percent of income from the oil industry. The important change was that all communities, regardless of their rural or urban location, received a part of the 25 percent of total national income from oil, which was specifically allotted to this purpose through the LPP. The law was implemented in three stages⁵³ and increased the total budget attributed to local governments from 76.5 million US-dollars in 1990 to 155.5 million US-dollars in 1996. The re-distribution of monies gave rural areas, which prior had no funds a possibility to finally invest in the establishing of local government structures (Mercado 1996: 48; Kohl and Farthing 2006: 97).

To assure popular participation, the government created the National Secretary for Popular Participation, who became part of the national administration. The distribution of resources between capitals and rural areas changed: in 1995 cities held 39 percent of all monies, the remaining 61 percent went to rural areas. Unfortunately these numbers cited by Mercado (1997) are not compared to figures from former years. It is mere speculation that they manifest the improvement of peoples livelihood. Grootaert and Narayan reveal that

before the reform the three main cities received 84% of all devolved funds while the majority of rural communities received nothing. After the reform the share of the three cities fell to 29% and provincial and rural area budgets increased from 42% to over 3000%. (2001: 11)

It is a fact, that investment activities in quality and quantity increased through the LPP: during the second half of 1994 3,700 investment projects were registered, in 1995 it was 10,000 new projects. Unfortunately, it is not clear whether all of the year or just the first half is included in this figure. However, the distribution of funds was as follows: 48.6 percent on housing and city construction, 16.9

⁵³ 1. Establish new roles, structure and organisation of the new executives; 2. re-define the role and activities of the central state government; 3. strengthen the relationship between civil society and public administration (Mercado 1996: 47). Implementation is different for every department, depending on its strengths and weaknesses.

percent on basic preventive health needs, 16.8 percent designated to education and culture, 5.3 percent for transport and 3.3 to health and security. A government estimate claims 52,000 new employment opportunities, particularly in the field of construction and urban infrastructure, were created by the LPP, about 24,000 p.a. (in 1994 and 1995). Most of these jobs were located in urban areas (Mercado 1996: 48).⁵⁴ At the same time the LPP was implemented, Goni sold state firms to retrieve the state from the economy.

3.3.2 Capitalization of State Companies

While the LPP created jobs in the urban construction sector, other workers lost employment through the privatization of state firms. Goni announced to keep inflation rates steady at ten percent p.a. and declared institutional independence of the Bolivian Central Bank: He created a finance regulation system (*Sistema de Regulacion Financiera*- SIREFI).⁵⁵ The capitalization of state companies combined IFI and Goni-wishes, intertwining privatization, state-withdrawal from the economy and a pension reform (Manz 1996: 77)

Throughout the legislative period 1993 to 1997, the MNR had to distance itself from the promise they made during their election campaign: to create six percent growth and 500,000 new jobs p.a. by 1997. Growth remained at four percent p.a., new jobs were scarce. This led to animosities within the population, as the re-structuring of the state apparatus (shrinking the number of ministries from 23 to 9) already entailed massive dismissals (Mercado 1996: 54). The unemployment rates increased further after 24 of 72 state companies were sold by 1995⁵⁶ -- a small amount considering Bolivia's neoliberal era began in 1985. Selling state property was not popular within the MNR, as they banned foreign capital from the nation during the 1952 Revolution and dispossessed the tin barons half a century ago (Faguet 2005: 5). The process of selling state firms was already initiated during the Paz Zamora government after 1989 through pressure of the IMF and the IBRD. Privatization had to be made legal again, which it was by votes from the MNR and ADN (Soliz Rada 2002: 5; Kohl and Farthing 2006: 81). During the Paz Zamora administration, the MNR had criticized the MIR for privatizing state property (even though it only affected small firms). It was not the privatization per sé the MNR questioned, but the way it was being done (Petersen 1994: 55). This earned the MNR heavy discussions within its own lines, leading to a halt of capitalization activities until 1995, when the inner-party issues were overcome. In 1995 Goni declared the six largest state companies with monopolistic standing⁵⁷ in Bolivia ready for sale (Petersen 1996: 55). This decision was hastily made, as Goni's term was coming to an end (Manz 1996: 78). Legally, the capitalization of state firms and the withdrawal of the state from the economy (ending its existence as an entrepreneur) was implemented through a national planning system, a national system for public investment (*Subsistema de Información sobre Planificación*, SNIP) and the system for operational planning (*Sistema de Programación de Operaciones*, SPO). These were implemented in June and July 1996; a national plan should coordinate these systems, which was estimated to be a difficult endeavor by foreign development aid officials, because many ministries and officials competed with one another and stood in the way of integration.

⁵⁴ Kohl and Farthing cite the creation of 30,000 new jobs by decentralization measures: „twice the number eliminated within the national government's administration (2006: 101).

⁵⁵ For a detailed description of this decree please see Meagher (2002).

⁵⁶ This number excludes the army.

⁵⁷ *Lloyd Aereo Boliviano* (LAB, Bolivian Airline); *Empresa Nacional de Telecomunicaciones de Bolivia*, (National Telecommunications Enterprise ENTEL), ENDE; YFPB and *Empresa Metalurgica VINTO* (National Smelting Company, VINTO-EMV) (Soliz Rada 2002: 15; Kohl 2006: 82).

This was an obstacle to progress, but was interpreted as a sign that popular participation was beginning to fruit (Petersen 1996: 57).

Capitalization was expected to earn two billion US-dollars. However the 24 state companies which were sold by 1994 (up to the year and a half hiatus initiated by the MNR) only earned 20 million US-dollars and it was estimated the remaining 48 would bring another 130 million US-dollars, of which 50 million were expected from ENDE (*Empresa Nacional de Electricidad*, National Electricity Enterprise). By October 1996 four of the largest state companies had been sold⁵⁸ and the government was determined to sell YPFB (and capitalize the oil and gas reserves of the nation (Soliz Rada 2002: 21)) and VINTO-EMV by the end of 1996. Particularly selling YPFB was a challenge, as it was untouchable terrain to the unions, but it happened. In 1996, the YPFB was privatized and a new Hydrocarbons law (1698) was passed. The new law “introduced a system of joint risk contracts with residual YPFB and of concessions to be regulated by a newly created Superintendence for Hydrocarbons” and included a tax reduction to support exploration, exploitation and commercialization of the gas reserves for private operators. The law also increased consumer prices (Assies 2004: 28). The revenue from selling state firms was to enter a pension fund for the Bolivian population. Selling itself was a complicated process: investors were to create a company with the same value the enterprise they intended to buy. The state and investor companies then merged and were privatized. The private investor received 50 percent of auctions as well as all management rights; the remaining half of auctions were ‘given’ to all adult Bolivians⁵⁹ in form of pensions (Manz 1996: 83). The law lists the Bolivian population as ‘benefactors’ of the shares but not as owners.⁶⁰ The official owner of these actions is the Collective Capitalization Fund which is not a legal person (Soliz Rada 2002: 19f). The pension system, *Bono de Solidaridad* (Solidarity Bonus, BonoSol) was established on the basis of selling the six monopolistic companies and all Bolivians who were legally adults by 31 December 1995 were qualified for it. Only 30 percent of funds went to the elderly (Soliz Rada 2002: 19).

The reform of the pension system was criticized within Bolivia, particularly after the government lost much revenue through capitalization (Kohl and Farthing 2006: 83). All Bolivians over the age of 65 qualified for pension; the previous system covered only 11 percent of the working population. The age barrier for the new pension system was questioned and labeled discriminatory against the poor, whose life expectancy is lower (beneath 65 years of age) than of the wealthy (Manz 1996: 77; Von Gleich 1998: 59f). Contribution dues (which are ten percent of wages on all income) and length were increased by the reform and created problems for those who had previously paid into the pension fund. They had only contributed 15 as opposed to 25 years and only paid 180 dues instead of the now required 300. 300 payments were criticized as unrealistic, as secure employment is scarce. To compensate the deficits created by the pension reform, the Bolivian government took out loans of five million US-dollars. The COB and the MBL opposed Goni’s pension fund reform, but votes from MRKTL, MNR and UCS enabled the privatization plans (Manz 1996: 77, 82). Perhaps the PGDES had geared at ending elite-influence on the executive branch (a long-time goal of the MNR). Rather, the decision-making abilities of the executive withered (Birle 1996: 17).

⁵⁸ The train company went to Chile, which was registered with horror in the Bolivian population.

⁵⁹ Those being 18 years of age or over by 31 December 1995 – Soliz Rada cites adults as being 21 years of age (2002: 19).

⁶⁰ Soliz Rada cites 50 percent of capital shares belonging to the foreign investor, 9 percent to the state workers of the sold company and only 41 percent of shares belonging to all Bolivian adults (2002: 17).

3.3.3 The other side of the reforms: perception of the *Plan de Todos* in the Bolivian population

Goni's governmental policies altered the dependence of societal, economic, ecologic and political circumstances on the creation and consolidation of economic sustainability. The government linked specific reform goals (privatizing state companies, modernizing rural areas) to non-economic goals (Petersen 1996: 53). The negative effects of the reforms were many. As Mercado puts it: "The dramatic effects of the savings and structural adjustment politics could only be compensated partially through this reform" (1996: 48). The reform changed Bolivia's "judicial system to a neoliberal appendix" (Soliz Rada 2002: 6). For one, the creation of the "super-ministries" and the loss of responsible agencies led to rivalries and competition between officials. Transferring responsibility from the central administration to the departments in compliance with the LPP proved tedious and difficult. Middle-sized communities became highly dependant upon co-participation funds (profit of national tax on natural resources) for their budgets, as they earned no tax profit (Birle 1996; Mercado 1996: 49). Despite the existence of monitoring committees (*Comités de Vigilancia*), many regions prioritized spending on "decoration" such as the construction of houses and parks, neglecting those aspects the reform was to improve: education, the economy and particularly health (Mercado 1996: 49).⁶¹ The national administration reacted by passing a decree demanding social spending receive higher priority. The question remains whether this was enough motivation to actually do so. Unfortunately, the three governmental levels (national, departmental and communal) remained uncoordinated, particularly in the matter of overall orientation for investment (Mercado 1996: 50; Zoomers 1999: 4). The government brought forth strategic development plans to include specific visions for human, sustainable and economic development on all governmental levels. Popular participation and decentralization were to be one common strategy within one institutional frame work within which leading, coordinating and controlling responsibilities were coherent and specific. The structural reform of the state designated 20 percent of the state household to the communities. Half of the money was used wisely. Household deficit expanded to 4 percent of GDP after sinking steadily throughout the prior years. The increase is due to the new pension system and the natural catastrophes, whose consequences needed attention (F.A.Z. et al 1999: 187). Furthermore, the selling of state firms did not earn revenues from increased production or compensated losses, contrary to expectations. Rather companies invested profit outside Bolivia and the agricultural sector grew exponentially while others didn't (Kohl and Farthing 2006: 86, 90, 92).

The *Ley de Reforma Educativa* (Law for Educational Reform, LRE) implemented through the *PGDES* promised to achieve equal education for men and women by 2010 (Ströbele-Gregor 1996: 66). Well intentioned, the LRE took away decision-making power from the teachers union – without asking. This decision is to be seen from both sides. For one, less power for the all-mighty teachers union was necessary. The teachers protested for higher wages on a yearly basis. Pupils suffered from the bad education not only because of the unfortunate conditions schools were in, but also because of the absence of the instructors who were out on the streets demanding higher wages. Teachers went on general strike in February 1995 to voice their opposition against the LRE and met violent clashes

⁶¹ Faguet cites 79 percent of municipal investment to have gone into education, urban development and water sanitation (2005: 9). His study finds: „that central government, with a much larger budget and free reign over all of Bolivia's municipalities, chose a very unequal distribution of investment across space, while decentralized government distributes public investment much more evenly throughout the country“ (2005: 11).

with the police. The teachers not only criticized their loss of influence due to the LRE but also that it was not in interest of the country, but rather in interest of the IFIs and neoliberalism. The teachers union claimed the LRE did not strengthen education in rural areas, even though most Bolivians live there. Ströbele-Gregor contradicts this point: work-structures have made migration in between cities and rural areas a reality for most (1996: 71). Obviously, migration is need-based (work, education and other services) and not voluntary. Thus critique by the teachers union was legitimate. In her assessment of the LRE and the LPP, Ströbele-Gregor claims the indigenous and rural population profited from these measures. More women and indigenous are included in education, even though the system barely reaches the goals of qualification and integration.

All unions suffered a loss of power throughout the implementation of the PGDES.⁶² As in the 1980s, the COB continued to lose power. It was no longer the second most important actor in politics, having been unable to develop its own hegemonic project. It lost many members due to the reforms as previously, membership was obligatory for workers whose guild was presented within the COB.⁶³ Both the *campesino* branch of the COB (CSUTCB) and the union for informal workers were granted little power within the COB during the 1990s.⁶⁴ This is surprising as the agrarian and mining sector remain important to Bolivia's economy. Despite modernization measures these sectors still made up a combined 23 percent of GDP in 1998 (F.A.Z. et al. 1999: 185). COB's policy is thus not in congruence with Bolivian reality (Krempin 1990: 35). One of the political streams within the COB was anti-imperialist, the FSTMB pressured their goals within the COB.

Another factor weakening the COB came directly from neoliberal reforms of the market and employment policies. An increasing amount of workers were only employed temporarily in three month contracts (called *Eventuales* (Incidentals)). These workers are not organized in unions, explaining a part of the decline in COB member numbers. In solidarity with the teachers union, the CSUTCB founded the *Organización de Pueblos Originarios* (Organization of Indigenous People). Together they developed a concept of bilingual and bicultural education which included respect and strengthening of culture within curricula, cooperation between community and school and the use of the native tongue and criticized the exclusion of the indigenous culture in the classroom (Ströbele-Gregor 1996: 70). The CSUTCB, the *Federación de Productores de Coca* (Coca Producers Federation) and the *Organización de Pueblos Originarios* opposed all neoliberal reforms, particularly because of the increased government control over the unions (implementing monitoring exams, productivity control systems, making membership optional and altering the wage system). As a result:

Neoliberalism has had the effect of more flexible contract regulations and shown that only a small willingness exists to negotiate solutions. (Eróstegui 1996: 41)

The COB as a whole opposed the education reform for political reasons. It agreed with the teachers union that the educational reform (as all reforms per sé) serviced the demands of the IFIs and claimed these decisions were not made by the government itself but the IFIs.

⁶² For a detailed history of the COB and the continuous decline of their power until 1990, please see Krempin 1990.

⁶³ Every worker who signed a contract with a company that has a union is automatically a member. For the workers took the existence of the unions for granted and assumed it would defend their interests. This is why *campesinos* toil in the agrarian sector and not anywhere else and don't have an own union.

⁶⁴ The CSUTCB was integrated into the COB in 1979 and holds 13 percent of delegate seats in the COB conference (Krempin 1990: 33).

The schism within the COB deepened through confrontation with the economic and political reforms by the Goni administration. The first stream was revolutionary and believed the COB's largest problem was neoliberalism and that it should be replaced with a new system. The second, democratic, stream, argued that the world had changed, that part of this change was neoliberalism and that new (not-class based) actors (such as the indigenous, women, the informal sector and the youth) had gained influence and that the COB should attend to their demands. The COB would overcome crisis once the unions had modernized. New democratic structures were to be implemented through dialogue with the workers:

The union sits between chairs, all of which make life difficult. Both neoliberalism – which is viewed as more threatening than the revolutionary train of thought – and the conservative flow within the workers movement account for this. (Eróstegui T. 1996: 41)

After a month of protesting, the COB and the government reached an agreement in April of 1995. Yet teachers continued protesting the educational reform (Ströbele-Gregor 1996: 69). On 18 April 1995 COB leaders were arrested and the state of emergency was declared. Opposition to the PGDES continued. In July and August 1996, the COB published a declaration which spoke of a historic duty calling to inhibit neoliberal change:

We, the workers and peasants, who defend the historical traditions of the COB and belong to the revolutionary and multinational union movement, condemn neoliberalism and its policies of privatizing and transnationalising the state economy (...) We fight for multinational socialism, for a society without oppressed and oppressors, without exploiters and exploited. (Eróstegui T. 1996: 39)

This document (or any others passed by the COB)⁶⁵ are not interpreted as a plea by the entire Bolivian population, according to Eróstegui. The declaration excludes aspects such as gender equality and an independent declaration by the indigenous people which is not linked to the struggle of the proletariat. Lizárraga Zamora, who analyzed the need for an educational reform in the upper education sector in Bolivia, claims that the educational reform was received with great enthusiasm by the lower classes as all other reforms (2001: 120). This should be questioned. The document by the COB does not mention globalization of the world economy as a negative or positive factor for workers and *campesinos*. Eróstegui interprets: “[I]t can be noted, that the (...) COB contributed next to nothing to the national political debate” (1996: 40). Seemingly Paz Estenssoro's goal of debilitating the unions, which he labeled “an obstacle to economic development”, as hegemonic neoliberal discourse would agree, was achieved by the reforms of the 1980s and 1990s (Kohl and Farthing 2006: 57).

Political parties in Bolivia are uninvolved in the contribution toward a solution of the country's economic and political problems (Hofmeister 1996). A survey conducted in the mid-1990s cites most Bolivians agreeing to this statement and even blaming politicians for the backwardness of Bolivian society (*Boletín Opinión Pública* 6 August 1996 in Hofmeister 1996: 31). These opinions stand contrary to the trust demonstrated to populist parties CONDEPA and the UCS (who adapted ideas of the indigenous) and the fact that indigenous or Marxist parties had virtually no influence on politics (Hofmeister 1996: 32). The so-called *Katarismo* was a prominent and radical movement in the unions in the 1970s and did not survive on a party-level. An *Aymará* and *campesino* movement, Tupaj Katari is named after rebel brothers Tupaj Amaru and Tupaj Katari who confronted the Spanish crown between 1780 and 1782 and represented a xenophobic ideology (*Grupo de Estudios Históricos* 2002: 1049).

⁶⁵ *Declaración Política* (Political Declaration); *Plataforma Estratégica* (Strategic Platform); *Objetivos Estratégicos* (Strategic Objective); *Objetivos Tácticos* (Tactic Objectives).

The brothers sought to end the exploitation of *Aymará* through political and economic institutions. The Tupaj Katari movement turned the brother's last words prior to his beheading to reality: "I will die, but will return as thousands upon thousands" (Hurtado 1986).⁶⁶ The importance of ideas propagated by the Katarista movement diminished, yet their popularity spread across the country in the eastern lowlands and *Quechua* and *Aymará* speaking highlands (Kohl and Farthing 2006: 58). Numerous attempts to found an indigenous party failed, because most indigenous leaders lacked a social basis.

Perhaps the forms of political representation within a party and within the party system is not the only difficulty to stipulate with the traditions in participation and balancing of interests of the indigenous communities. (Hofmeister 1996: 31)

The moderate ideas of Víctor Hugo Cárdenas (vice president to Goni) were more popular (even though the party only received two percent during the election) than those of other indigenous leaders, as they wanted an intercultural democracy (*Grupo de Estudios Históricos* 2002: 1136f). Indigenous parties often refer to Tupaj Katari in their names.

The 1996 reform of the legislative system (to make it similar to the German electoral system) were supposed to create higher efficacy and soothe the stark control by party leaders over parliament. Congress (consisting of the House of Representatives and the Senate) vote for the president between the candidates ranked first and second in the national election. Should two rounds in Congress not bring a candidate an absolute majority, the candidate with most votes is president (Birle 1996). The three percent threshold parties had to now pass in order to enter congress might benefit smaller (particularly indigenous) parties to mobilize and raise consciousness for their issues, perhaps even create a greater feeling of responsibility among them (Hofmeister 1997: 35). Prior to the reform, the legislative branch (consisting of 130 representatives and 27 senators (3 per department) was inefficient and disorganized. The power to control the executive branch or law creation was rarely used (F.A.Z. et al 1999: 184). Capacities of government members remain limited. Parliamentarians of smaller parties often do not own an office, the law-making-process is unfamiliar to most. Development aid organizations held workshops on the matter of law-making and other formalities. These deficits are well known to the parliamentarians, who introduced measures such as time limits on speeches or reduced the number of working groups to improve the situation. The PGDES attempted to reduce corruption in the justice system, which has a bad reputation in the population, because it discriminated against the poor: they can't afford bribes, lawyers or court costs. Standards to elect judges (such as a two-third majority and specification of skills) were also implemented by the PGDES (Birle 1996: 17-19). These reforms might have changed Bolivian political structure: between 1950 and 1979 Bolivia had no parliament, as the opposition had no influence (Mansilla 1987: 101).

Structural problems have remained unsolved despite the PGDES. Development aid projects are still uncoordinated, overlapping and demonstrate contradictory behavior (Birle 1996: 24). Another issue, which the PGDES did not help and which was mentioned in several texts read for this thesis is the unconditional loyalty of local (high level) officials to donors and the resulting depreciation of their Bolivian employers (Birle 1996: 23). The population blames the government (e.g. that of Paz Zamora) for listening more to economic and particular power interests than those of the population (Hofmeister 1996: 31). The capitalization process was been criticized for creating costs which can not be recompensed: 188.9 million US-dollars of loans were taken from the IBRD, IMF and CAF in order to conduct research and advertising for the process (CEDLA 2005: 42). Making Bolivia the center of Latin Amer-

⁶⁶ For a detailed account of this movements history, goals and important personalities, please see Hurtado 1986.

ica and using its landlocked position as an advantage was one of Goni's primary goals (Birle 1996: 21). An investor guide to MERCOSUR attributes growth to private projects. These were needed to finish the 3,150 km long pipeline from Santa Cruz to São Paulo in Brazil that was inaugurated in February 1999. Further construction on the pipeline was to occur throughout the year 2000 and is known as a bona fide investment project, guided by Bánzer (in his second presidential term). Bánzer continued Sánchez de Lozadas political and economic course. However, Bolivia, who is a member of nine free trade zones, remains dependant upon imports. Its export quota reached roughly 20 percent in 1998 in contrast to a 29 percent import rate attributed to the changes in consumption patterns of the population. The public sector is less profitable for workers, as it seems. The private economy pays wages four times higher than the public sector (F.A.Z. et al. 1999: 181, 191, 194).

The international community was highly supportive of the PGDES. This was underlined during a conference on sustainable development in Santa Cruz in December 1996 to which all presidents of the American hemisphere attended. Items on the agenda included: (a) achieving economic growth while reforming the productive sector to be more competitive internationally; (b) (social, economic, cultural and ethnic) redistribution, (c) rational and environmentally-friendly use of natural resources; (d) legitimacy of governments (*governabilidad*) through consolidating democratic structures and processes (e.g. modernizing the judicial system, higher rationality in government decision-making and larger effectiveness of administrative actions) (Petersen 1996: 53). Interpreting these agenda items into the Bolivian reforms, it seems as if the efforts of the PGDES⁶⁷ were overbearing

Goni's government was more engaged in reforming and implementing sustainable development than anyone in Latin America. His involvement toward environmentally friendly, sustainable, social and economic reforms was outstanding (Petersen 1996: 53). His environmental-friendliness is refuted by H.F.C. Mansillas study on sustainable development and the attitudes by the Latin American elites toward this concept. The concept adapts well into Latin American culture (except Cuba, which lacks consciousness of the limits of the earth and nature) and into neoliberal policies as it propagates the notion of private ownership of nature. The financial gain from selling and exporting expensive woods has brought more profit to Latin American than any other resource, explaining why the environment within the elites of the continent. Bolivia ranked second, after Brazil, being responsible for 7 percent of elimination of rain forest areas world wide in 1996. More interestingly, stubbing in Bolivia began only in 1975, increasing exponentially, in particular after the Rio Summit in 1992 (see table 2).

Table 2	
Forestral cutting in Bolivia 1980 - 1997	
Year	Hectare
1980	90,000
1990	170,000
1997	525.000 - 750.000
Table: based on Mansilla 2000: 14	

Wood replaced minerals in their formerly important role within the economies throughout all of Latin America (Mansilla 2000: 7, 12, 15).

It difficult to find the roots for environmental destruction in Latin America, partially because the indigenous people are romanticized as a minority living happily, humble and in harmony with nature. This is wrong. Indigenous are a majority and most have adapted to western (modern) lifestyle, using farming methods that are harmful to the environment (Mansilla 2000: 19; Pacheco 2003: 3 - 7). Latin

American continues to discriminate the indigenous people, who are viewed as half-human, because their lifestyle is not modern or western. They are seen as a rock in the road toward industrialization in

⁶⁷ Restructuring of the decentralized government (September 1993); change of the constitution (December 1994); political and administrative decentralisation (April 1994 and July 1995).

eyes of the elite. Bolivian indigenous have protested this discrimination, particularly since 15 August 1990. Unfortunately without success. In the same breath as discrimination of the indigenous, there is a wide-spread adoration of western representatives and life style. Neoliberalism and globalization have brought consumption and behavioral patterns to Latin America, arching over the use of free-time and orienting one's economy toward export. Latin American elites want to modernize as quickly as possible (Mansilla 2000:18-22). Adoration of western things extends to the form of bondage by many local employees and a consequent disregard of the own cultural background (Stadler-Kaulich 2003: 36).

This schism becomes apparent in the area of environmental issues: Indigenous people claim the landless tropics to be part of their culture and history, whereas whites and *mestizos* think these lands should be exploited. They also believe that the population of their countries are too small to do harm to the limitless natural resources. Latter idea hails from the belief that internationally recognized nations always have many citizens and that this legitimizes one's culture and identity. Some elites even compare their countries to Israel or the Netherlands in terms of size and population. This is easily contradicted: some areas can not be used for agricultural or habitation purposes; a fact which is particularly true for Bolivia. Across all territory, population density is 7.2 persons/km²; but when calculating population density or arable and inhabitable land, population density is 100 persons/km² (Mansilla 2000: 20f).

Within the country, those responsible for environmental hazards push responsibility from one to another, particularly in the area of Bolivia's main environmental problem: desertification. In 1998, minister for sustainable development Erick Reyes Villa officially stated that 41 percent of Bolivian territory is in the process of unavoidable desertification. The Association of Wood Industrials of Bolivia blames the peasants, particularly coca growers, for the destruction of tropic forests. The director of the National Forest Agency claimed that tropic areas are yet to be explored by wood companies. Existent pollution was to be blamed on the makers: northern countries. They should be held responsible, also on a financial level. Particularly Bolivian national identity is linked to the myth of incredible richness of the country (which is simultaneously a large development potential), that is not taken advantage of because of external pressure (Mansilla 2000: 23, 25-29, 36). Surveys show that conserving the environment is not on the top of the Bolivian societies priority-list,⁶⁸ perhaps because industrialized countries are believed to be the primary pollutants. Saving the environment should be their responsibility.

In 1990, the Paz Zamora administration declared a five-year "historic-ecologic hiatus" by passing a law demanding a pause during which "the environment was to be treated with special care" (Mansilla 2000: 37). As the agrarian minister explained this was to guarantee a longer exploitation of forest resources. The minister of sustainable development and the environment explained that the historical-ecologic hiatus would not impact the economy, that environmental-friendliness and economic development were compatible (Mansilla 2000: 38). A new law for the "rational" exploitation of forests by the Bolivian society raised taxes to be paid by the stubbing companies in interest of a more careful use of the forests (read: one US-dollar per hectare p.a.). The law changed nothing: creating no rebuilding measures and the limits on hectares to be stubbed were easily surpassed through bribes. No

⁶⁸ A survey of 1996 indicates that only 20 percent of the rural population perceive the damage on nature. Two thirds of the rural population does not care for environmental matters and half of the total population perceives pollution to be in the air and the water. Exploitation of the forests is not perceived as an issue of environmental pollution (Mansilla 2000: 24).

governments since reported on the results of this five year period. Wood companies have admitted to have continued activities all the same or even more. This is a prime for the impact of neoliberal policies on Latin American elites. Sustainable development is nothing more but a concept to pay lip service to (Mansilla 2000: 39, 43).

Neoliberalism assumes that the privatization of all natural resources is best for the free reign of market forces. Most Bolivian forests are already privately owned. Bolivian private entrepreneurs go as far as to claim that privatization of forests will ensure the “spontaneous” regeneration of endangered wood species and that if current speed of exploitation and “care” are kept up, then another 18,750 years of wood cutting are guaranteed (Mansilla 2000: 40, 42). Guillermo Roig Pacheco, one of Bolivia’s most profitable wood entrepreneurs (80 percent of his production is exported to the US and Europe) meant it, when he said that his company does not harm the environment. His workers only cut either very old or sick trees, both of which would die eventually anyway, he said.

The *Consejo Empresarial para el Desarrollo Sostenible* (Council of Entrepreneurs for Sustainable Development) claimed that the free market saves the environment best. Free play of economic forces will conserve eco systems. Their key to sustainable development is privatization. The pressure exerted from the outside to care for environmental issues is not as large as the pressure to adapt free market policies: the IFIs favor control of ecological safety, just as long as it does not burden economic growth. The post-MDG-Summit-meeting in Santa Cruz in December of 1996 brought forth a declaration and an action plan, speaking vaguely of environmental conservation. Rather, the document deals with conventional problems on trade, economic growth, external investment and drug production. Only two points (13 and 16) speak directly of the environment (Mansilla 2000: 43, 46, 48f). Gierhake points out that in Bolivia, Ecuador and Peru responsibility for matters of environmental sustainability are “spread” across several state actors, in contrast to matters of fissile energy sources, which are strictly regulated (2001).

Some suspected that Goni’s implementation of an own ministry for sustainable development was nothing more than an attempt to secure foreign investment and aid – an argument extendable to all reforms. Certainly the restructuring related to the PGDES should be judged critically: one development theory was placed above all others. There is no political consciousness on the matter of environmental conservation within the political and ideological streams of Bolivia or its population, particularly when elites believe that sustainable development and population growth are compatible (Mansilla 2000: 50, 54). The high acclaim for Goni and his reforms might be due to his ability for public relations and opportunism. Also, the PGDES favored western thought and the attempt to give the economy more power and debilitate the state only gave more power to transnational companies, as national private enterprise is quite weak (Soliz Rada 2002: 24). Securing private ownership was welcomed in Bolivia, as many dictators severely threatened this concept. Office work was always valued higher (socially and financially) than any other work, which has not inhibited the informal (mostly illegal) sector to be in the hands of a few private people (Mansilla 1987: 136, 139). Soliz Rada claims that the consequences of the PGDES decreased state corruption, but opened way for “neoliberal corruption” (2002: 25). Arze Vargas criticizes that the expansion of capital has become primary gear for poverty production, as the state is no longer responsible for redistributing wealth. Social aspects of politics are subdued to economic efficiency systems. He speaks of neoliberal hegemony which translates into

bourgeois rule of Bolivia at the cost of the marginalized (wealth-wise and geographically) (Arze Vargas 2000: 3-6).

Neoliberal policies account for the profound changes in the Bolivian workers landscape (see Lagos 1994 or Section 4.2), as it encouraged exploitation and a vicious cycle of poverty (Arze Vargas 2000: 12). The schism between rich and poor in Bolivia inclined since 1982. There has been no redistribution of wealth despite of Bolivia's growth (in absolute terms) (CEDLA 2003: 4, 12). Similarly, the budget of Bolivia reflects the dependence of the country on foreign aid, and how much of the income from foreign donors might as well be taken right back to where it came from, so that it can pay off interest rates which accumulated throughout the years: development aid accounted for 20 percent of GDP (between 670 and 750 million US-dollars) between 1988 and 1992,⁶⁹ indicating the amount of influence foreign governments in Bolivia. The state budget of 2002 was made up of 60.1 percent own income (one third from taxes paid by the working population) and 39.9 percent (or 1,150 million US-dollars) of loans and donations, many of which were tied to conditions (CEDLA 2005: 12-14).⁷⁰ Bolivia spent most monies (21 percent of the budget) on paying back external debt (half account for paying off old loans and interest rates). Only 18.7 percent were invested in education; economic aspects rank third with 15.8 percent. Public administration costs received 12.7 percent of the budget. The least important source of income in 2002 was the most honored and benefited actor by neoliberal reforms: private industry. External and internal debt rose between 1994 and 2002 (CEDLA 2000: 33, 38, 43).

Hegemony's success is apparent. All of these donors are members of the IMF or the G-8, of course all propagators of neoliberalism, particularly free trade. The Bolivian state consequently only gathers its income from tax payers, rather than from capital – at it should, because foreign investment has not resulted in significant reduction of poverty or social justice. In 2003, productivity still showed negative tendencies, access to technology and productivity resources was limited; 65 percent of investment decisions were in the hands of private people. Economic surplus was for the most part in the hands of foreign capital and salaried employment was at 50 percent. Discrimination on the basis of gender, race and social background prevailed (CEDLA 2003: 13 – 15, 62). Lack of participation by civil society in the endeavor of all state reforms has been criticized (Faguet 2005: 5). Even though social groups (e.g. indigenous), NGOs and others showed interest in assessing neoliberal policies and their impact on Bolivian society, the channels established by the IFIs for this purpose are “unsuitable” (CEDLA 2003: 18 – 25). A study of the National Secretariat of Popular Participation revealed that in 80 percent of the municipalities the monitoring committees did not contribute in writing the five year plans. In half of the municipalities none of the responsible groups participated at all (Kohl and Farthing 2006: 103). Despite this, Faguet, a former social investment expert of the IBRD in La Paz and faculty member of the London School of Economics (LSE), finds the decentralization reforms to have benefited most municipalities, the government is now more responsive to local needs (Faguet 2000, 2000a 2002; 2002a, 2005, 2005a). Another example of scientific approval of hegemonic policies (see his CV at Faguet 2006).

⁶⁹ In 1992, these sums were made up by 56 percent of multilateral sources and 44 from bilateral aid. The largest donor was the IADB (23 percent); followed by US-AID (12.1 percent) and the Andean Development Fund (10.3 percent). The largest bilateral donor is US-AID (27.5 percent or 86.7 million US-dollars), ranking second is Germany (18.6 percent or 58.9 million US-dollars) (Birle 1996: 23).

⁷⁰ For detailed figures on Bolivian income and its sources, please see CEDLA (2005).

The PGDES spoke to the political culture of Bolivia and aimed at creating ability to reach consensus and compromise and coalitions previously unheard of (such as MNR and ADN; coalition between ADN and MIR) (Hofmeister 1996: 31).⁷¹ On the other hand, it did just what it had come to prevent: discriminating against certain parts of the population. Despite their failures during the 1980s and throughout the “revolution from above”, neoliberal reforms continued to be implemented throughout the 1990s. Thus, neoliberal critique reached its height: during the Water War of 2000 in Cochabamba and the Gas and Tax War of 2003.

3.4 Critique at its height: the Neoliberal Wars. A break of hegemony and the basis for a new consensus?

In 1997 Sánchez de Lozadas first administration ended, and former dictator Bánzer became president and continued along neoliberal lines. In the 1997 election, some coca growers and indigenous candidates gained a few seats in congress, but were not stark enough to be heard. Instead, Bánzer allied with the populist party CONDEPA, which had gained votes the MNR and the MIR lost. Throughout Bánzer's administration, citizen groups demanded the creation of a Citizen's Council to prepare a constitutional reform. The Council was installed in May 2001. It decreased some immunities for politicians, strengthened decentralization, rights around domestic violence those household workers. Bolivia sought to be incorporated into the Free-Trade Area of the Americas (Assies 2004: 36). The negative effects of the collapse of the Argentine economy severely affected Bolivia.

Bánzer's alignment with hegemonic powers did not end at the economic level, but went further. Particularly Cochabamba suffered from an aggressive coca eradication program (*Coca Cero*, Zero Coca) during this administration, destroying the regional economy. Bánzer promised the US to eradicate all coca except 30,000 acres in *Los Yungas* needed for industrial production. The US did not offer compensation to the coca growers. In 2001 illegal coca growing resumed. Simultaneously, revenues from hydrocarbons decreased with tax income and many municipalities budgets declined (Kohl and Farthing 2006: 109, 111). In response to government policy, indigenous people organized around issues, particularly in the new parties, the MAS and the *Movimiento Indígena Pachakuti* (Indigenous Pachakuti Movement, MIP). They challenged the state's neoliberal ideology, focusing:

on the predatory privatization of resources and basic services, and end to forced coca eradication, and pushed for greater investments throughout rural Bolivia (...) By freely combining indigenous, nationalist and anti-neoliberal discourses, they often incorporated the demands of other groups to broaden their base of support or increase their legitimacy. (Kohl and Farthing 2006: 112)

Bolivia's indigenous movements are cited to be the most radical and powerful in the Americas. In recent years their importance increased, even though their identity is based on a social rather than ethnic categorization. Land rights have always been an issue of the indigenous movement (e.g. groups embarked on a 600 km long march for Dignity and Territory (*La Marcha por la Dignidad y el Territorio*) in July of 1990, with little success though). Indigenous in urban areas mobilized in the so-called *juntas vecinales* to press their cities for basic urban services (Kohl and Farthing 2006: 114, 117). One of the key players in the coca growers and indigenous movement, was Evo Morales, who was known in Bolivia when he was voted leader of the coca growers federation of *El Chapare*.

⁷¹ MIR opposed the IFI suggestions until the party settled its differences with the ADN. MIR was blamed to lack decisiveness and corruption in the past. The ADN helped making Paz Zamora president, despite the long conflict that existed throughout the 1970s culminating in a helicopter crash by instruction of Bánzer, which bruised Paz Zamora's face (Hofmeister 1996: 33); *Grupo de Estudios Históricos* writes it was a crash of a small plane in which two people died.

Morales, born on 26 October 1959 in the Department of Oruro to Aymaran parents, was elected with a 72.13 percent majority by population of the Department of Cochabamba (*El Deber* 2000; Morales Ayma 2001: 10).⁷² It was through Morales that the issue of coca became linked to the Water War (both parts) of 2000 (Kohl and Farthing 2006: 123). Before his involvement with the coca growers federation, Morales was member of the *Asamblea por la Soberanía de los Pueblos* (Assembly for the Sovereignty of the People, ASP), an organization close to the CSUTCB and the *Izquierda Unida* (United Left, IU), which counted on Morales to gain votes in urban and rural areas (*El Diario* 1997).⁷³ Morales promised to cooperate with *Quechua* and *Aymará* and everyone else, including intellectuals, particularly those persecuted and tortured during the dictatorships. The ASP changed its name to *Instrumento por la Soberanía de los Pueblos* (Instrument for the Sovereignty of the People), to underline its character as a non-traditional party and that it was an agglomeration of CSUTCB, CCB and CBFMBS (*La Razón* 1998). Morales was expelled from ASP in March 1999 due to “betrayal” (Unknown 1999). In 2002, Morales’ became presidential candidate for the MAS and received 20.9 percent of votes in the election. Quispe’s MIP received 6.1 percent and Reyes Villa and the *Nueva Fuerza Republicana* (New Republican Force, NFR) gained 20.9 percent. The MAS occupied 25 percent of national Congress and were the largest oppositional party. Quispe is an indigenous activist and neoliberalist critic. He resisted the 1996 INRA Law and was a key figure during the Water War, mobilizing *campesinos* in rural areas. During the Gas War in 2003, the *Juntas Vecinales* of El Alto turned into the most powerful grassroots organizations, replacing the coca growers who had held this position 1990s (Kohl and Farthing 2006: 118; *Gente* 2000a). Social movements and their leaders were important actors in Bolivia’s “Neoliberal Wars” as Benjamin Kohl and Linda Farthing refer to the Water War of 2000 and the Gas and Tax War of 2003 (2006: 109). Both wars centered around the issues of benefiting transnational corporations at the cost of Bolivian consumers, in interest of liberalization of the economy and pleasing the IFIs and the governments of international donors.

Privatization plans, particularly for water, are encouraged as part of SAPs or as condition to loans or finance supply. These conditions contradict the agreement by the Bonn Conference on Water held in December 2001, which states that water privatization “should not be applied as a condition of finance by any donors” (Hall and Lobina 2000: 10). The Water War 2000 is therefore only an example of many. Perhaps it is so popular, because a representative of the protestors, Oscar Oliveira, traveled

⁷² Morales and two of his siblings survived, four other siblings died between one and eight years of age. He recalls to have always been a fighter. He founded a soccer team when a child, which participated in championships. By selling wool of the sheep and lama with assistance of his father (who harvested potatoes), Morales bought soccer balls and uniforms for the team. At 16, he was elected technical director of his canton. During the 1980s Morales and his family left to *El Chapare*. He wanted to study journalism in Cochabamba. He quit school after middle school, despite being valedictorian throughout his entire school career. In 1981 he was elected secretary for sports in his syndicate, followed by a nomination as syndicate director, and director of the federation of the coca growers of the tropic, a post he still holds (Morales Ayma 2001: 11). Morales considered ‘Bánzer and he MNR’ the worst politicians of Bolivia (Morales Ayma 2001: 12). On April 10, 2000 Morales declared the amount of his property (78,000 US-dollars and half an acre of coca) before stepping into parliament. Many funds stem from human rights awards he received in 1995 and 2000 (*Los Tiempos* 2002b).

⁷³ Even though 200 delegates of the ASP congress in Cochabamba voted for Morales, he wanted the direction of the party to change before he became their candidate (*Los Tiempos* 1997). Morales accepted the position on 18 March 1997, after the movement decided to campaign with the communist party. Morales promised to fight the neoliberal parties, and to propagate the interests of coca growers in development ideas (*El Diario* 1997a; 1997b; Kohl and Farthing 2006: 122). The ASP organized an urban (non-hierarchical) version of itself, the *Asamblea Popular Urbana* (APU) and demanded an alternative to neoliberalism (*Opinión* 1997). Organizations such as the APU were founded in the hundreds since 1978, but only eight survived (*Opinión* 1997a). On 1 May 1998, the ASP condemned US-anti-drug policy (*Opinión* 1998). They also asked for wage raises for teachers, workers and state employees and criticized unilingual education and that neoliberal policies destroy Bolivian enterprises and property. They criticized that development programs benefit a certain few, creating poverty rather than abolishing it. In April 1998 500 delegates elected Morales president of the ASP (*Los Tiempos* 1998).

to the US and spoke in front of 10,000 protestors in Washington, D.C. in April 2000 who protested the IFIs (*Opinión* 2000h).

Water services in Cochabamba were (and are again) in the hands of the original municipal company *Servicio Municipal de Agua Potable y Alcantarillado* (Municipal Service of Drinking Water and Sewer Systems, SEMAPA). Prior to *Aguas del Tunari* (Waters of the Tunari) being in charge, SEMAPA insufficiently provided the city with water for over 40 years. Particularly rural areas suffered. There only 27 percent of the population have access to drinking water. Having visited the city of Cochabamba many times in her life since childhood, the author can confirm that water is an issue, particularly for the poorer population who do not have the privilege of an water tank which automatically fills itself when water is available again (Abendroth 2004: 9; Peredo Beltrán 2004: 15-17). Furthermore, SEMAPA lost half of its profit due to broken measurement-machinery and pipes. Poor people pay more for less water which is additionally of questionable quality. The first privatization attempt of SEMAPA was made in 1996, after the PGDES became law during the first Goni administration (Abendroth 2004: 8, 10; Gebhardt 2002: 29).

Throughout the 1990s, the problem of adequate access to water continued, creating the so-called 'Well War.' The rural population opposed well-drilling, but was forcefully oppressed by the Bánzer government (Abendroth 2004: 12). In early 1999, as the government of Cochabamba still decided which company should receive the lucrative water privatization deal. Social groups gathered in late 1999 and formed the *Coordinadora por la defensa del Agua y de la Vida* (Coordinator for the Defense of the Water and Life, *Coordinadora*), to monitor the (covert) privatization process. The *Coordinadora* was most the important participant in the riots and was supported by Morales (Abendroth 2004: 12; Gebhardt 2002: 29; Kohl and Farthing 2006: 122; *Presencia* 2000: *Los Tiempos* 2000). Morales support for the movement began on 20 September 2000, when he demanded president Bánzers renunciation. The coca growers were more involved in this part of the Water War than during early stages (CEDIB 2000; *La Razón* 2000a). Morales was almost arrested on 27 September 2000 (*Opinión* 2000i). Reyes Villa (NFR) was mayor of Cochabamba, had also been president of SEMAPA and the NFR was part of the coalition with the ruling ADN (Abendroth 2004: 14).

The second privatization attempt of SEMAPA followed in September of 1999. It was sold to *Aguas del Tunari*, a consortium owned by US-based Bechtel (one of the worlds largest construction companies), which avoided to pay taxes by residing in the Netherlands (in form of a mail box). Protests against privatization began as soon as *Aguas del Tunari* were awarded a 40 year concession for the water and sanitation system of the city and water tariffs increased by up to 200 percent to cover the costs of privatization and *Misicuni* (a dam; 2,030 litre per second, enough to supply 2,400 ha with Water and generate 210 GW electricity p.a. (*Los Tiempos* 2006)). BNP Paribas, a French bank, suggested that the realization of the *Misicuni* project (building a dam in the region; the most expensive of all options to provide the city with water) should be linked to the privatization of SEMAPA. The IFIs supported this suggestion, but thought it too costly. An article in *Los Tiempos* cites *Misicuni* to have been the cheapest of options, with 10 cents (US-dollar) per m³, whereas the alternative project, *Corani* would have amounted to 59 cents per m³ (Arretia 2000). Either way, the IFIs demanded the project be paid by consumers and should not receive subsidies from the state (Abendroth 2004: 15; Peredo Beltrán 2004: 40). BNP Paribas wrote the terms of reference for privatization, outlining two tariff increases

of 20 percent each: one upon beginning and one at the end of the project, before it would enter the commercial phase (Abendroth 2004: 14; Kohl and Farthing 2006: 120). These terms of reference were illegal under Bolivian procurement law. Part of the *Aguas del Tunari*-contract envisioned reducing water availability at first and did not aim at achieving 100 percent of water-availability until in 36 years after contract-signing (Abendroth 2004: 20f, 24). Protests criticized the lack of information on the contract, particularly during contract signing in September 1999. Only parts of the contract were revealed after protests in 2000. To legalize the privatization, Law 2029 (*Ley de Agua Potable y Alcantarillado*, Law for Drinking Water and Sewage) was passed on 9 December 1999. The *Coordinadora* contested the law as made water was an economic good (Peredo Beltrán 2004: 6). The law excluded societal aspects in its draft and was developed according to market principles. The orientation of tariffs on the US Consumer Price Index was heavily criticized by peasant associations in margin areas in the south of Cochabamba (CSUTCB), who tied their demands to other issues (such as the INRA) and this orientation is in fact ridiculous when taking into account the large income gap between the average Bolivian and US-citizen (Abendroth 2004: 22; Peredo Beltrán 2004: 6; *Pulso* 2000; *Presencia* 2000a). Due to the privatization water costs increased and eventually amounted to 22 percent of monthly wages of the average male and a third of the average female (Hall and Lobina 2002: 16; Peredo Beltrán 2004: 8; Kohl and Farthing 2006: 121).⁷⁴ A new alignment with the water system climbed to 450 US-dollars (average per capita income p.a. lies at 1,000 US-dollars); closure and re-activation cost nearly 15 US-dollars each (Abendroth 2004: 22). Bechtel (2006) blames the price increases on adapted consumer behaviour of Cochabamban citizens as *Aguas del Tunari* amplified water availability by 30 percent.

The IBRD, the IMF and the IADB supported the privatization of SEMAPA and the building of *Misicuni*. Privatization was a condition to debt-relief and toward more loans. During this time, the IBRD supported at least seven projects geared at protecting and regulating privatization initiatives (Abendroth 2004: 16). As previously mentioned, the IFIs first opposed the *Misicuni*-project, because it was costly, but had no objection to the Bolivian population carrying these costs; an insolence. The IFIs also supported Law 2029 and bought stocks of *Aguas del Illimani* (Waters of the Illimani, the former municipal water company of La Paz), which has problems remaining profitable and providing the poor with basic sanitation (Hall and Lobina 2002: 6; Peredo Beltrán 2004: 23; Arretia 2000). Fortunate for *Aguas del Illimani*, there is no pressure to extend their services to the poor, as the contract determines that services be rendered based on the paying ability of customers rather than basing these decisions on public policy. El Alto residents consume very little water, 'harming' *Aguas del Illimani* (Suez-owned) bottom line and disappointing the company in their investment, leading to protests in April 2002 by the population (Hall and Lobina 2002: 6). The distance of the IFIs toward the privatization projects can not be verified. They benefited from and encouraged the events both in Cochabamba and other Bolivian cities (Peredo Beltrán 2004: 11, 13f, 18-22).

Protests against the new law and privatization plans began on 28 December 1999 and continued throughout January of 2000, with road blockades. After water was privatized and price raises were announced, a general strike broke out in January 2000, fights the police could not control. The *Coordinadora* published a manifest saying rights would be fought and not begged for. Bolivia's central gov-

⁷⁴ For a study on the effects of water privatization in the Cochabamba area on women and women's involvement in the Water War, please see Peredo Beltrán 2004.

ernment proposed a last offer of only one 20 percent tariff increase, sparking more protests (Abendroth 2004: 26f). In February, the population in rural areas surrounding Cochabamba, La Paz and Santa Cruz began blocking roads. At the end of February, the *Coordinadora* left the negotiation table with the government, as they were provided with insufficient information, particularly details on finances. Protests increased and parts of the contract were published. Journalists are cited to have had problems deciphering the contract as they lacked legal skills. The guild of economists of Cochabamba questioned the legitimacy of the concession and the concession-takers presence in the country after analyzing the contract (Abendroth 2004: 27). It was revealed that the conception of *Misicuni* took up 67 percent of the total contract, which the *Coordinadora* criticized as catering to the IFIs (*Opinión* 2000e; *Opinión* 2000g). In March 2000, the *Coordinadora* held a voluntary popular referendum, showing that 99 percent of participating voters rejected the privatization and the changes that came with it (Kohl and Farthing 2006: 121; *Opinión* 2000f).

Fights turned bloody on 4 and 5 April. The military told Bánzer it no longer wanted to confront its own people, upon which more military was sent from La Paz, particularly after one person died in the riots by use of strong ammunition by the government. Simultaneously the police threatened to initiate a strike, and received a 50 percent wage raise as appeasement (Gebhardt 2002: 33). Morales, congressional representative of Cochabamba, questioned the violence on part of the government (*Presencia* 2000). The church mediated in the conflict unsuccessfully. The archbishop was dissatisfied with the government, after leaders of the *Coordinadora* were arrested on their way home from a meeting with the government that was cancelled. These leaders were warned by the catholic church. Some obliged and hid in a church. Other *Coordinadora* leaders were kidnapped (Abendroth 2004: 29; *Opinión* 2000d; *La Razón* 2000). The archbishop declared himself 'voluntary prisoner' and negotiated for the release of the leaders in vain (Abendroth 2004: 28). The church's involvement in the Water War, shows not all of the Bolivian elite accepted neoliberal hegemony, perhaps indicating a break of neoliberal hegemony then. Support by the church might have emphasized the discipline of the rioters: not one store was looted (Kohl and Farthing 2006: 122). On 7 April 2000, the government announced the contract with *Aguas de Tunari* was going to be resolved.

On 8 April 2000, the sister of one of the *Coordinadora* members in hiding proposed elevating flags in every house, which within minutes many did, particularly after the press negatively reported on the government, one newspaper (presumably *Los Tiempos*) titling "The government lies and oppresses." On 9 April, the riots became vehement and fire was set to public buildings and vehicles. The military replaced fake with real munitions and set up snipers around the central *Plaza*. Areas in Cochabamba with many TV-sets were cut off the electricity circulation, particularly the mountain on which radio and TV antennas stand, capping live media for hours (Gebhardt 2002: 34).

The concession to *Aguas del Tunari* was terminated on 20 April 2000, whose investment amounted to one million US-dollars (according to a government source). The company may have planned to finance *Misicuni* solely on the basis of tariff increases (Abendroth 2004: 19; Peredo Beltrán 2004: 7). *Aguas del Tunari* expected a 64 million US-dollars income every year, amounting to 2426,2 million US-dollars over the 40 years of contract (70,000 US-dollars per day) (*Gente* 2000). Since then, Bechtel, owner of half the stocks at *Aguas del Tunari*, sued the Bolivian government for a 25 million US-dollars compensation (three times the original investment sum) with the IBRDs International Cen-

ter for Settlement of Investment Disputes in November 2001, after having sought and failed to receive compensation in July from the government directly (Fritz 2004: 5). The government still states there will be no public subsidy for water services in Cochabamba, that all burdens will be placed on the consumers, an indication that no lessons were learnt (Abendroth 2004: 16; *Los Tiempos* 2000a). The government tried implementing a new law (2066) which grants the public the right to opinion on tariffs. This was criticized by the IFIs and donor governments. By the end of 2003, 10 drafts of this law existed and no decision had been made. The critique of privatization process continued throughout the year 2000. The result were 20 dead, 335 wounded, 152 arrests, 26 (recorded) cases of torture, 2 blind and one missing person (Abendroth 2004: 32, 29).

Bánzer stepped down in August of 2001, due to cancer. Jorge Quiroga followed him as president. Quiroga suffered the anger of social movements, when he promised land tenure rights to landlords who had received property during the García Meza dictatorship. Indigenous groups then founded the *Movimiento Sin Tierra* (Movement without Land, MST) and were joined by the coca growers (Kohl and Farthing 2006: 124). Goni won the 2002 election with just 22 percent and became president a second time. Assies cites protests in Bolivia to arise at regular intervals since the Water War, proving that democracy is not yet implemented, but that “armed neoliberalism” rules the country; a concept that involves social militarization and the criminalization of protests (Seoane 2003 in Assies 2004: 26f). Thus, resistance to neoliberal policies continued, climaxing at the Gas War. Outside pressure for Goni was high when he took office: the coca eradication had to continue, as the US warned and the IBRD was supporting the Bechtel’s claim for compensation (Kohl and Farthing 2006: 125f). The conflict between Bechtel and Bolivia was settled in January 2006 with no compensation being paid from either side. Bechtel then withdrew complaint before the IBRDs International Center for Settlement of Investment Dispute (Bechtel 2006).

The MAS legitimacy grew in eyes of the Bolivian population. Particularly after the MNR, MIR and UCS ignored MAS delegates, who held one fourth of the seats in Congress during the second Goni administration. They did not recognized demands by the MAS (or solidarity with rioters) might be legitimate popular goals (Assies 2004: 36). After being ignored in official discourse, Morales promised to take the discussion to the streets (Kohl and Farthing 2006: 125). Morales left his post as director of the coca growers in February 2002, and was declared the official presidential candidate in March 2002 (*Los Tiempos* 2002). Morales linked the coca growers situation to the problems of the agricultural industry in Cochabamba, claiming both needed a different economic model, as “this one is inhumane” (*Opinión* 2002). His involvement in social unrests continued (e.g. throughout the Neoliberal Wars), In June 2002, Morales was asked to pay 25.000 US-dollars to compensate damages to a hotel done by a blockade in 2001 (*La Prensa* 2002). In July 2002, Morales stated that he would not form a coalition with the MNR or NFR, and that he would combat the “pacts of corruption, perversion, nepotism and negotiation between the representatives of the parties” (*La Patria* 2002). The MNR and ADN said nothing on his nomination as presidential candidate for the MAS (*El Diario* 2002). In April 2002, Morales proposed a bank for the poor with no interest rates and the cutting the politicians salaries (*Los Tiempos* 2002a). Morales campaign was financed by the coca growers. 200 syndicates gave 50 lbs of coca each (*La Patria* 2002a). Morales popularity increased throughout 2002, when he was asked to leave parliament on the basis of accusations of a newspaper article from 2 October 2002 and of which

he declared himself to be innocent (UPS Editorial 2002: 4). He was accused of authoring crimes against uniformed police and military in the *Chapare*, which occurred during a riot against Presidential Decree 26.415 which “closed the remaining legal coca market in the Chapare” (Kohl and Farthing 2006: 125). He offered to step back, should proof be shown for the allegations against him on 3 November 2000 (*Opinión* 2000; *El Potosí* 2000). Many *campesino* delegates supported Morales, rejecting that their country was only governed by whites in suits (Unknown 2000). Morales was invited to the ethical commission of Congress 24 hours before the interview would take place. The commission never proved the accusations but another day later Morales was expelled from parliament. Bánzer and Goni both voted against him (UPS Editorial 2002: 8). Morales has claimed to be anti-drug-trafficking and has criticized the lack of alternatives for coca growers (Morales Ayma 2000a). His rivalry with Felipe Quispe is prominent since the split of the CSUTCB and the MAS in October 2000 (*Opinión* 2000b). The MAS upheld the road block without the CSUTCB despite the state of emergency and continued demanding the de-militarization of *El Chapare* (Fernández 2000; *La Prensa* 2000). The MAS asked for a solution to all economic problems caused by *Coca Cero* (*Opinión* 2000c). Morales referred to the *Chapare* as the gist of Bolivian poverty (Morales Ayma 2000a) and the government, the parties and the NGOs should be fought in order to maintain sovereignty. He said the poor need a party of *Quechuas* and *Aymarás*, a party speaking truths (Morales Ayma 1995: 3) and is anti-neoliberal (Escobar 1997). Morales propagated commercializing coca (not eradication). His anti-US-imperialism-attitude made him popular and explains his success in the 2002 elections which gained the MAS 27 of 130 seats in Congress.

The riots of 2003, similar to the Water War, opposed the handing over of the countries largest resource to transnational corporations. During the first part of the Gas and Tax war, protests in February opposed a tax hike that was pressured onto Goni by the IMF as part of efforts to reduce the national deficit of the GDP from 8.5 to 5.5 percent. Protests continued in October and ousted Goni (Kohl and Farthing 2006: 126). As the PGDES overall, the privatization of the hydrocarbons sector was criticized by the Bolivian population and labeled as a ‘garage sale of the national patrimony,’ particularly after reforms failed to bring the promised growth (Assies 2004: 28). The amount of gas in the reserves increased miraculously during privatization, from 6.6 trillion ft.³ in 1996 to 52.3 trillion ft.³ in 2002, making Bolivia the largest owner of gas in southern Latin America. The IFIs quickly made the “monetarization” of these riches a condition for further loans to Bolivia; in 1999 Bolivia began exporting gas to Brazil and the hydrocarbons sector became the most dynamic, accounting for 21.6 percent of total exports (99.7 million US-dollars) in 2003. (Assies 2004: 29). Given the great energy need in the US and Mexico, Bolivia decided to export Liquefied Natural Gas to generate electricity and gave the Sempra Energy consortium (REPSOL, British Petrol, British Gas) a concession. Gas was to be shipped from either a Chilean or Peruvian port. The project was estimated to bring revenues of 310 million US-dollars p.a. but required investment of 5,000 million US-dollars (of which 1,800 million US-dollars would be invested in Bolivia). The issue of access to the sea was brought up again, hoping to use the project as leverage to gain Bolivia’s territory back, particularly since Chile needed gas (Assies 2004: 29). It was also criticized that some companies only paid 70 cent per 1,000⁷⁵ British Thermic Units (BTU), but Brazil paid 1.30 US-dollars for the same amount. Processing facilities were to be located in

⁷⁵ Other sources say it is one million BTU, which is more likely (Weitzman 2006).

Bolivia to generate employment, prioritizing their population and industry. Quiroga did not succeed in striking a deal prior to the June 2002 elections. The MAS and Morales opposed export through Chile, a position many agreed to, after income taxes for citizens increased in February 2003. The offices of the MNR, MIR and NFR were set on fire, ministries were looted and 30 people died. It was obvious the government had already decided to export gas through Chile (perhaps through Patillos). The issue of the access to the sea is bound play a role in Bolivian politics, particularly in connection to the issue of gas as Mexico and the US remain interested in Bolivia's riches. Morales, Oscar Olivera and Ramírez Lopez, a retired general, stated that preparations for the construction of a pipeline toward Chile were underway; leading to a proposal by the MAS and the NFR to hold a referendum on the issue (Assies 2004: 29f). The population in the Department of Tarija (which holds 85 percent of gas reserves) rose to defend exportation plans, while Goni's popularity dwindled to a mere nine percent, after the COB announced it opposed export through Chile as well. The MAS declared the Gas War in August of 2003, explaining that all proposals had failed and announcing protests in which alternative proposals were to be presented. The *Aymará* population was involved, after one of their community leaders, Edwin Huampo, was accused of killing cattle rustlers and arrested. Another *Aymará* leader, Felipe Quispe, organized a hunger strike around Huampos arrest and added the issue of gas to his list (but voiced no solidarity with the MAS). Quispe was supported by 1,000 people at the Radio Station of San Gabriel in El Alto and roads between Lake Titicaca and La Paz were blocked, trapping hundreds of tourists (Assies 2004: 30). Protests spread to Cochabamba, Sucre, Oruro and Potosí. At the same time, Congress decided new minister nominations of the Supreme and the Constitutional Court, the Judiciary Council and a new Human Rights Ombudsman. The so-called *Defensoria del Pueblo* (Defense of the People) post was held by Ana María Romero since the post was first created in 1997. Romero repeatedly criticized the governments for violently repressing protests (e.g. during the Water War), which gained her much prestige in the population (Assies 2004: 30; *La Razón* 2000a). As protests continued, on 13 October, vice-president Carlos Mesa withdrew his support for the president. Economy minister Jorge Torres (MIR) resigned. Romero called out a hunger strike on 15 October 2003 in which human rights advocates, intellectuals and NGO workers participated (similar protests brought down Bánzer in 1978). On 17 October, after Mesa called for a congressional meeting, Reyes Villa (NFR) and Paz Zamora (MIR, who repeatedly backed Goni) suggested the president step down, in response to the public pressure. Goni fled in a hurry, not reading the resignation letter himself (Assies 2004: 25). Carlos Mesa became president. Mesa announced plans for a Constituent Assembly in which society could express their opinions concerning the use of natural resources and land, democratic participation and the re-founding of Bolivia (Assies 2004: 37). During his presidency, Mesa promised to raise corporate tax from 18 to 50 percent by revising of the hydrocarbons law, but he continued along the lines of the previous 20 years of neoliberal policy due to US pressure (Kohl and Farthing 2006: 130). Mesa tried including *campesino* demands in his program, despite difficulties. His largest accomplishment was the 2004 gas referendum (on the issue of whether to export gas through Chile or Peru). Mesa stepped down in June 2005, leaving his vice president, Eduardo Rodríguez to hold elections within 180 days. Evo Morales was elected in December 2005.

As outlined in the first three chapters of this thesis, neoliberal policy always implemented from above and outside the country. As the protests to the first and second generation of neoliberal reforms

show, many groups in the population opposed neoliberalism, as they knew the changes would deteriorate their life standards. No one has ever been compensated for these losses. This confirms that neoliberal hegemony as Cox envisioned it existed and that it absorbed counter-hegemonic ideas. Social movements were widely supported by the (rural) population. Bolivia's elite is to blame for this development, as they continuously ignored the indigenous, poor and rural points of view, even when these were legitimately part of the government. The elite underestimated the power of the new social forces, particularly during the Neoliberal Wars. Opposition to neoliberal policies gained only short-term results and had no long-term effects. The election of Morales' in December 2005 manifested that more people realized that neoliberal policies will not solve Bolivia's structural problems. It is astonishing how oblivious the elite was to growing threat to their power by social movements. They might have thought every other social movement was as debilitated as the COB.

The fear of the MAS and Morales by the elite reaches amusing heights. Particularly the *Oriente* views him with tremor, seeing a threat in every decree and intention. Most likely they are afraid of vengeance for treating millions of people badly for decades. There is no indication for this type of behavior though. Rather it seems as if justice is being done through peaceful means such as the land reform (giving unused arable land to the squatting and landless). The nationalization of the gas reserves might finally allow Bolivia, as opposed to transnational corporations, to profit from these riches. Reforms by the MAS do not prove that a change of neoliberal consensus in elite discourse took place. Proof or rejection of the hypothesis around which this entire thesis centers is provided in Chapter 5, which presents the newspaper analysis. To further explore why the elite fears Morales the next chapter discusses relevant topics in contemporary Bolivian politics and economy. The author follows the preceding history of Bolivia with sections on the issue of the uninhibited access to the sea, coca and cocaine, after a brief discussion on political culture in Bolivia.

4 Topics of Relevance in contemporary Bolivian politics and economy

Cox said hegemonies and societies can be explained on a historic level. After an outline of Bolivia's (neoliberal) history, the author now considers four factors influencing contemporary Bolivian politics and economy. She explains political culture, the conditions of life of the rural, indigenous, poor and uneducated and the issues of coca/cocaine and access to the sea.

4.1 A discourse on political culture in Bolivia

Politics in Bolivia has always been a means of getting rich and the corrupt character of the state apparatus has from the beginning been a trademark of the institutional history of this country. (José Luis Tejada Sorzano in Mansilla 1987: 110)

Bolivia is the most dysfunctional democracy in Latin America. Poor political practice, and lack of collective consciousness left the country at the same time as prosperity did and are to blame for Bolivia's problems additionally to its land-locked position (Mansilla 1987: 83). Private industry's influence in politics (and corruption in general) is vast, and has helped dictators such as Bánzer. In turn, they expanded the state apparatus and created employment for the bribers. The concept of *Caudillo* (leader) is firmly integrated in Bolivian political culture:

[T]he observations of Bolivian and Latin American parties are true: dominance of a caudillo, lack of inner-party democracy, little contact to the population, the strive for power and benefit, little programmatic profile and opportunistic tendencies to not talk about the problem of corruption, are constant companions to the parties development. (Hofmeister 1996: 32)

In *Caudillismo*, issues are not resolved by negotiation. This explains the success of the military and their support for dictatorships: the armies honor, moral and value codex excludes rationality, prudence and honesty. *Caudillismo* exited within the MNR and it is why the power and size of the state expanded steadily and without being questioned after the revolution. Not criticizing authority is an inheritance of Inca culture and remains an integral part of Bolivian society. It has benefited the conquerors and governments (as outlined in Section 3.1).⁷⁶ Similar moral and religious values can be traced from Simon Bolivar to Fidel Castro: the masses think of rulers as educators. Víctor Paz Estenssoro was the most important *caudillo* of the 1900s, more so than Paz Zamora or Goni. The century-long use of corruption by the elite to maintain power created a "natural" distrust of governments by the population. Still structures such as the state, society, party, community and bureaucracy are highly respected (Mansilla 1987: 92f, 94, 98, 100, 21ff).

Octavio Paz once compared the Spanish-American civilization to a building that is simultaneously a cloister, a fortress and a palace; created to survive, but not to change (Mansilla 1987: 34, 40, 127). To communist Catoira Marín the 1952 Revolution is a farce. The MNR found their ideal habitat in capitalism, became part of the elite and bred a second and third generation of bourgeois, betraying the Bolivian worker. These three generations (dispersed among several political parties) are united in the *Confederación de Empresarios Privados de Bolivia* (Federation of Private Entrepreneurs of Bolivia), which he refers to as "luciferesque" (Catoira Marín 1994: 87). Bolivian workers cannot expect change of the system or an improvement of their livelihood from the MNR:⁷⁷

Our intellectuals pretend to be politicians and only talk about economic growth as if the enrichment of a few privileged is synonymous with the development and progress of an entire people. (Catoira Marín 1994: 112)

⁷⁶ Even in universities critical thinking and analysis is absent; proven by the little research that is conducted and pedagogical methods of learning by heart (Mansilla 1987: 24, 29).

⁷⁷ Utopia lies in socialism and will be achieved by a class struggle and class consciousness by the Bolivian workers and their party. The struggle should involve one coordinated effort, because the bourgeoisie will destroy small measures by means which it deems necessary: by military or civil measures, social democratic ideas or being overtly neoliberal (and pro-US) and through playing with the worker "like a cat with the rat while the situation of the Bolivian population becomes ever so desperate" (Catoira Marín 1994: 19, 26).

The workers struggle must be carried out in three phases: preparation, execution and evaluation, particularly in Santa Cruz. Even the miners struggle was absorbed by and subdued to the MNR. The COB contributed to the downfall of the workers movement through its strive for pluralism (Catoira Marín 1994: 27, 31, 49). Catoira Marín admonishes that hunger strikes by workers have yielded no result, but that without workers, there is no production and without production there is no society (1994: 59).

The MNR replaced a dialogue within the elite with enthusiasm for elite ideals in the masses after the Revolution (Mansilla 1987: 108). The MNR revolutionaries became rich and used illegal means to accumulate their fortunes (Catoira Marín 1994: 68, 70). Anger is comprehensible: members of the MNR were involved in all military coups since 1964 (Hofmeister 1996: 32). Post revolution, the size and power of the state grew:

Politics has become a lucrative business in Bolivia (...) yesterday [the MNR] claimed to be socialists, today they are neoliberals without blushing from shame. (Catoira Marín 1994: 99)

Thus, many professionals chose to work for the state rather than for private business, proving a correlation between a larger public administration and the growth of the urban population (Catoira Marín 1994: 98). The MNR is more provincial than cosmopolitan. Its ideology favors clientilism, paternalism, economic and technical progress and is anti-imperial. Principles of freedom and individual rights are disadvantaged in their political program. Highly qualified young urban citizens benefited best from post-revolutionary politics: 80 percent of state employees work in La Paz, Cochabamba and Santa Cruz; explaining a simultaneous loss of work force in the primary sector (agrarian and mining). The tertiary sector grew as well⁷⁸, but no equivalent growth in GDP was noted (Mansilla 1987: 106, 118f, 123). Their reforms profited middle class companies who had close ties to the MNR. Bolivian industrialists/entrepreneurs are opportunists, who owe their success to state support (and to involvement with the military). They did not internalize bourgeois ideology, but inherited the goals and ideals of the social, cultural and political standards of the old, land owning aristocracy without questioning them. This is how urbanization, industrialization and the expanding of the middle class after the revolution, did not contribute to democracy or the independence of the nation (Mansilla 1987: 37f, 59, 109). The COB, another factor to consider, catered to leftist needs and lacked revolutionary direction and failed to change events so that they would improve livelihoods of many (Lagos 1994: 22). Assies speaks of a three party system in Bolivia. The MNR, the MIR and the ADN each earn between 16 and 30 percent in the elections and then enter into coalition with one another, centering negotiations around the distribution of minister posts across the parties rather than programmatic issues. This is why little of the concerns from the lower social classes are heard 'above' (Assies 2004: 32).

The power of the state grew in post-revolutionary Bolivia. The revolution reforms exemplify the undemocratic structures of the country. None of the changes were approved by parliament, they were not even handed to the legislative branch for revision. Rather the MNR forced modifications upon the country. The habit of deciding on important issues without consulting with parliament remained a habit for decades to come.⁷⁹ More importantly, this practice was never criticized, questioned or noted by the opposition or anyone else (Mansilla 1987: 102). Unsurprisingly, the UCS and CONDEPA received

⁷⁸ 64 percent of La Paz work force was employed there in 1977.

⁷⁹ Examples are: prohibiting the union movement and political parties, making changes to civil, penal, family and trade laws.

much support after their founding. Their appeal was tied to their charismatic leaders. After their deaths, many supporters drifted to the MAS and other parties in later elections, as these parties shared the populist discontent for the neoliberal system (Assies 2004: 32).

Octavio Paz criticized intellectuals (MNR) of Bolivia for using rationality and sensibility as a weapon to defend known structures rather than exploring those unknown (Paz 1982 in Mansilla 1987: 113). Similarly, Catoira Marín claims foreign company owners will not develop Bolivia which sends its 'degenerate ideology' separate from our life style and customs (Catoira Marín 1994: 111). Goods are exported from Bolivia and made into final products for re-importation. Bolivia is forced to live from international charity: "Which brain do they speak of when referring to the intellectual sector?" he asks (Catoira Marín 1994: 110). Catoira Marín's words may be radical, but they are legitimate, given that Bolivia is not yet a full democracy, but spoken of as a *democradura* (word game using both democracy and dictatorship in one term) in which neoliberal policies and demands are forcefully implemented by the government. Oppositional demands are not even considered when violence is used as in the Water and Gas conflicts (see Section 3.4) (Assies 2004: 33).

Another factor playing into the poverty and indefinite struggle of the Bolivian population is the discrimination of the indigenous (up to 70 percent of the population) and the failure of the governments and elites to allow the masses to enter the educational system, as the following section depicts.

4.2 Low social mobility, the education system, the indigenous, the poor, the rural population and the elite

"Indeed since the [1953 land reform] campesinos have brought more land under the plow and, since the early 1970s, some 70 percent of the households have also adopted the use of chemical fertilizer and pesticides for potato cropping. This has inevitably forced campesinos into more intense participation in markets and heightened dependency on credit (...) Campesinos also purchase more products now than they did formerly. Notably, they buy chemical inputs and agro-industrial commodities such as flour, sugar, animal fat, cooking oil, macaroni, sugar-cane alcohol, and rice (...) vegetables and fruit (and things) they do not grow themselves (as well as...) clothing, school equipment and medicine" (Lagos 1994: 67).

Investment in human capital (education) heightens the chances for a society's development (Stadler-Kaulich 2003: 9). Throughout Bolivia's history, the elites neglected the rural, poor and indigenous people in all spectrums of social, political, economic and cultural life, particularly in the education system. The following section shows certain aspects of Bolivian society, such as the situation of the indigenous and their concept of development. It also shows how the poor are kept poor, regardless of whether in material or educational form (particularly in rural areas) and depicts the relationship between the masses and the elite. Also, the poor have been deprived of their cultural identity. As will be shown keeping the masses uneducated was a 'strategy' of the Bolivian governments (Revollo Fernández 2004: 68). Without consideration for these factors, it is impossible to understand Bolivian politics and its actors, underlining Cox's and Gramsci's idea of perception of societal processes.

A study by Andersen (2001) shows that the consequence of neglecting the educational system is low social mobility, which creates and upholds (like a vicious cycle) dead ends for the poor, rural and indigenous people on societal, cultural, political and economic levels. Bolivia has the lowest social mobility in Latin America due to the education system, because people marry only within their own social class, because of the level of urbanization and sexism (Andersen 2001: 7, 9; 2002). According to him, low social mobility is responsible for the failure of the structural reforms of the 1980s and 1990s and the low effect of growth on poverty. Low social mobility benefits the structure in which social mobility is caused vice versa. In Andersen's words:

Poor people have very little incentive to study hard and work hard, if they know that the likelihood that it will improve their socio-economic status is low. Rich people do not have very good incentives either, since they were born rich and know that they will remain rich no matter how they spend their time. In order to provide good incentives for hard work and entrepreneurial activity, countries need a certain level of social mobility and numerous examples of poor people who have made great advances due to hard work and ingenuity. (2001: 17)

Perhaps Andersen should consider that the results (in terms of success and money) of poor people's work is not as 'fruitful' and viewed as 'hard work' because the (low) value attributed to their labor. The depreciated value of workers toil is a major factor to keeping the poor in place (or the uneducated poor). Furthermore, poor people cannot achieve the amount of education so that they can get jobs which will earn them more money; they are busy surviving. The higher the education of a person, the higher his or her income will be. Most poor, indigenous and rural children quit school at an early age – due to economic need and not, as Andersen thinks, out of laziness. One cannot speak of "little incentive" but should refer to a structural lack of opportunity to improve one's socio-economic status. Until today, the elite shapes society as that they (and neoliberal hegemony) can stay in power.

From the founding of the Republic in 1825 to 1900, the access to education for the masses or the implementation of the rights of the indigenous experienced no significant progress. Lifting the feudal system was never considered by the elite, as they profited from it. The oligarchic elite believed that the indigenous did not need education, but just a basic level of schooling to integrate them into civilized society (Cordova de Hernichel 2000: 31, 33).⁸⁰ The state continued discrimination between 1920 and 1930, through the castellanisation measure, which prohibited schools to teach any language but Spanish. Students and teachers of indigenous schools, who functioned in the underground and taught both native languages and Spanish, were threatened, attacked and hurt.⁸¹ These underground schools are pioneers in demanding a bilingual, intercultural education system (Cordova de Hernichel 2000: 35).

So-called 'core-schools' were implemented in rural areas after 1930 (the prime example is *Warisata*).⁸² These core-schools were characterized by vertical and horizontal strategies which integrated them into their community and whose curriculum was individually and democratically adapted to the social, cultural, regional (tropic or highland) and economic needs and abilities of the community (assisting students, teachers and all of the village members, including women and elderly). Throughout the 1940s, these schools were closed, eliminated and prohibited by will of the Bolivian elite, their students were incarcerated or murdered (Cordova de Hernichel 2000: 51). The state presented a new educational code in January 1955 (*Código de la Educación Boliviana*), said to be based on the core-school concept. The new plan did not include the key pedagogic elements of the *Warisata*-system, as these were considered 'dangerous.' The new educational plan was a "mere" alphabetization (castellanisation) effort for the indigenous,⁸³ instrumentalizing *Warisata* for government goals (Cordova de Hernichel 2000: 52). Only in 1983 the bilingual school system was re-allowed in Bolivia (Ströbele-Gregor 1996: 65).

⁸⁰ A law from 11 November 1905 expressed the wish to support education measures for indigenous people, an endeavour which failed due to the lack of capacity (teachers and experts) and a national pedagogic concept.

⁸¹ Only the bilingual school Bartolomé de las Casas received a connivance. In 1942 opposition to indigenous schools escalated, leading to the death of the most important indigenous chiefs, who were students at Bartolomé de las Casas.

⁸² The 'core school' system ensured students stayed in the region and stopped urban migration. Even though these self-suppliant, bilingual schools, which integrated traditional and modern systems of production, were in many ways beneficial to the communities and to their quality of life, they did not survive. The schools geared at activating the indigenous population politically and culturally. The high financial burdens placed on them by the government contributed its part to their fall (Cordova de Hernichel 2000: 45).

⁸³ 70 percent of total Bolivian population as illiterate (90 percent in rural areas).

The feudal structures within Bolivia remained until the 1952 Revolution, which included a fairly successful alphabetization campaign (in Spanish, of course) through the educational reform. After 1955, the government demanded an assimilatory school policy, oriented according to the European and US-American civilization model (Ströbele-Gregor 1996: 64). The MNR, back in the government of the 1950s, only permitted using the indigenous language to assist the castellanisation. By 1976 'only' 32 percent of the population was illiterate (Cordova de Hernichel 2000: 53). Indigenous efforts for own education were resisted by the government. The indigenous cultures have shown almost magic survival skills of their culture and language throughout modernization. The many radio stations of the country contribute to the conservation of *Quechua* and *Aymará*, many of which broadcast in native tongues. After 1952 the education system was placed under control of the nation-wide organization of teachers. Pedagogic schools were founded and a job was guaranteed to all graduates. Hopes were high and the teachers promised themselves a better future, as the society expected through schooling. The population backed the teachers movement without questioning quality, means and usefulness of education. Consequently, the teachers union (part of the COB) dominated the education apparatus, in which political and economic independence was more important than solving pedagogical problems (see Chapter 3). After democratization, new prospects for bilingual teaching opened. The government created the *Plan Nacional de Educación* (National Education Plan) integrating the bilingual education of teachers and the participation of indigenous groups in creating curricula (Ströbele-Gregor 1996: 65). A pilot project in the Chaco region encouraged to integrate Guaraní language and was supported by the German technical development organization throughout the early 1990s, involving 50 schools during five years. This positive climate forced Paz Zamora to reform the educational system; the Paz Estenssoro government accepted the plan but never implemented it.

The indigenous, poor and rural people were always at a disadvantage in the Bolivian education system, proven by the large discrepancy between rural⁸⁴ and urban regions and between girls and boys. Rural children are less likely to attend school after primary, children attending public high schools are unlikely to attend university, as they have an autonomous acceptance system which makes them very selective and benefits students from private public high schools (Cordova de Hernichel 2000: 85). The higher educational system does not benefit those it is supposed to: the public (Lizárraga Zamora 2001: 81f).⁸⁵ Families who can afford it, send their children to private schools

⁸⁴ Rural children obtain 3.5 years of schooling; the average urban child receives 10. Only 14 percent of students (851 from 1,000) of rural schools grade fifth grade (primary); only half a percent graduate high school. Girls miss school to help their parents: in Tiraque (Cochabamba), the average girl spends 71 hours fetching water, firewood, guarding cattle and on field work, while boys the same age only help out 36 hours a week (Stadler-Kaulich 2003: 18). Boys have twice the time (6 hours) for homework as girls (3 hours). Illiteracy rates in rural areas reflect this: 28 percent of men are illiterate, compared to 66 percent of women. In 1995 the quitting of school was 70 to 80 percent for girls and 65 to 75 percent for boys in rural areas. In urban areas roughly a third of girls quit school, an estimated 12 to 24 percent of boys. The unequal budget distribution across the different school levels and regions leads to high rates of school quitters. The higher the grade, the less students; 20 percent of all national students complete 12th grade (Lizárraga Zamora 2001: 116, 123). 15.5 percent of urban women have not attended school ever as opposed to 3.8 percent of urban men. In rural areas 23.1 percent of men have no school record, as opposed to half of all rural women. 65 percent of all schools, but 82.5 percent in rural areas offer incomplete primary schooling (less than five years) and 90 percent of rural children do not attend 5th grade (Ströbele-Gregor 1996: 63). Child labour was only abolished in 1990 with the signing of the UN Convention on Children's Rights (OIT 1995: 7). For a detailed report on the organisation of labour in families please see CEPAL (2004) or Grootaert and Narayan (2001: 8-15 and 35 - 46).

⁸⁵ In the 1980s the university market was liberalized. Private upper education and competition between the public and private universities boomed their way from Bolivian reality. Until today there is no curricular standard or measures to create them; and the courses offered are not adapted to Bolivian needs. Only about 10 percent of instructors do academic research; 90 percent of research budgets are appointed to technical and natural science institutes, the remaining 10 are allocated to the humanities

(Ströbele-Gregor 1996: 66). These institutions function as selectors and keep the masses at a disadvantage: “[t]hey are a way to achieve and hold privilege and power” (Cordova de Hernichel 2000: 69). Children from non-Spanish speaking households are at disadvantage as any language other than Spanish is forbidden. The norms and values propagated within the curriculum do not match students’ background. Classicism is evident in the educational system of Bolivia for communist Catoira Marín.⁸⁶

The 1952 Revolution brought a definitional change of the words *indio* (Indian, defines ethnic belonging), *cholo* (person of mixed race from the country, derogatory) and farmer. Landless *colonos* and sharecroppers were re-named *campesinos* with effect of the agrarian reform to underline the structural transformation, which made “these independent producers vulnerable to new forms of domination and exploitation” (Lagos 1994: 159). The word *campesino* stands for peasant. The cultural construction of class and identity are structurally related to ongoing processes of rural differentiation and class formation:

In fact, these different interpretations of social reality are similar to the ‘traditional’ values, institutions, and forms of labor mobilization and exchange used by an emergent class to exploit the peasantry. (Lagos 1994: 131)

The agrarian reform might have eliminated the words *cholo*, *indio* and white (*k’ara*),⁸⁷ but the new terms obscured social reality. Essentially, white skin is linked to urban characteristics, dark skin to rural areas and the peasantry – an inheritance of the colonial times. One’s ethnic identity is influenced by ones home, work and Spanish-speaking skills; “wealth and (...) land ownership do not whiten skin” (Lagos 1994: 155). The word *campesino* is overarching, while the terms *indio*, *cholo* and *k’ara* (*blanco* or white) underline social exclusion (e.g. to differentiate town elite from the village elite) and make ethnicity “yet another cultural form that defines lines of antagonism and alliance” or “effective means for social exclusions” (Lagos 1994: 151, 156). The term *campesino* is contested. Still, the term mobilizes. It overrides class differences. It unites an imagined class (as opposed to an imagined ethnic group) in a common struggle against the state or global forces. Joined, they place themselves within a ‘modern’ discourse and reject “pervasive dominant images that relate the countryside with Indianness” (Lagos 1994: 156). Regional politics shape the intra- and interclass alliances (and opposition), which are based on co-villagers, kin and fictive-kin. Economic exchange kept the peasants reproducing themselves as peasants and the dominant groups in place, e.g. rural merchants. Only wars and other upheavals united peasants and other social groups and raised political consciousness (Lagos 1994: 43, 160): “The history of the campesino movement has been intimately related to the developments in Bolivian national politics since the revolution of 1952” (Lagos 1994: 136). Unity is thus necessary as “[p]easants (...) must both confront the state and dominant groups and simultaneously sustain them. This fundamental structural ambivalence feeds both their dreams and their despair” (Lagos 1994: 161).

Campesinos seldom oppose merchants as a class. The population Lagos studied in Tiraque (Cochabamba) united twice for a common cause: before the 1950 against the *hacendados* and after the revolution to confront the state (by opening an own market, boycotting state markets, blocking roads and demanding better prices on their crops, and cheaper inputs for potatoes) (Lagos 1994: 130, 134). Failure of *campesinos* to make their demands met lies in three factors: (a) the powerlessness of

departments – in sync with a culture which condemns critical thinking and questioning societal structures (see Sections 3.1 and 4.1) (Lizárraga Zamora 2001: 163, 189).

⁸⁶ “In Bolivia, the one who studies does not work, and the one who works cannot study” (Catoira Marín 1994: 61).

⁸⁷ For a detailed description of the distinction between *cholo*, *campesino* and *indio*, please see Lagos 1994: 151 – 156).

the *campesinos* against the state; (b) the *Asociación de Productores de Papa* (Association of Potato Producers, APP) has merchants and wealthy people in its ranks, but also poorer peasants. The APP decided to import fertilizers directly from Japan or Europe to circumvent commercial importing houses. This method required a 25 US-dollar deposit six months in advance, a sum most *campesinos* cannot afford; (c) rural merchants cannot transform their accumulated wealth into capital. They are therefore dependant upon larger capitalist forces and the state to do so (Lagos 1994: 130, 135, 161). Lagos suggests confronting dominant groups of the region instead of the state.

Campesinos as a collective group face many difficulties delivered by the change of political and economic structures. Change in lifestyle after the Land Reform brought new forms of peasant- (and indigenous-) dominance by other social groups (e.g. merchants). Nonetheless, *campesinos* perceive the 1952 revolution and the agrarian reform as having given them basic freedoms and autonomy, despite the changes of lifestyle and dependence on the new merchant the reforms brought, too. *Campesinos* have to intensify production to sell a larger share of their produce or labor and also engage in non-farm activities to keep up with the newly created demands.⁸⁸ During their lives as landless *colonos*, *campesinos* were leased and sold with the haciendas. *Colonos* received 12 lbs. (*un cesto*) of coca per day and traded it for goods. Thus, coca shrubs were sold rather than the land upon which they grew. Many *campesinos* households live their main staple, the potato which is the principal means of market and barter exchange (Lagos 1994: 30, 33, 68, 70, 79).⁸⁹ Cattle is a preferred animal. Herds may be brought to a field in the morning, tied down and picked up at sundown, whereas sheep need surveillance. Pigs and sheep, and cattle overall, are like saving accounts to the *campesinos*. Owning land is a concept foreign to indigenous society. Rather, humans belonged to the earth. The *Pachamama* (mother earth) is still honored with rituals and national holidays (the catholic church integrated indigenous rituals into their catalogue) (Revollo Fernández 2004: 72).⁹⁰ Calculating costs of production or income for *campesino* households is difficult, as many non-commoditized and borrowed factors of production have to be considered.

Inequality is apparent when observing poor *campesinos* buying fertilizers from richer *campesinos* and taking up loans for this purpose – also difficult, as the credit market is well developed in Bolivia, but does not reach all households (Lagos 1994: 82, 83).⁹¹ Since the mid 1970s credit was re-directed to *campesino* households, as that by 1982 *campesinos* received 32 percent of total loan volume. Many transactions result in an untimely delivery of credit as that *campesinos* must deposit land titles at the bank as a guarantee to their loans. Credit was used “as a political instrument or in response to political pressures brought on by the government by individuals and groups, typically medium-sized and large-sized farmers” in the *Oriente* (Lagos 1994: 88). Some times, political considera-

⁸⁸ For a detailed analysis of land ownership in the *Oriente*, please see Choquehuanca Zeballos (2005).

⁸⁹ Harvests are divided by three: 40 percent are sold, and 40 percent go toward own consumption, the remaining 20 percent are planted during the next season.

⁹⁰ For a detailed description of indigenous culture and religion and concepts existent in these, please see Revollo Fernández 2004.

⁹¹ Many sources studied microfinance in Bolivia: Vogelsang cites Bolivia as one of the most developed and competitive microfinance markets, which setting trend for the future (2001/2002: 47). In the case of the examined *Caja de Los Andes*, 54 percent of lenders were women but only 12 percent of loans went out for agricultural business. Navajas et. al. cite borrowers to be near the poverty line (“the richest of the poor”) and that urban poor are more likely to borrow than rural as they are more credit-worthy (2000: 333, 344). In his study on the effectiveness on micro finance in Bolivia and Bangladesh Schreiner admits that microfinance cannot end poverty, but that it helps the poor more than other ways (1998: 12). Ortega Comucio adds that for “liberal economic reforms to survive and thrive, macroeconomic solutions are not enough; they must to be accompanied by active public policies aiming at bringing social balances which, if neglected as the Bolivian case, may generate profound effects in political stability and democratic rule” (2005: 29).

tions would prohibit banks to press for repayment and state-financed loans were often diverted either to speculation or the processing of cocaine paste (Ladman et. al. 1979 in Lagos 1994). The uneven allocation of resources in Bolivia by the state contributed to the new allocation of wealth. Both the agrarian and cocaine industry rely on *campesino* households for the supply of a cheap and seasonal work force. *Campesino* households rely on these employment opportunities as well, despite intensifying their production in recent years and participating in the market as sellers and consumers. Increased participation by the *campesinos* in the market led to a devaluation of *campesino*-produced goods in comparison to industrial commodities. For instance, between 1973 and 1977 the prices of agricultural products increased by 300 percent; the price of industrial products increased by 500 percent. Between 1979 and 1984 the price of potatoes increased by 186 percent, but prices for agricultural inputs increased by 431 percent (Lagos 1994: 66, 67). As Lagos writes: “[s]ome (...) know the intimate connection between the state and the world economy. As one *campesino* leader who lived in a hinterland village put it: ‘Our exploiter is the International Monetary Fund’” (1994: 161).

Recalling the IMF and our linear concept of time and development, it is interesting to note that those of the Bolivia’s indigenous population is different. The indigenous believe that their gods accompany them throughout their every-day life, handing out praise and punishment whenever it is suitable and immediately and find themselves in constant dialogue with their gods. Whereas in Christianity true belief is most important, the Andean religion believes in the right action, which keeps or restores harmony and balance and is based upon taking and giving. Individuals are viewed as ‘good’ when their actions keep societal structures that secure survival (Stadler-Kaulich 2003: 21).⁹² Reciprocity is still institutionalized by the peasant organization and is a part of law, in order to compensate for the so-called *Ayllu*⁹³ which was lost to the Revolution. Reciprocity was also in interest of the LPP. Now known as the *OTB*, this institution requires the attendance of every (male) family head. Women meet in the so-called *Club de Madres* (Mothers Club) or other women’s associations. The reforms of the 1980s and the PGDES granted indigenous rights for the first time but also created problems. Indigenous and municipalities entered conflicts on jurisdictions (Pacheco 2003: 24). Farmers and development organizations act according to their own logic (Zoomers 1999: 3).⁹⁴

Similarly to the deeply engrained idea of reciprocity, Quechua culture also has a different concept of learning: watching until knowing. Most of the rural population informs itself through radio, which has served as an important instrument for conserving the many languages of *Quechua* and *Aymará* as well being proud of their cultural identity and traditions as Stadler-Kaulich finds in her study during the years 2000 and 2002 (2003: 10, 29, 47).⁹⁵ *Quechua* understanding of development is also different.

⁹² Andean religion emphasizes the reciprocity between nature and humans and between members of society. Those who make profit organize feasts for the entire community (which were prior to assure that no one got too rich). There are many versions of reciprocity in *Quechua*: *Ayni* (we work my field today, we work your field tomorrow), *Minka* (all families help build a social infrastructure; e.g. a school), *Humarqa* (paying people for helping with food); *Tumo* (unpaid community service gaining someone social recognition), *Pasante de fiesta* (taking over monetary and non-monetary responsibility for a party); *siembra de compania* (sharing profit: A gives land and fertilizers, B gives seeds) (Stadler-Kaulich 2003: 24).

⁹³ A pre-Inca structure which defined a person’s social and blood belonging either through being a relative by blood or by being a godparent (the number of godparents a person had in their life increased with age and the stages passed in life). The more godchildren an individual had, the higher his or her prestige.

⁹⁴ For suggestions as to how this situation can be improved, please see Zoomers 1999.

⁹⁵ An estimated 1,157 radio stations function across Bolivia, 460 stations are officially registered. There are different types of radio stations: state-owned, commercial, union-stations, religious, peasant, institutional (university- or community-owned) and educational (formal and non-formal content, local and regional and national news programmes). Many of the estimated over 1,000 radio-stations function on a small scale. They are frequently upheld by one person who earns money by broadcasting greetings (in areas without telephones) and advertisements. The radio programmes are adapted to the indigenous concept of

They see it as an opening and expanding of the past, where the only change is context. Time is not a linear process with a beginning and an end, it is spiral in which the future is a repetition and expansion of cycles and rhythms. Within this spiral, development is a movement from center to periphery. When an obstacle is hit, the movement (or development) returns to its point of origin (by folding back together) where it imbibes sources and knowledge which proved successful in the past. When the solution is found and adapted development can continue with renewed potential and unfolds again (Stadler-Kaulich 2003: 31f). Consequently, the western notion of development and its implementation vary significantly from the Andean indigenous concepts. This factor is ignored in western development aid, particularly when selecting people for participation in projects. Only participants in these projects benefit and western development officials blame the lack of education of the population on the failure of their programs. In fact, as Stadler-Kaulich points out, the rural population has great agricultural knowledge, hailing from the climatic and geographic context. Many regions specialize on one crop rather than planting many, as certain plants guarantee their survival (e.g. resistance to frost or drought). The indigenous believe that high profit from the *Pachamama* can only be received after ritual thankfulness rather than hard work. Western development aid contributes to the schism between poor and rich, powerful and powerless, contrary to the interests of the indigenous people who seek a better livelihood for all. Sustainable development can not function for the rural population, as there is a communication problem when these conditions are not taken into consideration. For example, a pro-boiling water campaign in rural areas failed, because water will most likely not be boiled before consumption. Those responsible for preparing the food (mostly females) lack time and resources to doing so (Stadler-Kaulich 2003: 35, 183). Also western development aid is very uncoordinated (regardless of their affiliation to the state, a private or religious initiative):

[T]hey compete among themselves to establish spheres of influence in the region in order to capture campesino support, votes, or, as one campesino put it, 'to justify their salaries and funding which they receive in the name of the campesinos.' (Lagos 1994: 141)

Andersen suggests encouraging rural to urban migration within Bolivia to solve the country's problems. "[I]t is much cheaper for the government to provide good quality schooling when students are gathered in urban centers with economies of scale" (Andersen 2001: 17). Yes, Andersen consents his idea "sound[s] anti-poor"⁹⁶, but is also legitimate. He expanded it in 2002 and suggested boarding schools to prevent 'bad' migration. According to him, rural-urban migration is not a problem in Bolivia (2002: 14f). Migration has been a 'solution' for many Bolivians for a long time. About 1,000 people leave Bolivia every day (20,000 a month; 140,000 p.a.). Some of the migrating women or children become prostitutes seeking "economic benefits" elsewhere (Plaza 2005).

Andersen is correct in assuming that life in the cities is more prosperous than in rural areas. The 1992 census revealed that poverty in urban areas sank from 65 percent in 1976 to 51 percent in 1992. Poverty in rural areas sank from 98 to 94 percent during the same time (Arze Vargas 2000: 5f; Von Gleich 1998: 23-34).⁹⁷ Seventy percent of illiterate live in rural areas, only 30 percent in the cities (Lizárraga Zamora 2001: 115). 86 percent of the urban population have access to drinking water, as

time and development, but are also popular, because they speak in their mother tongues (when Spanish is the second language) (Stadler-Kaulich 2003: 48, 49, 101; 131).

⁹⁶ "Although it sounds harsh and anti-poor, it would probably be most efficient to spend relatively little in rural areas and concentrate on providing good facilities (water, electricity, sanitation, health service, and education) for newly arrived migrants in towns and cities. This will encourage in exodus from poor rural areas, which will benefit both those who leave and those who stay and consolidate" (Andersen 2001: 21).

⁹⁷ For more detailed figures please see Arze Vargas (2000).

opposed to a mere 32 percent of the rural population. The distribution of sanitary institutions is similar (74 percent have access in urban, only 37 in the rural areas). 94 percent of the rural population are considered poor and unable to satisfy their basic needs, which is why rural families migrate to urban areas, especially after bad harvests or to send their male family heads away for work. The families remain in the rural areas. Bolivia is a young society, with 40 percent of the population being below 15 years of age. Overall average life expectancy is 63 years for women and 60 years for men; the average rates in the rural areas lie below average. The distribution of poverty also shows the racism in Bolivia: about 4.1 million people of indigenous live in rural areas, over a half of them belong to *Quechua* culture (Stadler-Kaulich 2003: 15f). Neoliberal policies bring problems to the indigenous as they stand in contrast to *campesino* lifestyle. As the vice president of the Central for Indigenous of the *Oriente*, Vicente Passoa, points out, the disappearing of flora and fauna and violation of basic human rights on a national and international level contribute to indigenous distress (Pessoa 2, 5). Indigenous culture, technology, knowledge and religion are not legitimate and discriminated as a consequence (Pessoa 6). Grootaert and Narayan admit a great overlapping of those poor and those indigenous (2001: 8). US AID points out, the eastern part of Bolivia was mostly unaffected by 1980s and 1990s reforms (2005: 7). The PGDES (particularly capitalization of state companies) benefited from the inequality in the country, particularly from the unequal distribution of land, xenophobia and racism.

The LPP was to alter the deficits in rural areas and strengthen communities functionally and financially. Obviously they cannot fix the errors of the past immediately. A new LRE should include respect for cultural diversity, better schooling for the teachers (multicultural sensitivity, up-to-date curricula) and a fairer distribution of the budget across the educational levels. It is in part the lack of support by the elite that makes improvement of the educational system fail. They do not care for this topic; a change of the educational system within the next two decades is thus not realistic (Lizárraga Zamora 2001: 116, 120). Similar things can be said about the structural reforms which Bolivia conducted during the 1980s (as outlined in Section 3.2): many failed as they did not alter the contribution/concern by the elite. The majority of Bolivians did not profit from the neoliberal policies. Rather, as Cox predicted (see Section 2.1.4), they saw a deterioration of their livelihoods, still not having employment or income (read: purchasing power) others enjoy (1981: 113). Most Bolivians are marginalized from the global economy. International capitalism is yet to prevent this poverty to fuel revolt if it wants to maintain hegemony. This is why the population of El Alto received much say in recent political decisions: they are close enough to the country's capital, but a city of marginalized people (migrated poor, rural and indigenous), condensed on one spot voicing their opinion on government decisions (see Section 3.1), but separating ways on other matters.

4.3 Access to the sea and its role in Bolivian foreign relations

The issue unlimited access to the sea, reaches back to the colonial period, when both Chile and Bolivia were not geographically defined (Neumann 1997: 75).⁹⁸ The topic is important to Bolivian

⁹⁸ Until today is not certain whether Bolivia or Chile ended or began at the 25 or 27th degree of latitude. There were several border treaties in 1866, 1872 and 1874 attempting to define the exact borders, which did not settle the question of the ownership. A tariff war over nitre exports followed, which affected British investors. By 1874 the treaties speak of a Chilean colony in the Atacama desert. Bolivia owned this territory, but the industry, mines and trade in the area were Chilean (Neumann 1997: 84f, 89, 93, 96f). Chile accused Bolivia of breaking the 1874 treaty and announced it felt no longer bound to the agreements, leading to war (Neumann 1997: 97). Chile invaded Antofagasta on 14 February 1789 (*Grupo de Estudios Históricos* 2002: 447). Bolivia declared war on Chile in March 1879, involving Peru, because of a solidarity treaty between both countries, Chile declared war in April. In March 1880 Bolivia was beaten, Peru in January 1881. The peace talks of 1883, which were encouraged

foreign relations and is mentioned in every campaign of any politician to day, as Bolivia lost more than half of its original territory in this conflict and the Chaco War (Pacheco 2003: 10). Territory tying Bolivia to the Pacific Ocean was lost to Chile in 1883 (final treaty is dated 1904) during a war that ended a 50-year dispute between Chile and Bolivia, which was motivated by Anglo-Chilean interests (see Footnote 97) and since then Bolivia has been a landlocked nation (*Grupo de Estudios Históricos* 2002: 448; 644).

The conditions of Bolivia's access to the sea are the most favorable of all landlocked nations. Nonetheless, the country (and its Latin American allies, who seek own profit) still wants its own exit to the sea (Neumann 1997: 115, 123). This is feasible, given that landlocked countries are at a disadvantage as they are isolated from world markets. On average, transportation costs of landlocked nations make up 2.7 percent of GDP (Neumann 1997: 37): „[A]ll but four of the twenty land-locked developing countries are on the list of countries by the UN as the least developed" (UN/Doc.TD/191, S. 200 06.01.1976 in Neumann 1997: 36) and half of landlocked states are least developed countries (LDCs). In interest of free trade, the UN Convention of the Sea secures unlimited access to ports (which do not have to be owned by the landlocked country) and free transit right on way to the sea. Geographic disadvantages of Bolivia (and the poor infrastructure within the country) create dependency on Chilean and Peruvian exits to the sea (e.g. Ilo in Peru, to which Bolivia has a guaranteed transit right since 1992), as they are closest. Transit through other neighboring countries is not an option due to distance (Neumann 1997: 118, 158).

Bolivia and Chile had problematic political relations since the 1970s, and completely interrupted them from 1978 until 2006. Chilean officials attended Morales inauguration ceremonies, and Morales visited Michelle Bachelet's inauguration as president later in the year. Despite diplomatic silence, Bolivia remained an important consumer market for Chilean products. Bolivia was also granted the best of options under international law, as opposed to Chad (which uses various means of transport before goods arrive at sea) and Nepal (India only lifted tariffs in 1970; Nepal depends on short bilateral accords granting it transportation rights to the sea) (Neumann 1997: 41, 163, 165, 167). Chile asks for no tariffs and the only reasonable complaint by Bolivia, according to Neumann, is that it may not chose the contractors within foreign ports, thus lacking cost control mechanisms. Bolivia wants the international community to pressure Chile into overturning a part of the lost territory to Bolivia. This is unlikely as Peru still has say in the matter (Neumann 1997: 126, 158, 222, 217). The issue of access to the sea is not only one of national pride or historic or simply political, but one of economic relevance.

4.4 Coca and Cocaine

The coca leaf has been a cultural good since the Inca Empire, important to lifestyle and religious rituals, before it turned into a trade product and cash-substitute during prior to the revolution. The coca leaf and growing coca (not cocaine, as will be explained) is illegal under the 1961 UN Single Convention on Narcotic Drugs. Nonetheless, the chewing of coca or drinking its tea, both popular in the An-

by the U.S., failed. The next peace talks ended with a truce in April 1884, resulting a loss of 153,000 km² for Bolivia, including the ports Antofagasta, Cobija, Mejillones and Tocopilla and other economic resources the Bolivian economy was dependant on. Chile then received a 25 percent administrative fee on imported products with a Bolivian destiny arrived through Arica and a 30 percent war-compensation fee, further deteriorating the Bolivian economy (Neumann 1997: 97, 99, 100, 102). After the Pacific War, Bolivian mines were rehabilitated by Chilean and British capital and the mining industry grew spectacularly and benefited the three tin barons (Lagos 1994: 24).

dean culture, do not produce a 'high' or an addiction. Coca had an integrative function for the indigenous society, but also benefited the societal disintegration of the Bolivian indigenous and served "as a medium of cultural identification and as an expression of rebellion against Hispanic culture" (Stadler-Kaulich 2003: 16; *Mujeres Marchistas* et. al. 1996: 3). Cocaine became known in the US in the early 1900s, the beverage 'Coca Cola' received its name from the drug (*Mujeres Marchistas* et. al. 1996: 4). Politically, the issue of coca and cocaine is relevant since the 1970s, when the US implemented their first strict anti-drug policy in Latin America, tying the eradication-progress to development aid (of own and IFIs) and included sanctions based on yearly progress (Birle 1996: 22). The state's policy on coca and cocaine varied throughout history. For example, dictator García Meza explicitly encouraged cocaine production due to its overall economic profit (Gebhardt 2002: 16). Since 1982 no government conceived an effective national drug policy. US anti-drug policy has automatically been the Bolivian, too. Current Bolivian president, Evo Morales, is a coca grower and is leader of the Five Federations of the Cochabamba Tropic (where 83 percent of illegal coca is grown) (US AID 2005: 6).⁹⁹ Morales' position brought a new slant into the national and international debate on the coca leaf, particularly industrialization (the promotion of coca-based goods, such as toothpaste, wine, ointments and, of course, tea).

The 'popularity' of the coca/cocaine issue is explained easily. Bolivia grows a third of coca shrubs in Latin America and its economy is heavily dependant upon this crop for stability: in 1987 drug trade made up 24 percent of statistically recorded GDP (Shams 1992: 4, 7).¹⁰⁰ Coca is grown in two areas of Bolivia: *Los Yungas* and the *Chapare*, which produces all of Bolivian coca shrubs, not only by small farmers, but also in large farms owned by absent landlords (Shams 1992: 18).¹⁰¹ According to the Drug Enforcement Administration of the U.S. Department of justice, Bolivia produced 197 tons of coca base in 1993 (U.S. Department of Justice 1994 in SEAMOS 1994: 131). From the 7.2 million people in Bolivia, an estimated 142.000 work in the coca/cocaine sector; including families, about 457.000 people depend on the business for survival (Shams 1992: 17). Coca growing is not a 'male', but a family business. Involvement numbers vary: Birle speaks of ten percent of all Bolivians depending on the sector, whereas Kohl and Farthing speak of 35,000 (Shams 1996: 21; Kohl and Farthing 2001: 35-41 in Gebhardt 2002: 22). The cocaine business has to be regarded two perspectives. While consumption of cocaine is highly addictive and has hazardous consequences on the consumers, like any other drug, growing coca and cocaine production is also a means of putting food on the table for others, who have no alternative.

Profit from cocaine accumulates to an estimated 500 to 726 million US-dollars p.a. (a 1995 estimate claims 330 to 900 million US-dollars in Birle (1996)) and stands opposite 830 million US-dollars legal export income. About a half to a third of the illegal profit is spent in the country; most on construction and services, particularly small urban business (especially in Santa Cruz) and to a lesser extent on the agrarian sector (cattle, cotton or sugar plantations). An estimated 300 to 700 million US-dollars

⁹⁹ For detailed quotes and opinions on the Five Federations of the Cochabamba Tropic please see *Mujeres Marchistas* (1996).

¹⁰⁰ Kohl cites figures to account as much as half of formal economy (2006: 56).

¹⁰¹ *El Chapare* and *Los Yungas* differ from one another. Whereas the *Chapare* is assumed to produce 2.7 metric tons of coca leaves per hectare in 1993 (four harvests p.a.), *Los Yungas* only produces 1.8 metric tons per hectare (three to four harvests p.a.) (U.S. Department of Justice 1994: 132). Coca leaves from *Los Yungas* have a higher alkaloid level (.85 percent) than those from the *Chapare* (.72 percent). The plants in *El Chapare* are two years older than those in *Los Yungas*, whose average age is 6.4 years. 97 percent of plants in *Chapare* are alive, whereas in *Los Yungas* it's 99 percent. *Los Yungas* has a higher density of plants per hectare (165,690) than the *Chapare* (26,971). The Plants in *Los Yungas* are half as large as those in *El Chapare* (U.S. Department of Justice 1994 in SEAMOS 1994: 139).

from cocaine profit stay in Bolivia. This money supports the national economy, some of it re-enters the country as luxury goods (e.g. personal computers and cars) and an estimated 300,000 jobs in the formal sector owe their existence to drug trade. The national economy would collapse if all drug money were taken out. As Krempin (1990) outlines, the 1980s SAP relied on the illegal business to function. The coca industry pulls workers from legal jobs (miners, farmers, urban unemployed) and into the informal sector (Shams 1992: 8-12). These numbers are estimates, not even the government has reliable information on the topic (Laserna 1997: 210).

The illegal sector secures rural families a standard of living (securing basic needs) they could otherwise not maintain. An estimated 86 percent of *Chapare* residents (growers and their families) are involved in coca growing, pushing away legal business; a statement Laserna contradicts (1997: 79; 119). He claims that both coca and food crop growing increased with the rise of population in the area due to migration. Furthermore, those involved in drug trafficking and cocaine production enter the illegal economy by coincidence or on an irregular basis and opt out as soon as they find a legal income basis (retail commerce, public transportation) (Laserna 1997: 113). *Los Yungas* and *El Chapare* are not the only areas who profited from drug trade. The urban centers, especially Santa Cruz, benefited from the construction boom. Approximately 50,000 (or more) families commute regularly between urban and rural areas due to their involvement in the cocaine business. Wealth distribution within the coca and cocaine sector is unequal. Drug traffickers earn most. It is estimated that 35 percent of upper class (former large landowners) and upper middle class families (industrials, import and export firms) who hold posts in politics, the military and state bureaucracy, benefit from the trade. The effects of cocaine production are hazardous to the environment. Kerosene, carbonate, sulfur, ammonia, permanganate and chloride acid are used to make cocaine base and paste and destroy the habitat of the unique Bolivian flora and fauna (Shams 1992: 19, 22). Some *Chapare* rivers carry no more fish. There is no scientific evidence whether damage is caused by coca shrubs, but it is said the plant is undemanding of the soil and its harvester (Laserna 1997: 104). Cutting large portions of the rain forest to make coca plantations for newly arrived migrants does cause damage (Shams 1992: 20). Within Bolivia, coca leaves undergo three phases (processing into coca paste, then coca base, finally cocaine). Either coca base or cocaine are exported, mostly through Columbia (Shams 1995: 5). One kg. of cocaine (worth 20,000 to 40,000 US-dollars) requires 1.25 kg of coca base, which is extracted from 2 kg. of coca paste. One kg. of coca paste requires 96 kg. of coca leaves (Shams 1992: 26).¹⁰²

Since the 1970s the US pressured Bolivia into adopting an anti-drug program of their own interests (Krempin 1990: 25; Laserna 1997: 163). In 1988 Law 1008 compromised US-will and those of local coca growers. The law was phrased vaguely and included geographic specifications, as it aimed to end coca growing outside of *Los Yungas* (12.000 hectare) and addressing the illegal plantations in *El Chapare* (80 percent of 30.000 hectare are illegal) (Birle 1996: 22). Income from cocaine is estimated between 2 and 4 billion US-dollars p.a.; surpassing all legal income of 542 million p.a.. Only ten percent of the 120,000 acres of coca leaves harvested p.a. are for traditional consumption (Krempin 1990: 23). Anti-drug policies of the Bolivian government were specified in the Trienal Plan, a program worth 300 million US-dollars and based on three pillars: prohibition, alternatives and prevention

¹⁰² The U.S. Department of Justice claims 390 kg of coca make 1 kg of cocaine base (SEAMOS 1994: 132).

(Shams 1992: 35; Arrueta Rodriguez 1994: 58). The Plan limited the impact of socio-economic effects due to the eradication and protect Bolivia and the international community from the social, political, economic and moral effects of drug-trafficking (Arrueta Rodriguez 1994: 58). It was to be implemented in Cochabamba and *Los Yungas*, eradicating 35,000 hectare during the first and 15,000 hectare in its second area. Losses were to be compensated with 2,000 US-dollars per hectare (a total of 100 million US-dollars were designated to this part of the program) (Arrueta Rodriguez 1994: 61).¹⁰³ The Trienal Plan failed as no alternatives to coca growing were found. No occupation or crop brings the same amount of 'wealth' – the securing of basic needs (Shams 1992: 36):

coca producing farmers still count to the very poor, the uncertainty of [coca] keeps them from taking advantage of the boom to improve their life and work conditions on a medium and long term basis. (1997: 125)

The government consented to eradicate 5,000 hectare p.a. (Arrueta Rodriguez 1994: 62f, 69). Two paramilitary groups which were created with financial, personal and ideological assistance from the US (read: the Drug Enforcement Administration (DEA) and secret information service) assisted eradication: the *Fuerza Especial de Lucha contra el Narcotráfico* (Special Force In the Fight Against Drug-Trafficking, FELCN) and the *Unidades Móviles de Patrullaje Rural* (Mobile Units for Rural Patrolling, UMOPAR). Both groups were criticized for violating human rights (Laserna 1997: 134; 154). 10 million US-dollars were handed over for eradicated coca plantations; but many new illegal plantations were grown. Morales labeled these efforts as an "eradication of humans" (Morales in *Mujeres Marchistas et. al.* 1996: 5f).

The *Plan Integral de Desarrollo y Sustitución* (Comprehensive Plan for Development and Substitution, PIDYS), under a national council of five Bolivian ministers (foreign relations, interior, migration and justice, national defense, planning and coordination and peasant and agrarian issues) accompanied the Trienal plan. PIDYS wanted to change the agrarian structure, compensating the loss of harvest and fund health and education programs. The police and military cooperated in the eradication process (Arrueta Rodriguez 1994: 63f). In June 1986 150 US-soldiers helped the "leopards" (UMOPAR), by 1987 they were 350. Many saw this as an attempt to create a strategic point of defense (Krempin 1990: 25). The coca growers criticized the lack of measures implemented against cocaine-consuming in consumer-countries (especially the US). In March 1994 US Ambassador Richard Bowers blamed the coca growers for the death of thousands of US citizens and said they should accept total eradication. A year later Republican Congressional Representative of Indiana Burton suggested invading Bolivia to bombard the coca growers (Bowers 1994 and Burton 1995 in *Mujeres Marchistas et. al.* 1996: 8). Coca growers see themselves as political prisoners (*Mujeres Marchistas* 1996: 45, 56, 72). *Cocaleros* should be included in the economic development model, if eradication is to be successful (Arrueta Rodriguez 1994: 19–25).

Coca growers groups are loosely organized (in the CSUTCB) since the 1930s and by an organic (not conscious) solidarity. Coca growers, a new class of *campesinos*, want to the industrialization of coca and threatened to confront eradication with force. Within coca grower organizations, all participants may voice their opinions, listen to those of others and shape the position of the organization toward the state; the organizations also resolves conflicts on an interpersonal and institutional

¹⁰³ One of the four sub programmes of the Trienal plan gave 150 million US-dollars for the cultivation of alternative crops, regional development. Encouraging migration of peasants to the high valleys received 40 million US-dollars. The education of Bolivians on problems with drug consumption costs 10 million US-dollars.

level.¹⁰⁴ The syndicates determine the size of lots, wages and help to sell harvests and talk about how to deal with the violence all growers confront (Arrueta Rodriguez 1994: 28f, 32-35, 51, 55, 75-77). In December 1986 coca growers of the *Chapare* and *Carrasco* (Cochabamba) labeled the Trienal Plan as imperialist, anti-peasant and reported threats against them and their families. Coca growers did not want to comply with voluntary eradication until real alternatives were found. Human rights groups, the COB, syndic federations and others supported this opinion (Arrueta Rodriguez 1994: 78-80, 92).

On 25 May 1987, *campesinos* blocked a road and the *Parotani* bridge to protest the government and the Trienal plan. UMOPAR and the Bolivian army tried to unblock the road and disperse protests, arresting 570 peasants and killing 3. Negotiations between the *Cocaleros* and the armed forces failed and the state accused the *campesinos* favoring drug-trafficking and that this was the motive for protesting (Arrueta Rodriguez 1994: 83). The *campesinos* consented to Law 1008 by mediation from the church and the COB and declared 20 September the National Day of the Coca Plant to continue to voice their protest. An investigation sought to explore the initiator of the fights of 25 May 1987; the peasants or UMOPAR. Opposition to Law 1008 and the Trienal plan continued throughout 1989. When Paz Zamora took the presidency coca growers formulated 10 questions on the national anti-coca policy in August. They questioned US-involvement (which they labeled as an "assassination to state sovereignty") and asked for realistic alternatives. Protests intensified from February 1987 to November 1989 and then declined (Arrueta Rodriguez 1994: 97, 99f; Shams 1992: 53, 99). The Trienal Plan distinguished between traditional, superfluous and illegal production (Shams 1992: 65) and is a prime example of US-involvement in Bolivia. It also revealed how poorly civil society (and human rights) is protected by the state: eradication related denunciations of sexual assault, rape and torture were not followed up (Arrueta Rodriguez 1994: 110; *Mujeres Marchistas* et. al. 1996: 18-20). All measures against *Cocaleros* decline their quality of life. Cocaine prices rose in reaction to the repressive measures (probably earning someone, somewhere more profit than before). In February 1990, the presidents of Bolivia, Columbia, Peru and the US met in Cartagena (Columbia), to specify anti-drug policies, particularly the use of military (in Bolivia's the area is two and a half times the size of Germany). A follow-up meeting to evaluate the summit of Cartagena in April 1991 criticized the repressive military measures and the lack of economic alternatives for *Cocaleros* on an international level.

A new era of eradication, envisioned to hit the country like a shock, began with the first Goni presidency. Called *Opción Cero* (The Option of Zero), the program aimed at short-term results. It wanted to avoid problems related to eradication by turning the *Chapare* into a national park. The program sought to create new production zones for other goods and construct basic infrastructure to assist this effort. The program is a result of talks between the COB, the armed forces, the church, the *Federación de Cocaleros del Chapare* and others, and includes promises to decriminalize the coca leaf internationally (SEAMOS 1994: 103-107, 110).¹⁰⁵ Morales was concerned about *Opción Cero* because it disrespected *Cocaleros* and all Bolivians, as compensation and alternatives to coca growing do not exist (SEAMOS 1994: 34, *Mujeres Marchistas* 1996: 23f). He claimed the government

¹⁰⁴ Members are elected into different areas of expertise: general secretary, secretaries of conflicts, of relationships, of records, of sports, of press and advertising, of education, of justice, of residence and delegates representing the mass at the directive table. Some *Cocaleros* are affiliated to political parties. Solutions to economic and political matters need to be found on a national level (Arrueta Rodriguez 1994: 36, 44, 47, 54).

¹⁰⁵ For a detailed description of the programme, please see SEAMOS 1994: 89 - 99.

wanted to expel *campesinos* from *El Chapare* so that it could create space for private companies, a “hitlerist” idea. Also, there was no consensus between the government, the COB or civil society on *Opción Cero*. The struggle, said Morales, is about neoliberalism, which insufficiently solves Bolivia’s problems. Morales accused the US of double standards in their anti-drug war, which is as a fraud and a way to blackmail the third world. He said there is no such thing as alternative development as long as European milk is cheaper than Bolivian milk. Neoliberalism and the US are the root of the problem, which is why coca growers demand an alternative development plan. Future-president Carlos Mesa condemned contradictory behavior by Bolivians, who support the anti-drug fight, but also the issues of the coca farmers. Mesa consented *Opción Cero* to be bound to fail and admitted that the interests of industrialized states are seen as more important Bolivia’s, who has to solve both production and consumption problems (Mesa 1994 in SEAMOS 1994: 36f, 65, 55, 57). Until no alternatives for *Cocaleros* exist, the coca and cocaine issue will be a matter of inner and outer politics. Legalizing coca internationally, would better coca growers’ livelihoods and hurt drug trafficking (Laserna 1997: 143, 172, 184). Goni criticized the US and other industrialized nations for not contributing to anti-drug efforts, particularly when the international community does not open their markets to Bolivian products which could be grown instead of coca.

A satisfactory solution to the coca/cocaine issue will not be found, alike an efficient education reform or more social mobility within Bolivia will not exist, if the elite does not make these problems of concern to them. Of course, these problems contribute to elite wealth and power. Cox not only said that hegemonies and societies can be explained on a historic level, but that the context in which discourse takes place should be considered. This was done in the preceding sections, which not only addressed political culture but also outlined how complicated Bolivian foreign relations are. Hopefully, this chapter created an understanding as to why Morales is dreaded by the elite and why the fact that the MAS currently govern the country cannot be interpreted as a change of neoliberal consensus. As promised, proof or rejection of this hypothesis will be revealed by the newspaper analysis in Chapter 5.

5 Newspaper Analysis

By Latin American standards, Bolivia's press liberty is generous. The mass media, which employs about 800 journalists, enjoys a high degree of estimation by the population. This stands in contrast to a low opinion about state institutions. Most Bolivians believe the press acts in their interest (Gebhardt 2002: 12, 24). Particularly, the radio is an important means of communication; statistics show there is one radio for every two people (Stadler-Kaulich 2002: 44). The print press and television are common in urban areas, whereas radios concentrate in rural areas. There are two types of media in Bolivia: state-owned (*Televisión de Bolivia*, TVB) and private (non-commercial and rural). Private and rural media have a higher influence, because of their greater availability, and because they are easy to maintain (Gebhardt 2002: 119f).¹⁰⁶ In rural areas church-owned media exert more influence, such as the *Cadena Fides* (Fides Chain) or the *Red ERBOL* (*Educación Radiofónica de Bolivia*, Education of Bolivia by Radio, ERBOL Network). Outside influence on the media landscape is also present in the form of the Prisa Group (owner of the Spanish newspaper *El País*), which owns *La Razón* and the TV-chain ATB. According to Gebhardt there are no reliable data on the distribution of the media (particularly newspapers) in Bolivia. Before 1985, four families owned all newspapers and competed for readers and advertising (Gebhardt 2002: 84). One of these was the Canelas family, now *Grupo Líder* (Leader's Group) to which *La Prensa* (labeled as the most influential paper in Bolivia, distribution of 7,000), *El Deber* (daily with the highest distribution 20,000), *Los Tiempos* (daily, distribution of 12,000), *Ahora el País* (1,500), *Correo del Sur* (1,500), *Extra* (100,000), *Gente* (100,000) (the two latter are yellow press dailies) and PAT (Carlos Mesa's TV station) belong (Gebhardt 2002: 58, 87, 89).¹⁰⁷ There is only one independent newspaper in Bolivia: *El Juguete Rabioso*, which is analyzed in this chapter. Sergio Cáceres, one of the editors of *El Juguete Rabioso* (EJR), cites the average newspaper to have a distribution of 2,500, whereas EJR reaches a distribution of 10,000.

Journalists have a difficult life, earning 200 US-dollars a month on average for 44 to 57 working hours a week. Average income lies at 275 US-dollars (in 1996) (F.A.Z. et al. 1999: 192), whereas a family of four needs 350 US-dollars to cover basic needs. Particularly the radio sector is a difficult field for journalists. Often journalists rent hours from radio stations and pay rent and their wages from the acquired advertisements. Depending on their employer, some journalists (at the large newspapers in La Paz) can earn up to 2,000 US-dollars a month.

The media played different roles in each historical era of Bolivian history, but have always been subject to manipulation by the state. For example, the MNR was traditionally a journalist party, believing in freedom of the press, whereas this right was non-existent during the dictatorships. Bánzer would invite journalists to his office just to hit them in the face. García Meza bombarded radio stations with the air force (Viscarra Pando 1984: 17-20 in Gebhardt 2002: 12, 15). Later, other governments used the press as means to manipulate or desinform the population, e.g. in the case of the Water War 2000.

In an analysis of Cochabamba newspapers, Gebhardt points out that most reporting is slanted for several reasons: the working conditions of the reporter and the situation of press in general, corrup-

¹⁰⁶ Most of the time these radios are run by one person, who earns money by sending out greetings or messages in areas where phones are scarce.

¹⁰⁷ *El Alteño* (El Alto), *Nuevo Sur* (Tarija), *El Norte* (Montero), *La Voz* (Cochabamba), *Canal 52* (Santa Cruz), *Radio Nuevo Milenio* (Santa Cruz) and *Radio Mundial* (Montero) belong to the Grupo Líder (Monasterios 2006a).

tion, routine and values. Interestingly, political affiliation does not count in Gebhardt's study. He cites newspapers to have no political affiliation, but if they do, they are likely to be conservative (Gebhardt 2002: 46f; 70). As mentioned previously, newspapers are easier found in urban than in rural areas. Congruently, the reporters' research is more comfortable and cheaper in cities than in the periphery, where journalists have to travel to. During the Water War in 2000, the print press sector was suffering financial losses and owed most of the workers three months worth of back wages. Thus, journalists continued to work, but kept research costs (phone and transportation), and working time, low. This attitude was benefited by the perception of journalists that this was a rural rather than an urban topic and that it did not affect them. These two factors may explain why none of the journalists in Gebhardt's study quoted the IFIs, even though the issue surrounded their policies (2002: 73). Reporting merely focused on higher water prices but did not connect the increases to the damages the region would suffer as a consequence. Privatization was carried through covertly and the press only received parts of the *Aguas del Tunari* contract upon popular pressure, which they then had difficulty deciphering (Gebhardt 2002: 73). Another important factor in reporting is the understanding and speaking of *Quechua*. Four of 13 journalists in the study spoke *Quechua* and cited this skill to benefit research and enable the passing road blockades during the Neoliberal Wars (Gebhardt 2002: 73f).

Even though Bolivia has a wide array of press to choose from, writing in the individual papers is often the same. Particularly since Palenque's death in 1997, sensation-laden reporting is popular as the disproportional high numbers of distribution of *Gente* and *Extra* show (Gebhardt 2002: 47f, 65, 76). The similarity of the writing is easily explained by two factors. For one, public institutions and journalists have acquired a kind of cycle in which information is distributed and written about. The average working day begins at 9 a.m., when journalists gather at a *Plaza* (city square) in Cochabamba and divide appointments among themselves, sending at least one person to each press conference. Journalists of different newspapers, who are friends, routinely meet up again after these conferences have taken place and exchange notes so that each profits from the information of another (Gebhardt 2002: 76). Due to this cycle, certain times of the week are busy and show a different type of reporting than others (e.g. the Sunday and Monday editions are prepared during the working week). The governments know this and can accordingly decide for when certain action should be carried through, depending how much coverage of the event they desire: the violent repression of protestors during the Water War in 2000 was conducted during the weekend, as the government knew reporters would not be on site (Gebhardt 2002: 77).

Another influencing factor to reporting are values, particularly religious, especially catholic values (63 percent of journalists were catholic in Gebhardt's study). When priests of the catholic church were accused of rape in 2001, only EJR reported on it extensively (Gebhardt 2002: 51, 108, 110). While catholic values are certain to play into reporting, inhibiting journalists from questioning this authority, it is unlikely for this factor to have played an important role during the time frames important to this thesis. It is speculation on part of the author that the mediation by the archbishop during the Water War may have created sympathies for protestors or awoken interest in the issue. Unfortunately, Gebhardt includes no information on journalists' reactions to the mediation by the church.

The most important factor of influence to reporting are public relations and economic interests. Newspapers receive 90 percent of their income from advertising (Gebhardt 2002: 84). For example,

half of the stocks of the largest newspaper in Cochabamba, *Los Tiempos* (The Times), is owned by COBOCE (*Cooperativa Boliviana de Cemento*, Bolivian Cooperative for Cement). During the Water War 2000 COBOCE only had one competitor: SOBOCE (*Sociedad Boliviana de Cemento*, Bolivian Society for Cement), which was part of *Aguas del Tunari* (and held 5 percent of shares; (Abendroth 2004: 18)). Reporting on the riots in *Los Tiempos* favored rioters (see Section 3.4), as COBOCE wanted its competitor to lose the contract with *Aguas Del Tunari*, so it could receive the *Misicuni*-deal later. The state is also an important advertiser. PAT no longer receives any money from the state after showing live coverage of the military firing on protestors in the 2000 Water War (Gebhardt 2002: 86, 102).

Some newspapers have such an incredibly low distribution that it is questionable how they survive. Speculation claims that some economic or political actors are interested in upholding certain media, which report in their interest (e.g. negatively about an opponent or positively about them). Newspapers can also be political actors. Max Fernández owned a beer brewery (*Cerveceria Nacional*, National Beer Brewery – but it is not what its money indicates) and 12 radio stations and is one of the largest advertisers in media. He and his companies get away without paying taxes.¹⁰⁸ Also, a TV chain is in hands of Ivo Kuljis, who was presidential candidate for the UCS and minister for economic development in 1997 (Bánzers administration).

Similarly, political and economic actors have journalists that report favorably on them. These selected journalists are in turn provided with either more or exclusive information than competing writers. An examination conducted in February 2000 in Cochabamba revealed that many journalists at *Los Tiempos* received wages from the city (as gardeners or lawyers). Of course these journalists were not expected to water plants, but to positively report on the mayor, Reyes Villa (member of NFR and former director of SEMAPA) (Gebhardt 2002: 96, 101).¹⁰⁹ The scandal grew to national proportions, accusing many politicians (of Congress) in La Paz to have bribed journalists systematically. Strangely, the topic was dropped quite quickly, even though more cases of corruption were revealed.

Gebhardt's analysis reveals that the media spreads neoliberal ideology. They do so, because they depend on advertising and because the media is also a political actor (albeit an instrumentalized one) (2002: 108). Thus it is feasible to analyze the attitudes of the Bolivian elite by means of three newspapers, which each represent a political stream: conservative (*La Prensa*), moderate (*La Epoca*) and leftist (*El Juguete Rabioso*). This analysis recognizes that even though newspapers are supposed to be neutral sources of information, they intentionally or unintentionally convey opinions and evaluate events, actors and opinions.

The analysis distributes articles across three possible levels of evaluation: neutral, positive or negative. To show more than general opinions the articles are placed in eight categories (rooted in critical theory, see Section 2.2 for an explanation), as follows:

¹⁰⁸ Upon speaking about this to a very dear person, the author was told that Fernández did in fact not pay taxes, but that it was Fernandez donated the money to philanthropic institutions. The author cheekily assumes this very dear person, whose identity in connection with this information is herewith buried forever, got this information from a newspaper.

¹⁰⁹ Who was a presidential candidate in the 2002 election and who was scandalized by Goni, according to the documentary 'Our brand is crisis'. In the days prior to handing in this thesis, the third advisor wrote the author an email containing an anecdote about an article in *La Razón*: Mayor of Cochabamba, Manfred Reyes Villa has a son, Manfred jr. He was arrested together with other young men for fighting. Manfred jr. was released almost immediately and the police claimed he had only been accompanying a friend and that the fights had just been a boys's game, contrary to information in the police file and the person who notified the police. An article in *La Opinión* wrote almost the same story but on an unnamed "son of a local authority". *Los Tiempos* wrote nothing on the matter (*Opinión* 2006; *La Razón* 2006).

1. Neoliberalism and IFIs
2. Economic Policy and Development
3. MAS goals and policies
4. Hydrocarbons
5. Bolivia's foreign relations (non-US)
6. Relations with the United States
7. Inner Politics in General
8. Comment, Editorial, Interview

Articles record the attitude toward the 'new' elite (the rioters, the MAS, Morales and their goals). Category 1 is the only exception; it examines the evaluation of neoliberalism and the IFIs on part of the 'old' elite.

Finding adequate newspapers was a difficult task, as most mainstream newspapers are either conservative or sensationalist. Writing in Germany rather than Bolivia, the author chose newspapers with good websites. After an assessment of the available newspapers¹¹⁰ it was decided to analyze *La Prensa* for a variety of reasons. *La Prensa's* website is the most extensive of all available and it belonged to a consortium with *El Deber* (more conservative daily from Santa Cruz, where most entrepreneurs and traditionally conservative, pro-capitalist and pro-neoliberal people live), *Correo del Sur* (Sucre) and *Los Tiempos* (Cochabamba). *La Epoca* was the only moderate newspaper with a website (another weekly, *Pulso* was conservative). *El Jugete Rabioso* (The Angry Toy, EJR) is the only (critical) leftist newspaper available, but has a small website. Copies of the 2003 issues were found on a French website, the 2006 editions were kindly sent by Sergio Cáceres.

The results of analysis are compared twice. First the results of one newspaper during both time frames are compared to (not) show changes in this particularly medium. Then, results of all newspapers are compared to create an all-encompassing evaluation for the Bolivian elite, which will either verify or reject the hypothesis: a change of discourse toward neoliberalism took place.

5.1 Results from the analysis of *La Prensa*

La Prensa was founded in 1998 in cooperation between *El Deber* and *Los Tiempos*. It employs 40 highly-qualified and well-paid journalists and quickly became a leading newspaper in the country. Despite the economic crisis and strikes by the journalists, *La Prensa* maintained its position as the second newspaper which writes out of La Paz, reaching half of La Paz newspaper readers. Currently the paper is still sorting out its problems, but still aims at becoming the nation's best. *La Prensa* is read by the upper middle class, executives and intellectuals. The paper currently seeks to amplify its circle of readers but also wants to keep up high level journalism and a standard of moral and ethics (Monasterios Vergara 2006).

5.1.1 2 to 19 October 2003

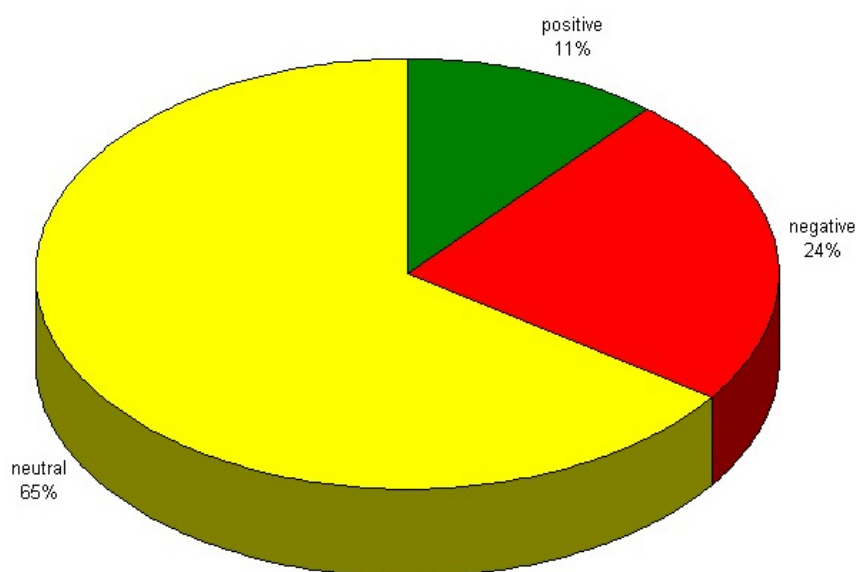
Category	Number of Articles	Percent	Rank
1 Neoliberalism and IFIs	21	7	5
2. Economic Policy and Development	14	5	6
3. MAS goals and policy	52	17	3
4. Hydrocarbons	23	8	4
5. Bolivia's foreign relations (non-US)	10	3	7
6. Relations to the United States	7	2	8
7. Inner Politics in General	109	36	1
8. Comment, Opinion, Interview, etc.	67	22	2

La Prensa published 17 issues during the first time frame of analysis, accumulating to 303 evaluated articles. As table 3 shows, the most articles were placed in category 7, in which all articles concerning MAS involvement in inner politics were evaluated. Category 8 was highly represented; but this was

¹¹⁰ BBC News 2005.

predictable as Bolivian newspapers like to include 'opinionated' articles. 17 percent of articles were written in category 3, in which attitudes toward counter-hegemonic ideas are evaluated. Ranked four in the first time frame was hydrocarbons, indicating the importance of this topic at the time. Category 1 ranked fifth. Most unpopular categories were: Economic policy and development, non-US foreign relations and category 6, indicating that foreign relations to neighbors were of more interest than those with the US.

Overall evaluation of MAS by La Prensa (excludes category 1) - October 2003

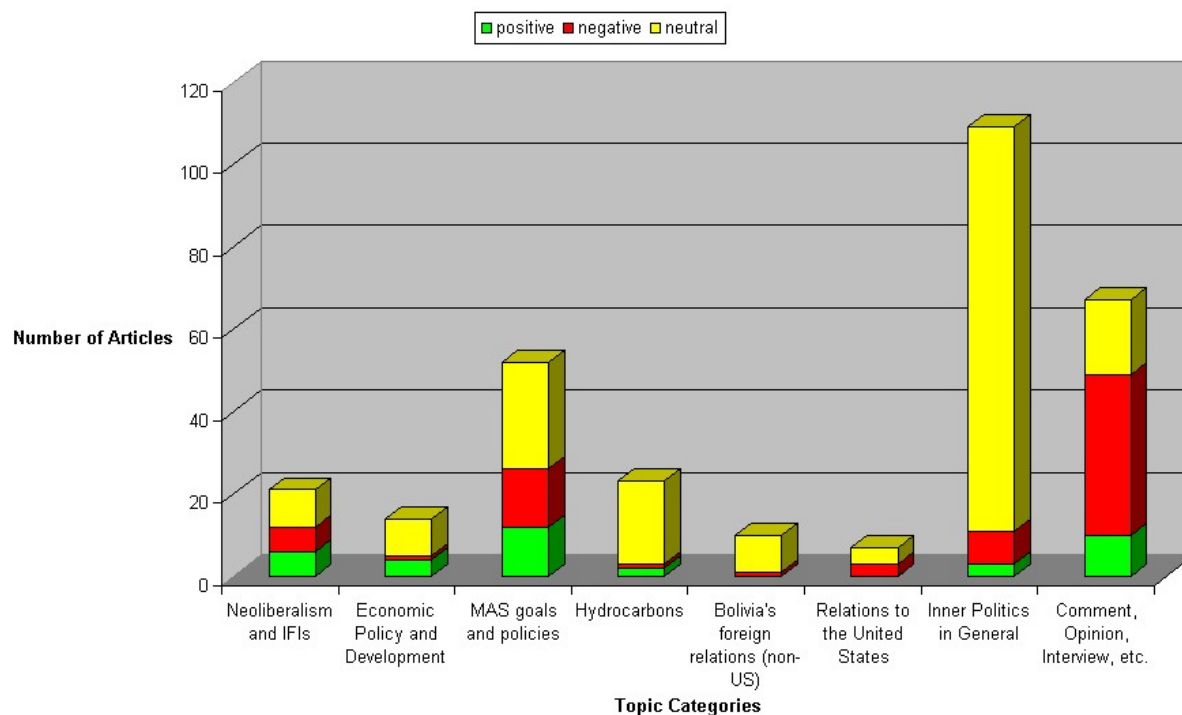


graphic 1

Across categories 2 through 8, *La Prensa* evaluated the demands of the rioters, the MAS and Morales in a neutral manner: 65 percent of articles revealed neither a positive nor negative attitude toward these actors. However, the one fourth of articles (24 percent, 73 articles) reported negatively on the MAS (see graphic 1). Only 11 percent (37 articles) wrote positively.

The number of negative articles could have been much higher, as many articles wrote negatively about rioters (condemning violence) but did not link rioters to political or economic goals or placed them in any other context. Generally *La Prensa* wrote negatively about the riots themselves, some articles even openly blamed the MAS or the government or even both, others did not. The analysis did not include an evaluation of side-effects surrounding the riots (e.g. violence), especially for those articles without connection to political goals, which create the impression that rioters had no reason to protest. But one cannot understand protestors or their motives when contexts of riots are not mentioned. *La Prensa* only cites reasons and motives in a few articles, which were probably hard to find for the average reader. These articles were placed in category 7 and categorized as 'neutral' as they did not report on the MAS or their goals. When articles connected the MAS to political or economic demands they would be placed in categories 2 – 7 regardless of whether violence was an issue in this articles or not. This method is reflected in the overall evaluation across all categories, as depicted in graphic 2. The issue of inner politics in general (category 7) showed a neutral attitude, as explained previously. Out of 109 articles, three (3 percent) wrote positively about the MAS or rioters, 8 articles (7 percent) were negative, 98 (90 percent) were neutral. Similarly category 4 contained 20 neutral articles (87 percent), one negative (4 percent) and 2 positive (9 percent). The negative article said the public is uninformed on the gas issue, which is why the topic is used to confuse and polarize (*La Prensa* 2003).

Evaluation of categories by La Prensa - October of 2003



graphic 2

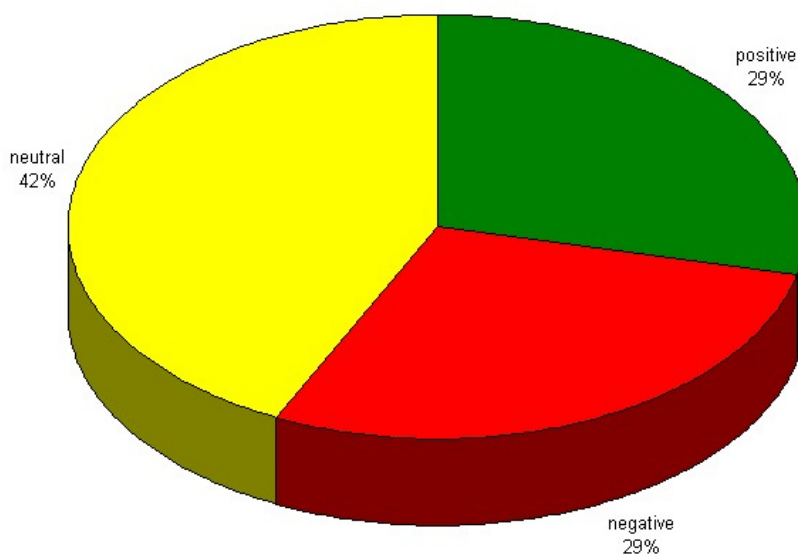
One positive article quoted a rioter at *Senkata* (a gas plant) who saw exporting gas as a loss: “Are we demanding this just for us? Gas will be for everyone, for the rich and for the poor” (Montaños 2003). The second positive article, written after Goni’s resignation, expressed hope that the demands of the rioters will be included in Carlos Mesa’s agenda (*La Prensa* 2003a).

Articles written in category 5 (Bolivia’s non-US foreign relations) are mostly neutral. This category, which cites evaluation of the effects riots might have on foreign relations only included one (of possible nine) negative evaluation, resulting in 10 percent attributed to negative reporting in this category. Most articles concerned free trade agreements, Bolivia’s role in them as well as trading partners or donor governments, evaluating in a neutral manner (*La Prensa* 2003b). One article included many reactions by world leaders such as Pope John Paul II. and General-Secretary of the United Nations, Kofi Annan, to the social commotion in Bolivia. All asked for a peaceful solution to the conflict (EFE¹¹¹ 2003). The Organization of American States (OAS) voices its backing of Sánchez de Lozada, and offered to mediate. The MAS is seen as a culprit, according to the article, the only negative in this category (ANF¹¹² 2003). On 17 October 2003, three articles wrote neutrally about the MAS and the rioters and their demands. They also cited pleas (by Brazilian and French delegates attending the

¹¹¹ EFE is a Spanish news agency.

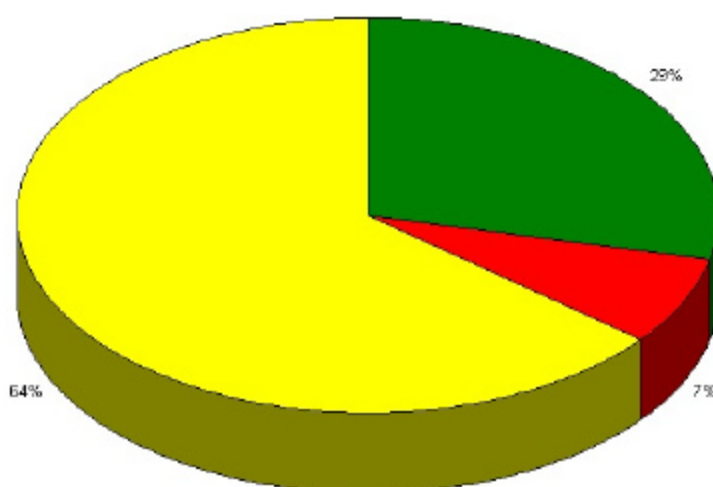
¹¹² Agencia de Noticias Fides

Evaluation of category 1 (Neoliberalism and IFIs) by La Prensa - October 2003



graphic 3

Evaluation of category 2 (Economic Policy and Development) by La Prensa - October 2003



graphic 4

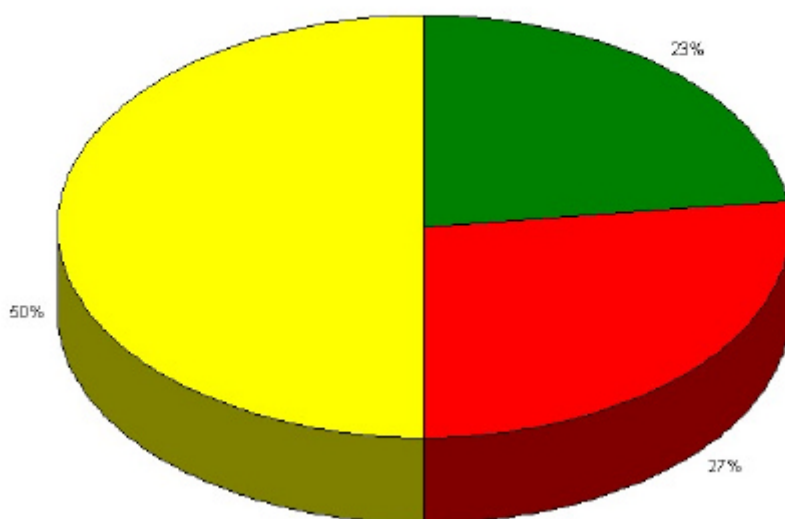
meeting of IBRD and IMF to concoct a new poverty reduction strategy for Bolivia) to Goni to act quickly and wisely (EFE 2003a; 2003b, 2003c).

Most articles in category 6 (Relations with the US) were neutral (57 percent). 43 percent wrote negatively and not one evaluated the relations with the US positively. All concern coca eradication, judging *Cocaleros* involvement in the protests as counter-productive (*La Prensa* 2003c; 2003d). Relations between Goni and the US government and *cocalero* demands were evaluated neutrally (Ikeda 2003; *La Prensa* 2003e; 2003f). The US officially condemned protests and backed Goni (an article even cites Goni gaining

popularity with the US while his popularity within Bolivia dropped). In the third negative article of this category, the US is cited to have said it will not allow an “anti-democratic government” in Bolivia (EFE and *La Prensa* 2003).

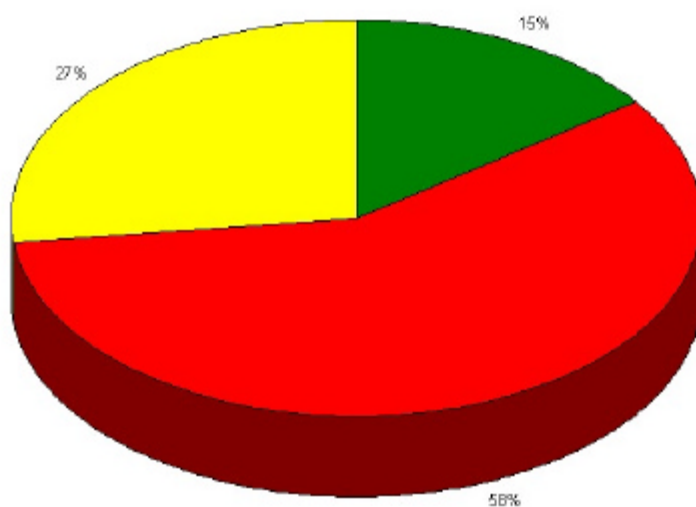
The remaining four categories reflect a clear divide on the MAS in the population. They also reveal partial agreement with the MAS and protestors and a rejection of neoliberalism as well as the conditions pressured on Bolivia by the IFIs. The percentages of positive and negative articles in the categories 1 and 3 almost mirror each other (see graphics 4 – 6). Half of articles in category 3 were neutral, compared to 42 percent in category 1. Similarly, 27 percent of articles in category 3 were negative and comparable one third of positive articles in category 1. 29 percent of negative articles on

Evaluation of category 3 (MAS goals and policy) by La Prensa - October 2003



graphic 5

Evaluation of category 8 (Comment, Opinion, Interview, etc.) by La Prensa - October 2003



graphic 6

hegemony match the 23 percent positive reporting on counter-hegemonic forces and ideas. Nonetheless, uncertainty was most prominent in both categories, indicating a 'wait-and-see' attitude by the elite in this conflict, as only 7 percent of articles reported positively on the MAS (see graphic 4). Overall opinion to the MAS was negative. As graphic 6 shows, 56 percent of all comments were negative. The author noticed that toward the end of the time-frame negative attitude included Goni, too, especially after Mesa broke with him. Either way, only 15 percent of articles supported the MAS, and only one third of articles in category 8 were neutral. Most commen-

tators felt as victims of a conflict between two parties, neither which they were a part of or which represented their interests. Most articles condemned the violence and the deaths and pleaded for a peaceful solution of the conflict. They indicated support and understanding of the issues at stake, but said neither party had a solution.

5.1.2 22 January to 19 February 2006

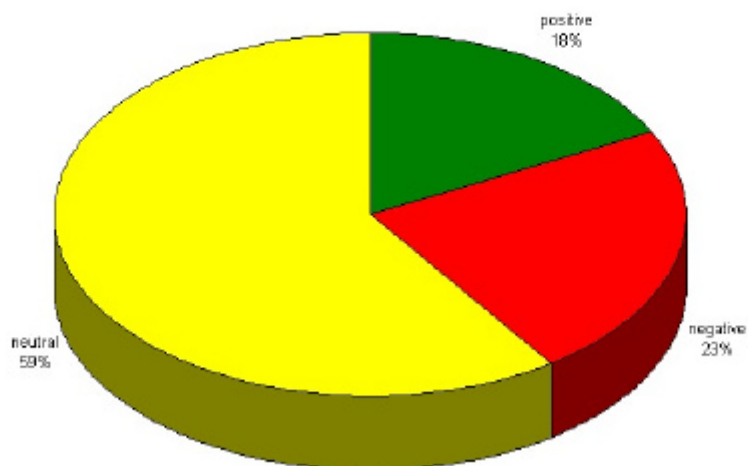
La Prensa published 29 issues during the second time frame of analysis of which 706 articles were included in the study. As in 2003, most articles were placed in category 7 (see table 4 on the next page). MAS goals and policies ranked second and category 8 accounted for one fifth of all articles, showing a decrease since 2003 when the topic tied for second with category 7. Hydrocarbons and category 2 held 9 percent of articles in 2006.

Category	Number of Articles	Percent	Rank
1 Neoliberalism and IFIs	25	4	6
2. Economic Policy and Development	67	9	4
3. MAS goals and policy	152	22	2
4. Hydrocarbons	61	9	4
5. Bolivia's foreign relations (non-US)	43	6	5
6. Relations to the United States	21	3	7
7. Inner Politics in General	193	27	1
8. Comment, Opinion, Interview, etc.	144	20	3

Hydrocarbons was equally important in 2003 (held 8 percent then). Category 2 increased by 4 percent in comparison to the first time frame, not surprising considering the MAS is in government. The articles on non-US foreign relations (category 5) doubled from 3 to 6 percent, indicating how reactions from foreign countries are considered. The percentage of articles written on relations with the

US (category 6) remained about the same, rising from 2 to 3 percent. Evaluation of the MAS was reserved (see graphic 7). Negative and neutral reporting remained the same, but positive reporting increased by 7 percent. Whereas 65 percent of articles in categories 2 through 8 wrote about the MAS neutrally in 2003, 59 percent of articles did so in 2006. Negative article percentage shrank by 1 percent (to 23 percent) Positive reporting increased. 18 percent of articles wrote positively on the MAS in comparison to 11 percent in 2003. This might indicate that some authors at *La Prensa* in the negative and neutral spectrum revised their attitude toward the MAS.

Overall evaluation of MAS by *La Prensa* (excludes category 1) - January and February 2006

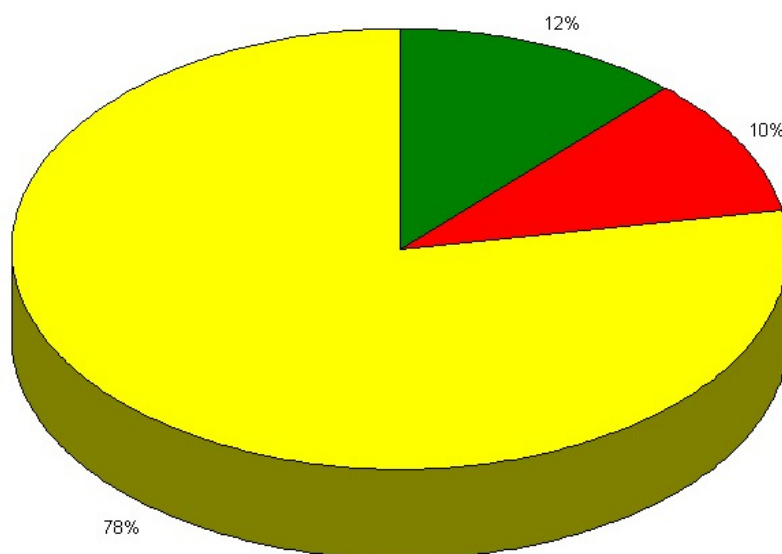


graphic 7

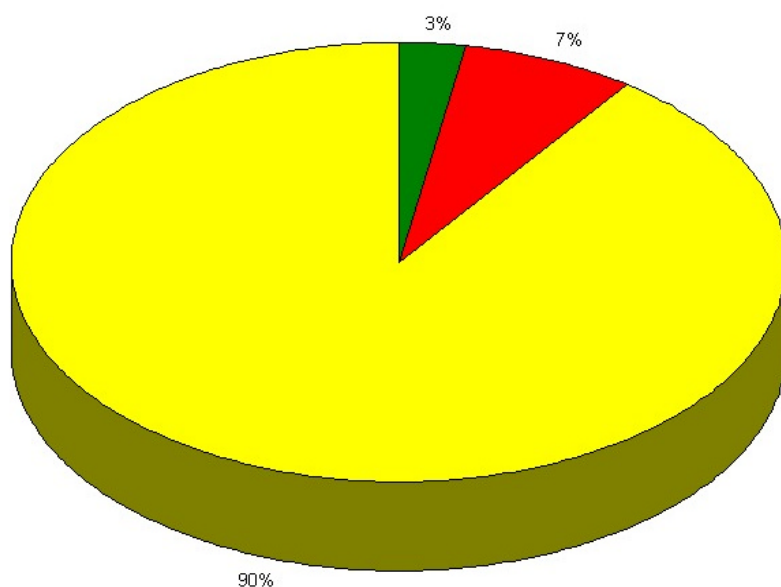
As graphic 8 (on the next page) portrays still many articles expressed no opinion in category 7 (same applies to categories 1, 3 and 4). Whereas in 2003, 90 percent of articles (98 of 109) in category 7 were neutral, only 78 percent (150 of 193) were in 2006. In 2003 3 percent of articles were positive, 12 percent were in 2006. Negative articles

in category 7 increased by 3 percent, from 7 to 10 percent (see graphic 8). Category 2 showed significant changes: whereas in 2003 29 percent of articles reported favorably on the MAS or rioters in connection to economic policy, it was only a mere 10 percent in 2006. This presents a drift of former MAS-propagators to the negative spectrum: negative reporting grew from 7 to 21 percent (see graphic 9, page 84). Reporting in category 1 also changed significantly, the number of neutral and negative opinions increasing. Thus, the elite seems to oppose neoliberalism: 29 percent of articles supported neoliberalism and the IFIs | 2003, a mere eight percent (2 articles) did in 2006 (see graphic 10, page 85).

Evaluation of category 7 (Inner Politics in General) - January and February 2006



Evaluation of category 7 (Inner Politics in General) by La Prensa - October 2003



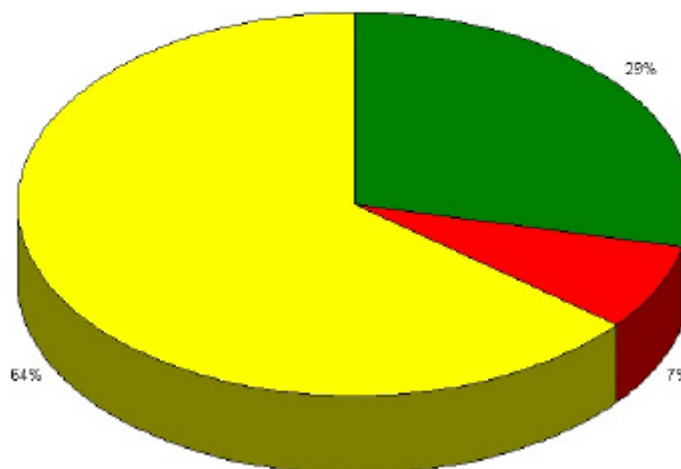
graphic 8

Even if negative articles in category 1 increased by 7 percent (from 29 to 36) neutral (indecisive) reporting on the matter increased more: by 14 percent (from 42 to 56 percent). Negative evaluation of MAS goals and policies remained almost at the same level. In 2003, 27 percent of articles wrote negatively about the MAS opposed to 26 percent (39 articles) in 2006. Positive reporting in category 3 decreased heavily from 29 percent in 2003 to 10 (15 articles) in 2006. Neutral reporting increased, too, rising 22 percent: from 42 in 2003 to 64 (98 articles of 152) percent in 2006. The attitude toward the MAS and Morales in (non-US) foreign relations also changed. 63 percent of articles were neutral

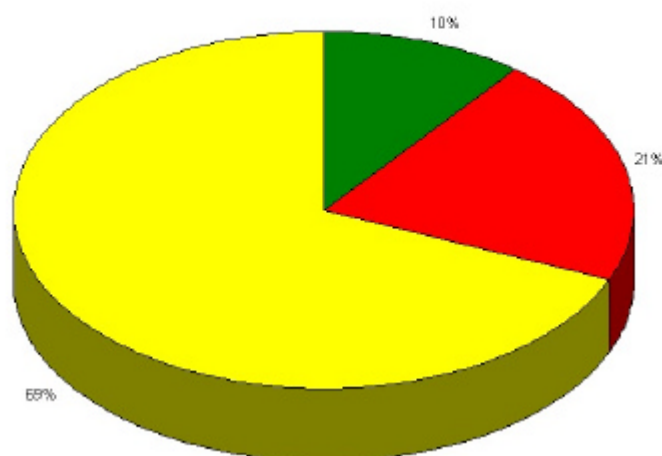
(see graphic 11, opposed to 90 percent in 2003); 28 percent wrote positively (12 articles; opposed to none in 2003) and 9 percent (4 articles) wrote negatively (10 percent in 2003). Foreign relations were thus positively evaluated. Also, the 2006 analysis shows that neutrality on this subject was also popular, accumulating 81 percent (17 articles) opposed to 5 percent positive (1 article) and 14 percent negative (3 articles) articles, showing a small improvement in the evaluation of the MAS. The authors at *La Prensa* continue to view the MAS and their opinions on hydrocarbons skeptically and seem to oppose nationalization: in 2003 87 percent of articles were neutral, in 2006 it was 83. Positive articles

shrank from 9 to 7 percent, while negative reporting increased from 4 to 10 percent. Category 8 contrasted reporting in other categories. It was still mostly negative in 2006 but it shrank by ten percent (from 58 to 48 percent (69 articles)). Neutral articles increased from 27 to 12 percent (17 articles) as did positive articles (from 15 percent to 40 percent (58 articles)). Morales' popularity (name-dropping) increased from 2003 to 2006, but society still seems to be polarized when it comes to judging him. Overall the positive evaluation of the MAS increased between 2003 and 2006 in *La Prensa* (by

Evaluation of category 2 (Economic Policy and Development) by La Prensa - October 2003



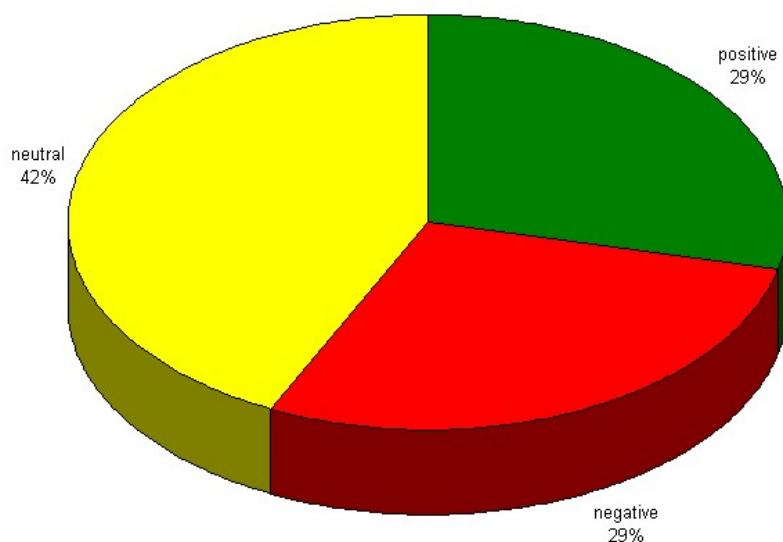
Evaluation of category 2 (Economic Policy and Development) by La Prensa - January and February 2006



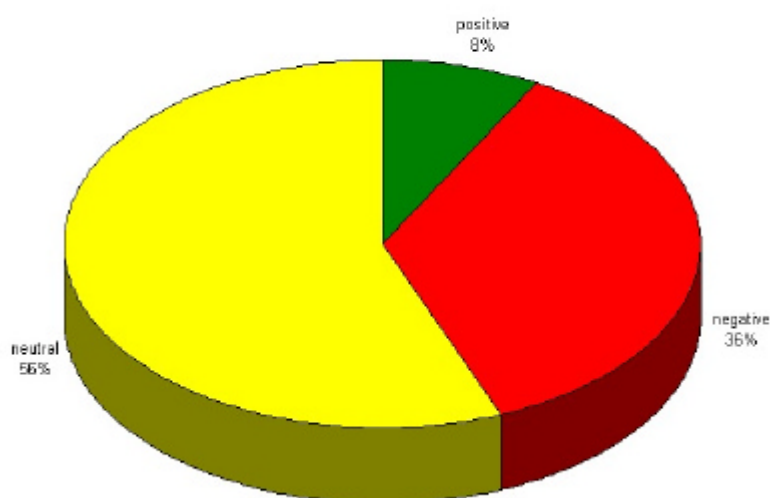
graphic 9

7 percent) and negative reporting remained the same. The IFIs and Neoliberalism were seen more negatively in 2006 (by 7 percent) or neutral (a 14 percent). These numbers indicated that the conservative paper shifted its opinion toward anti-neoliberalism. On the other hand, the MAS did not persuade its critics and only awoke a negative attitude toward the IFIs (or at least motivated reconsideration of people's position). The elite obviously wants two things in a 'have my pie and eat it, too'-way: an alternative to neoliberal hegemony which will keep them in power. The elite does not think the MAS can solve the country's problems any more than they did in 2003: the MAS is not the alternative the elite is looking for. Either way, interest in neoliberalism simultaneously sunk with the negative/more neutral attitude, with articles in category 1 shrinking to half of what they were between 2003 and 2006. These numbers go hand in hand with Bolivia being less centered on the US and as being less isolated: it has opened up toward its neighbors and the population rewards these new-found allies with the deserved interest: articles in category 5 almost doubled. Judging from numbers, neoliberal hegemony is in crisis, but counter-hegemony is not yet in place.

Evaluation of category 1 (Neoliberalism and IFIs) by La Prensa - October 2003



Evaluation of category 1 (Neoliberalism & IFIs) by La Prensa - January and February 2006



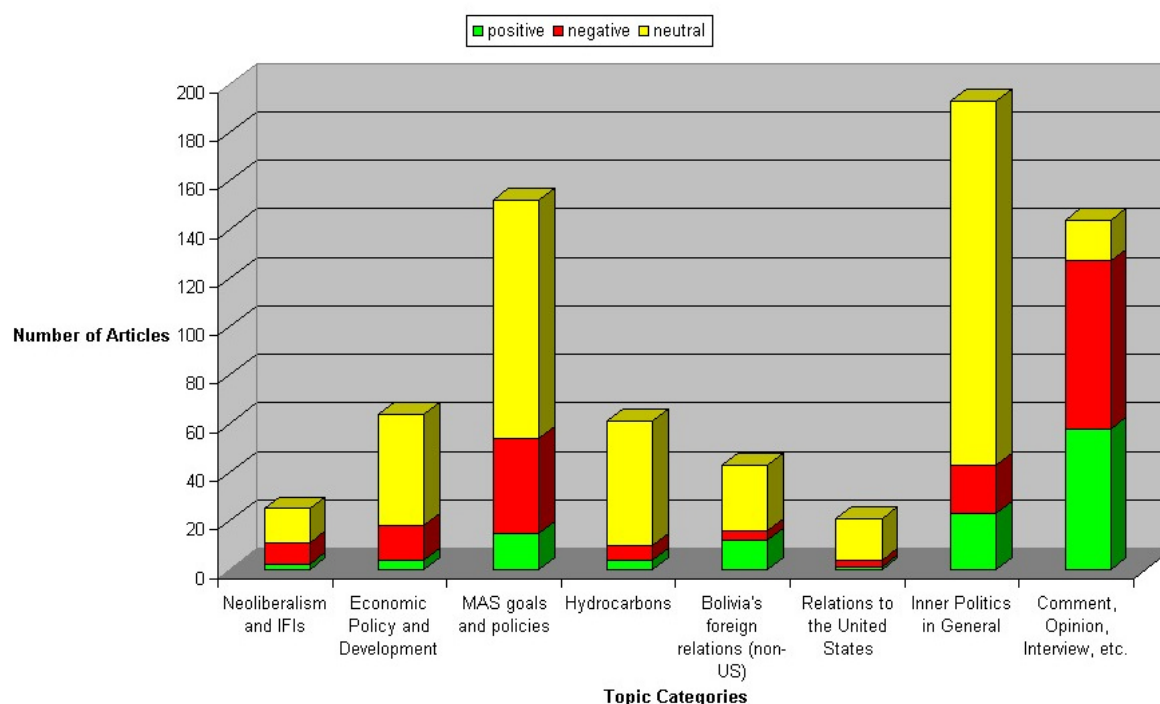
graphic 10

Perhaps conducting this analysis with varying degrees of positive or negative reporting (as from -3 to +3) might have brought more information to the light, because some articles were right out nasty.¹¹³ Morales is much of what he shows. Many things he states today throughout he has said throughout his life. He stuck to his ideals. This is probably irritating to reporters (and opponents), as they hit hard ground. There are no layers to peel, nothing to interpret. Morales is predictable in terms of topics and opinions, but it is also hard to know in which area he will act next. The only ones he can really surprise and impress is the foreign press, a topic another thesis

might (hopefully) eventually explore.

¹¹³ They undermined Morales legitimacy, by including little sneers on his poor *Aymará* and *Quechua* skills or mentioning often how early his cabinet meetings start (5 a.m.) and how he ignores conventions: e.g. the new ambassador to the US, Sacha Llorenti, was announced *La Prensa* wrote this was not standard procedure. Usually, this process occurs covertly. The name of an ambassador-to-be is announced when the receiving country has accepted said individual. Morales accused the banana producers of trafficking cocaine and claimed that transnational corporations conspired against him or that the US sent soldiers to Bolivia (as tourists) to spy on him. *La Prensa* also wrote that the salary-reduction strategy was not in accordance with bureaucracy. Many times, they made him seem ridiculous, like someone who lacked legitimacy. The petty reporting shows that the journalists did not have much material on the MAS or Morales' which could really undermine his legitimacy.

Evaluation of categories by La Prensa - January and February of 2006



graphic 11

5.2 Results from the analysis of *La Epoca*

La Epoca is a weekly newspaper, which has more of a news-analysis than an informative function. It is free and available online and based in La Paz, but may also be read in print upon subscription.

5.2.1 2 to 19 October 2003

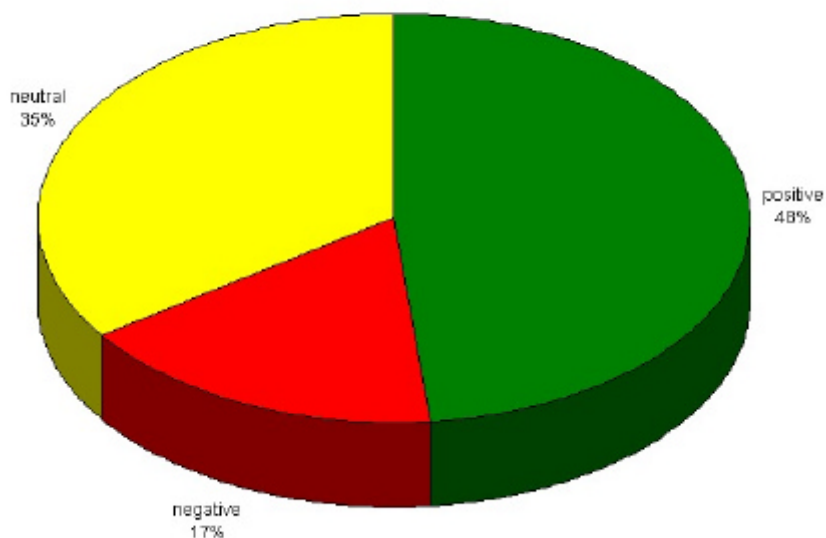
Category	Number of Articles	Percent	Rank
1 Neoliberalism and IFIs	9	9	3
2. Economic Policy and Development	7	7	4
3. MAS goals and policy	23	25	2
4. Hydrocarbons	7	7	4
5. Bolivia's foreign relations (non-US)	4	4	5
6. Relations to the United States	0	0	-
7. Inner Politics in General	4	4	5
8. Comment, Opinion, Interview, etc.	41	44	1

La Epoca published three issues during the first evaluation time frame, 2 to 19 October 2003. The first issue appeared on 5 October, the second on 12 October and the last on 19 October 2003. Exactly 95 articles of these three issues were chosen to be included in the analysis for this thesis. As table 5 depicts category 8 ranked first with 44 percent, followed by MAS goals and policies. Category 1 ranked third and the issue of Hydrocarbons and category 2 tied in fourth place. Relations to the US was not on during this first period of analysis, categories 6 and 7 each had four percent of all articles.

Overall (summarized count of categories 2 through 8) the MAS was evaluated positively (48 percent of articles). 39 percent (36 articles) wrote neutrally and only 17 percent reported in a negative fashion (see graphic 12). MAS goals and policies (category 3) were evaluated favorably: 19 of 23 were positive (82 percent), two articles showed a negative and neutral attitude (9 percent) (see graphic 13). One article wrote that many Bolivians consider themselves to belong to an indigenous group (Machi-

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Overall evaluation of MAS by La Epoca (excludes category 1) - October 2003



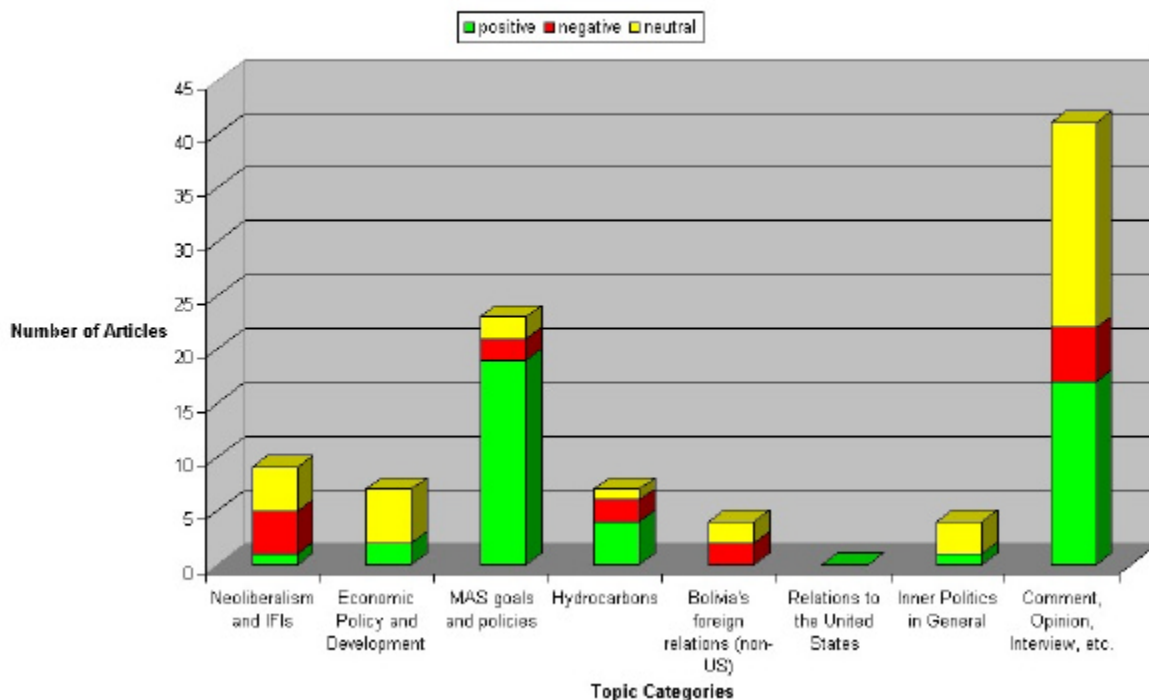
cao Argiró and Cox Mayorga 2003), others that indigenous were excluded all from political and economic life and stigmatized (Blacutt 2003, Peñaranda U. 2003, *La Epoca* 2003b, Molina 2003). The overall positive evaluation is explained due to the support for one opinion on part of the newspaper which agreed with the rioters: demanding Goni's resignation and claim-

graphic 12

ing he has no legitimacy and that he should be held responsible for the deaths which were a result of the social commotion in the country (Peñaranda 2003a, *La Epoca* 2003c; 2003d and 2003e; Peñaranda 2003b; Fajardo Pozo 2003; Klein 2003, Moldiz Mercado 2003 and 2003a).

Similarly, 19 of 41 opinionated articles (category 8) evaluated the MAS and rioters goals as neutral, and 17 were positive, 5 were negative. Mostly the violence by the rioters was perceived as negative. The government was equally blamed for misbehaving and it was said that problems with

Evaluation of categories by La Epoca - October of 2003

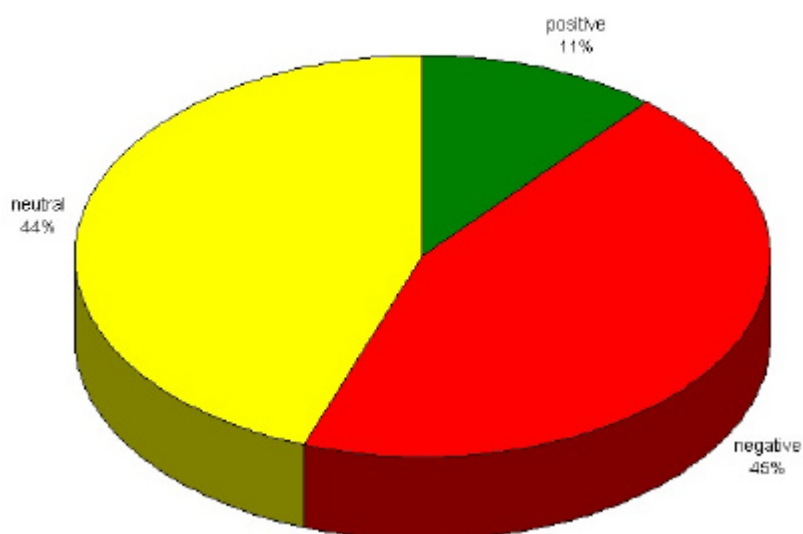


graphic 13

neoliberal policies begun earlier than these riots (Villegas 2003, Zelaya 2003, Torrico 2003 and 2003a; Rojas Rios 2003 and 2003a; González 2003, Reyesvilla 2003 and 2003a; Costa 2003, Bonadona 2003, Blanes 2003, Benavente 2003; Molina 2003c; Soliz Rada 2003a; Terrazas 2003). Some doubted Goni's resignation would be the ultimate solution to these problems with neoliberalism (Oporto 2003). The demands of rioters and the MAS in the area of hydrocarbons (category 4) were viewed favorably by *La Epoca*, 4 out of 7 articles wrote positively on this, opposed to 2 negative and 1 neutral article.

Particularly *La Epoca* picked up the criticism of the little profit Bolivia made from its vast natural resources. For every dollar Bolivia received, transnational corporations made 24 and above all they do not pay taxes (*La Epoca* 2003f, 2003g). One article opposing the MAS and its counter-hegemonic critique was written by Carlos Alberto Lopez, who attended LSE and Harvard. believes that not exporting gas to the US, Mexico or Chile will result in economic loss for the country, as external debt is accumulating. Loans could be paid off within 20 years from gas-export-profits or the country could invest in its poor infrastructure. A second article agrees and cites all the advantages to selling gas: 360 million US-dollars could be invested toward health and education programs, transnational corporations or neoliberalism are not criticized either article (*La Epoca* 2003h).

Similar indecision was noted in the area of inner politics in general (category 7). 5 articles were neutral, opposed to 1 positive and no negative articles. Category 2 (Economic Policy and Development) echoes the findings of categories 3 and 8, perhaps not quantitatively, but qualitatively. Economic loss caused by the riots was criticized due to interruption of exportation. But it was also underlined that indigenous have been excluded from economic life in general throughout history (*La Epoca* 2003). These criticize the Goni administration for its undemocratic behavior and lack of legitimacy. They undermine this argument by citing he only received 22 percent of votes and only became president due to the marketing strategies of his US-advisors. *La Epoca* traced back Bolivia's problems to the entire neoliberal era (Moldíz Mercado 2003b) and writes about the need for new strategies toward social equality (*La Epoca* 2003i). The riots and attitudes of the MAS were judged to be counter productive, particularly in the area of foreign relations. Two articles in category 6 were negative and neutral, as exports (e.g. to Spain) suffered due to the riots (*La Epoca* 2003j). Generally these articles judged the relations to other countries and the Goni administration. One article cited international reactions to the riots (e.g. Pope John Paul II or Kofi Annan) which demand a peaceful solution (*La Epoca* 2003k). Interestingly enough no link to an improvement or worsening of relations with the US was made (no articles in this category).

Evaluation of category 1 (Neoliberalism and IFIs) by *La Epoca* - October 2003

The articles in the issues of *La Epoca* published between 2 and 19 October 2003, included 9 in category one. Only 1 article (11 percent) wrote positively on the hegemonic system, 4 articles wrote positively and negatively (see graphic 14). These results show that *La Epoca* regards the consequences of the reforms of the 1980s and 1990s critically (Moldíz

graphic 14 Mercado 2003c) and

their demands in the area of hydrocarbons (*La Epoca* 2003l). 7 articles evaluated the new poverty reduction strategy, 4 articles were neutral, 2 negative and one was positive. They mainly criticized that social groups were not consulted by the IMF (*La Epoca* 2003m).

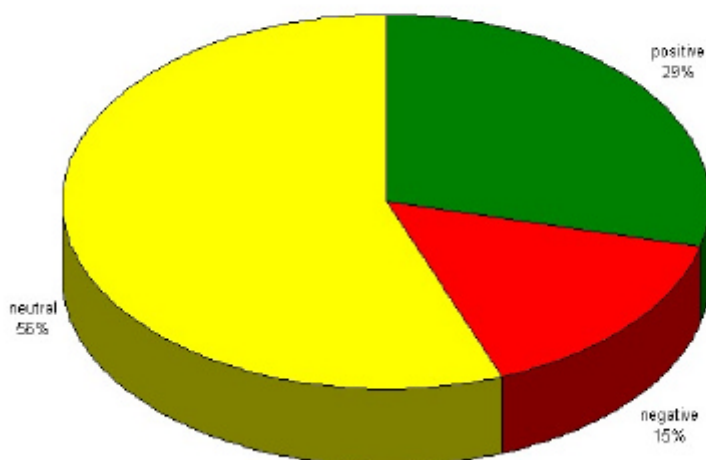
5.2.2 22 January to 19 February 2006

Category	Number of Articles	Percent	Rank
1 Neoliberalism and IFIs	0	0	-
2. Economic Policy and Development	9	8	4
3. MAS goals and policy	22	20	2
4. Hydrocarbons	4	4	5
5. Bolivia's foreign relations (non-US)	1	1	6
6. Relations to the United States	2	2	7
7. Inner Politics in General	21	19	3
8. Comment, Opinion, Interview, etc.	52	46	1

La Epoca published four issues during the second time frame of analysis, 22 January to 19 February 2006. The first issue appeared on 29 January 2006, the second and third on 5 and 12 February, the last on 19 February 2006. The issue of 22 January 2006 was not included in this analysis, as the articles were written prior to the inauguration ceremony of the MAS. Of these four editions, 111 articles

were included within the analysis. As table 5 shows, most articles were attributed to category 8 as in 2003. As in 2003, category 3 ranked second. While category 1 had third place in 2003 (with 9 percent) the category had no articles in 2006. Rather, category 7 ranked third (19 percent), opposed to 4 percent (rank 5) in 2003. Category 2 was equally in 2003 and 2006 but rose from 7 to 8 percent. Whereas category 4 accounted for 7 percent of articles 2003, it only reached 4 percent in 2006. Interestingly, category 6 was non-existent in 2003 but was ranked 6th in 2006. MAS popularity at *La Epoca* shrunk

Overall evaluation of MAS by La Epoca (excludes category 1) - January and February 2006



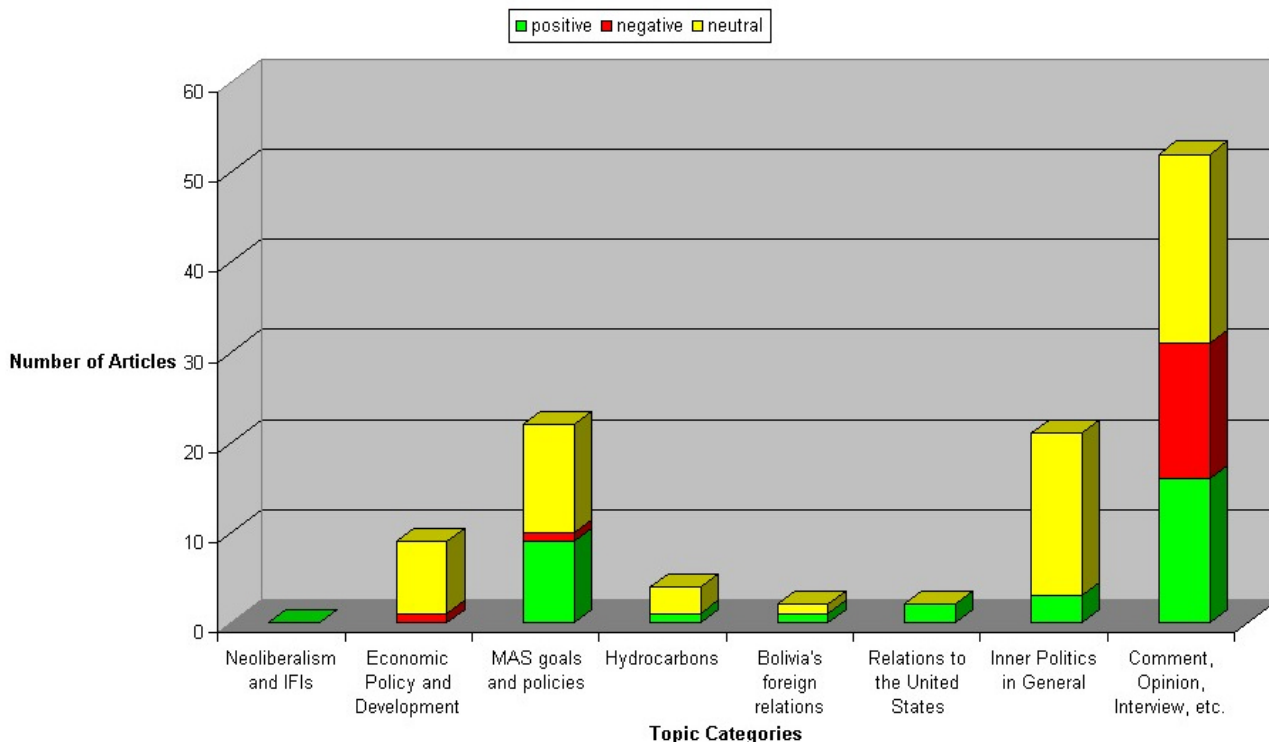
between 2003 and 2006. Whereas reporting on MAS or Morales or their goals was positive in 48 percent of articles in 2003, in 2006 only 29 percent (32 articles) were so (see graphic 15). Negative reporting decreased by 2 percent, resulting in 15 percent of (or 17) articles showing a negative attitude toward the

graphic 15

MAS in January and February 2006. The number of neutral articles took up 56 percent of total (52 articles), as opposed to only 35 percent in 2003.

Overall evaluation across categories (except category 1; see graphic 16) revealed that MAS relations to the US were seen favorably: on article cites the US embassy officially acknowledging that coca is not cocaine and that it has virtues. The paper says that this statement does not take care of one problem: who will raise the dead of the anti-drug war (Peñaranda U. 2006)? The second article in

Evaluation of categories by La Epoca - January and February of 2006



graphic 16

this category writes that the US changed their coca-eradication strategy due to Morales support in the 2005 election and despite complaining that the MAS administration sends ambivalent messages when it comes to eradication. The embassy also said that Bolivia is a prime example for successfully dealing with a drug problem of this kind (*La Epoca* 2006). Category 5 (Bolivia's non-US foreign relations) included one positive article. It speaks about migrants considering to return to Bolivia due to the new government (Pérez Uberhuaga 2003).

Category 2 (Economic Policy and Development) was evaluated neutrally in 8 articles, once negatively but never positively (opposed to 2 positive and 5 neutral articles in 2003). The writers at *La Epoca* are more hesitant in evaluating the MAS or Morales economic policy but are also more likely to have a negative opinion. Most articles (5) concerned the issue of used apparel, which hit Bolivia quite hard. Donated used apparel from industrialized nations is not always used for charity purposes. Most of it is collected by professional companies (who may or not claim to use the apparel for charity), who sell clothes by bulk to buyers in poorer countries. 15 tons of used clothing enter Bolivia daily; 93 percent of them illegally. The business exists in Bolivia for years and has created markets specialized with second-hand clothing (mainly from the US) in all major cities. About 20,000 jobs were lost (only in the formal economy), particularly affecting tailors and clothing shops (Müller 2006). Morales decided to make a decision concerning the prohibition of this sector in another six months (by Decree 28.614). All articles on this matter were published in the 5 February 2006 issue and evaluated Morales' decision neutrally. All outlined the complexity of the problem and that the six months will allow the government and second-hand clothing sellers to breathe and a decision needs to be made: "Bolivia is not a garbage can" (*La Epoca* 2006a). The two other articles in category 2 focused on Morales' dealing Bolivia's privatized airline LAB, whose pilots struck throughout February. The MAS clarified that the state was not going to compensate the wrong-doings of previous governments or those of the many owners the LAB had since privatization in 1996 (*La Epoca* 2003b; 2003c).

Similarly MAS involvement in inner politics in general was regarded in a neutral manner. 18 of 21 articles were neutral, while the remaining three were positive. Many of these articles did not directly speak of the MAS or Morales but dealt with the Goni administration, because of 'the movie-incident.' Interestingly enough, this was not mentioned in whereas *La Epoca* wrote extensively on it. During his election campaign of 2002 Goni was advised by Washington D.C.-based Sawyer and Miller. A camera team, directed by Rachel Boynton, followed the future-president and vice-president around and produced a movie called 'Our brand is crisis.' This movie was scheduled to air in Bolivia on HBO Olé. This date was cancelled upon Goni's request. The movie shows Goni's advisors to create a scandal around first rival and then-Cochabamba mayor Reyes Villa. In order to keep Goni's image clean, a member of the UCS agrees to do this for him (in a TV-ad campaign). Eight articles wrote about this issue and all reported negatively on Goni and the foreign electoral advisors (*La Epoca* 2006d; 2006e; 2006f, 2006g; Azurduy F. 2006). This took away attention from the more important event: Morales inauguration as president. Even articles in later issues speak of Goni and say it is unlikely he will be brought to trial soon – contrary to MAS goals (Paredes 2006a). Morales position as leader of the coca grower is seen as a sign for potential change of national policy in this area (*La Epoca* 2006h). Category 4 (Hydrocarbons) was evaluated hesitatingly and contained 3 neutral articles on the talks between YPFB and Argentina with perspective on exporting gas (*La Epoca* 2006i; 2006j; Sandoval 2006). The only positive

article in this category explored asked if Morales will “dare” to nationalize the gas reserves. The article ends with the following statement: We are not dependent because we are poor, but we are poor because we are dependent (Durán Chuquimia 2006).

Category 3 showed the doubts and hopes for Morales as president and the division on this issue. Whereas 9 articles (41 percent) of 22 wrote favorably on the MAS and their goals, one (5 percent) reported negatively and 12 (54 percent) were neutral. The negative article criticized Morales’ in wanting to make Sacha Llorenti (head of the human rights commission in Bolivia) the new Bolivian ambassador (*La Epoca* 2006k). Positive articles asked for changes in Bolivia or patience until changes arrive (Molina (Fatima) 2006; Galeano 2006; Peredo 2006). Some articles warned that the MAS could overestimate itself, particularly because of the high expectations (*La Epoca* 2006l; 2006m; Valdez 2006).

Category 8 (Comment, Opinion, Interview, etc.) included 52 articles of which 32 spoke directly of the president or the government. Comments and editorials emphasized the great expectations held to the MAS government and wrote on its historic opportunity, which the government seized (e.g. by nominating the first indigenous with a *pollera* (typical dress) as minister for justice. Casimira Rodríguez, a former house maid and pioneer in the house worker movement, was instrumental in the creation of law concerning home workers (working hours, conditions, etc.). She seeks to be the prime actor in bringing Goni to trial, promising he will receive “the penalty he deserves.” She also wants to reform the justice system so it serves all (Rodríguez 2006). One article represents elite opinion in all articles well, which is why it will be the only one discussed here. It lists 8 strengths and weaknesses of the MAS administration: (a) social and political changes are underway and (b) the government has included legitimate leaders (and intellectuals) in the process; (c) these leaders questioned the prevailing economic order for years (d) making sure (as opposed to previous administrations) all policies have a social vision and (e) breaking a routine in catering to a certain few; (f) four women are part of the MAS cabinet; (g) a woman in *pollera* is now minister of justice; (h) thus this position is once not held by a lawyer (*La Epoca* 2006n). An article on the 8 negative aspects of the government expresses fear that the MAS will fall into other forms of “corporatism” by privileging certain groups such as social movements and syndicates, who might infiltrate the government and manipulate it according to their interests (which might not be national interests). This might debilitate its legitimacy in certain regions, particularly those with many entrepreneurs, and create rivalries between economic sectors. Whereas entrepreneurs did most lobby work before, it is now the turn of NGOs and similar organizations (particularly those in the anti-globalization fight) to voice their claims. Some members of cabinet might be inept for the tasks designated to them.

Overall, the MAS and their goals lost sympathy at *La Epoca*. Positive reporting shrank by 19 percent (from 48 to 29 percent between 2003 and 2006), but negative articles did not increase as did the amount of neutral articles. Loss of sympathy is also apparent in category 3 (MAS goals and policy) where positive reporting halved (from 82 to 41 percent). Negative reporting decreased by half, while the number of neutral articles increased from 9 to 54 percent. This shows that the moderate newspaper is also of the opinion that the MAS will not solve the country’s problems. The issue of Neoliberalism and IFIs lost all importance to *La Epoca* as in *La Prensa* (number of articles halved) so that no articles were written in 2006 despite the issue accounting for nine percent of articles in 2003. This

might indicate a split from neoliberal hegemony either through refusing to talk about certain 'touchy' subjects or because they are really not thought of as relevant any more.

In contrast to *La Prensa*, *La Epoca* wrote in a less 'nasty' way of on Morales and more on a one-on-one level than as if positioned above him. Perhaps this is only because *La Epoca* was distracted from current events due to 'Our Brand is Crisis'. While *La Prensa* was always concerned about what Morales was doing, *La Epoca* chose to concentrate on 'Our Brand is Crisis' and former president Goni. Perhaps *La Epoca* is still stuck demanding the paying off of a bill they wrote years ago or because they were the ones who broke the scandal. Either way, their emphasis on this 'old issue' shows somewhat a disinterest in the new government.

5.3 Results from the analysis of *El Juguete Rabioso*

EJR was founded in February 2000 to create an intellectual front to oppose the dominant political and cultural consensus in the media. It started out as a book-reviewing medium with little distribution. Until present EJR is the only independent medium of Bolivia and employs two people permanently (Cáceres 2006). EJR quickly grew to a politics-evaluating medium with a distribution of 10,000 and is now one of the most read newspapers. According to the newspaper, the average (middle-class) Bolivian, university students and intellectuals read it. EJR is part of the Bolivian version of the French newspaper *Le Monde Diplomatique* and edits the academic journal *Barataria*. EJR publishes a European edition (in Spanish) out of Paris (not part of the analysis). Abroad, the Bolivian edition of EJR is available electronically and upon subscription to the European edition (paper) on which this analysis is based.

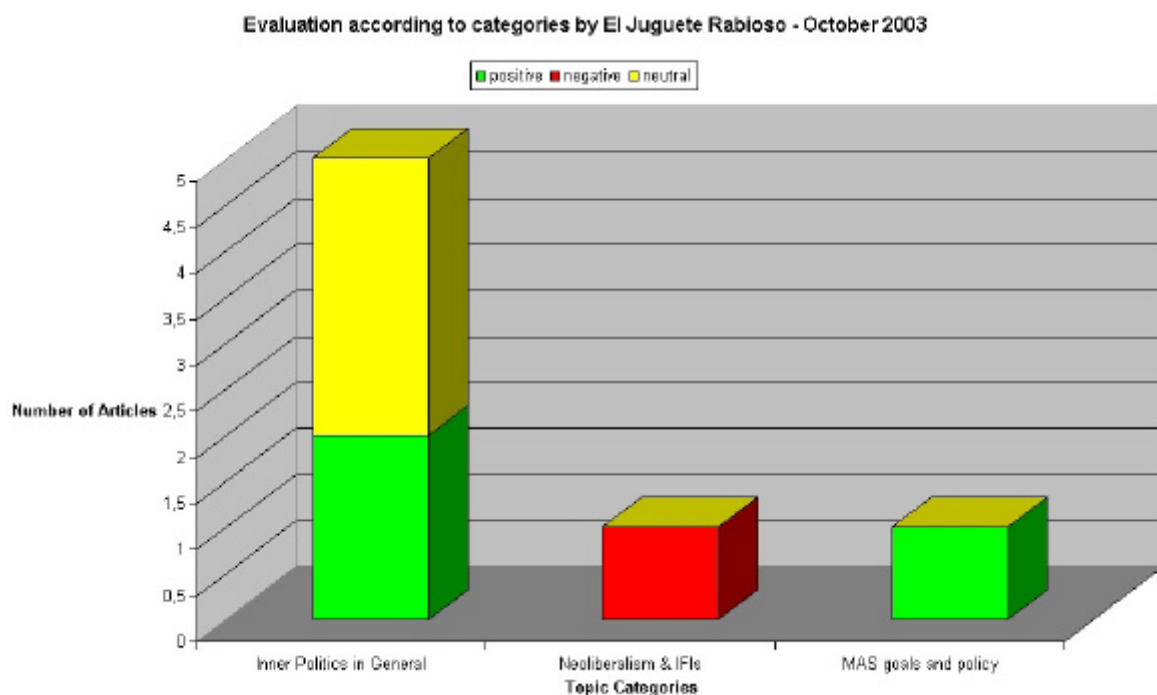
5.3.1 2 to 19 October 2003

Category	Number of Articles	Percent	Rank
1 Neoliberalism and IFIs	1	14	2
2. Economic Policy and Development	0	0	-
3. MAS goals and policy	1	14	2
4. Hydrocarbons	0	0	-
5. Bolivia's foreign relations (non-US)	0	0	-
6. Relations to the United States	0	0	-
7. Inner Politics in General	5	72	1
8. Comment, Opinion, Interview, etc.	0	0	-

EJR published one edition during the first time frame of analysis, which included relevant seven articles (see table 7). Overall the evaluation of MAS was distributed in half of articles reporting neutrally and positively (see graphic 17).

The category of inner politics in general received most attention. All articles were anti-Sánchez de Lozada, most reported neutrally on the riots and linked protesting and political goals (Cáceres 2003 and 2003b; Ramos Andrade 2003 and

2003a; García Linera 2003; Tabera 2003). Reporting on the MAS was generally positive, but Morales was not the focus of reporting or blamed for the conflict. EJR reported 'from below' (unlike *La Prensa*) and chronicled the Gas War, including deaths and injuries, naming the dead and those arrested. They also underlined the lack of legitimacy of the Goni-government and explicitly held it responsible for the deaths of more than 70 people (Ramos Andrade 2003).



graphic 17

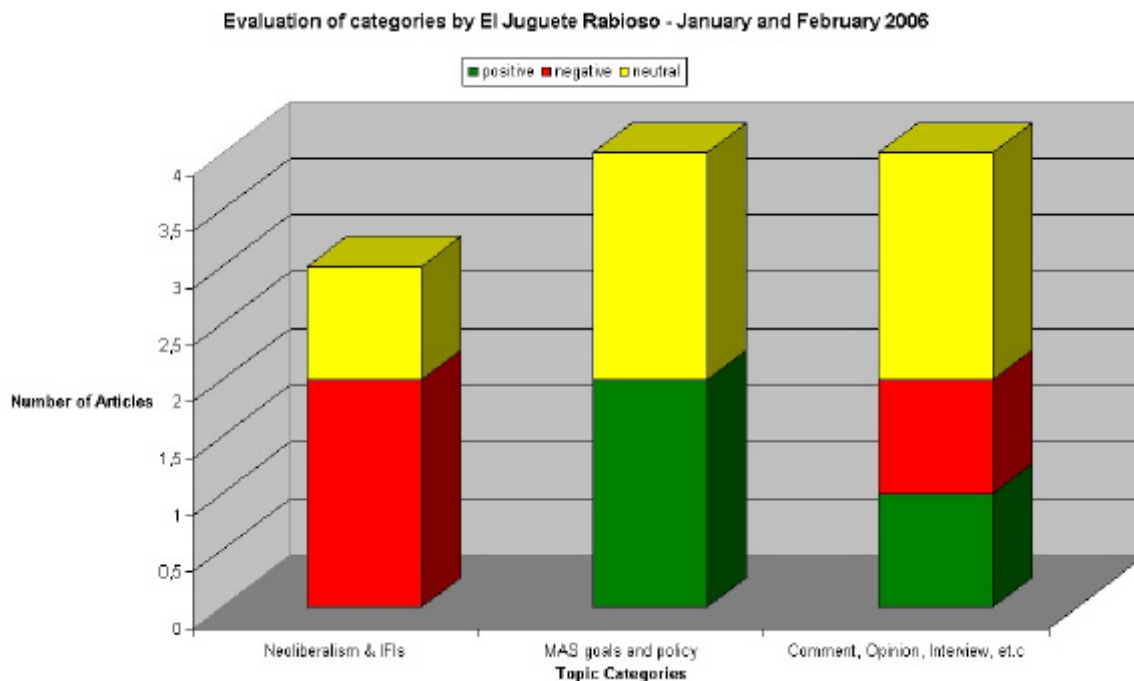
The only article in category 1 was negative and compared Goni to a transnational corporation. He is the owner of the fifth largest enterprise in the country and accused of only helping his cronies with the privatization program of the PGDES (“invest one dollar, receive ten”) and not the *BonoSol*. The article makes connections between Goni and Enron, Shell, the IBRD and Total and out a former US-ambassador to Bolivia as holding shares in a Bank. Goni is linked to the largest copper merchant in the world: Rio Tinto Zinc of Britain. EJR attributes the idea of exporting Gas via Chile to Bechtel, as British Petrol, British Gas, Pacific LNG and Shell are members in it. Goni is accused of never having been a politician, but only an entrepreneur. An article by future-vice-president García Linera (2003) on the population of El Alto describes the Gas War as an indigenous issue.

5.3.2 22 January to 19 February 2006

Category	Number of Articles	Percent	Rank
1 Neoliberalism and IFIs	3	27	3
2. Economic Policy and Development	0	0	-
3. MAS goals and policy	4	36,5	1
4. Hydrocarbons	0	0	-
5. Bolivia's foreign relations (non-US)	0	0	-
6. Relations to the United States	0	0	-
7. Inner Politics in General	0	0	-
8. Comment, Opinion, Interview, etc.	4	36,5	2

The analysis of EJR in 2006 includes one issue which was published on 29 January 2006. Ten articles of this issue were included in the analysis (see table 8). Opposed to 2003 the positive evaluation toward the MAS and Evo Morales shrunk: almost half of articles reported neutrally on the new government, 38 percent positively (3 articles) and 1 article was categorized as negative. Alike the other newspapers, the attitude toward the MAS is more reserved than in 2003. Category 1 was also re-evaluated: not all articles are negative any more, but one is neutral (see graphic 18 on the next page).

Category 1 was also re-evaluated: not all articles are negative any more, but one is neutral (see graphic 18 on the next page).

**graphic 18**

The first negative article questions whether the indigenous (or Andean population) will find a place in the capitalistic system or not, as capitalism is so different to theirs. Perhaps the answer lies in an Andean capitalism, as vice-president García Linera proposed (Prada Alcoreza 2006: 7f). More of a review, this article describes capitalism and dependency-theory and explains market strategy and Bolivia's placement in the periphery. It concludes that the indigenous do not fit in the imperialistic-capitalism as both systems are contradictory to one another. The second article writes on genetically manipulated soy and speculates it might already entered the Bolivian market (Ribeiro 2006: 11). The third article lists the areas and companies involved with the privatization of water, citing 44 percent of Bolivian drinking water to be in the hands of a cooperative "which does not seek luxury," the other 44 percent are state-administered and 12 percent is in private hands (*El Juguete Rabioso* 2006: 13). It cannot be speculated that EJR changed its mind on neoliberalism. Rather the neutral article shows that EJR can report objectively on matters such as neoliberalism. Both positive articles in category 3 (MAS goals and policy) agreement with the MAS on three issues: (a) land distribution to benefit the poor (Otero 2006); (b) disfavoring privatization of the water (the article welcomes Bolivia's first minister for water (Abel Mamani) and his mission to impede privatization of this basic right) and names several contracts in Bolivia which might be ended due to this endeavor (Lora 2006: 12); (c) one article cheers Morales' cabinet –building, but criticizes (neutrally) that one pro-free-trade, neoliberal, capitalist person is in it (Walker San Miguel) (*El Juguete Rabioso* 2006a). The two neutral comments in EJR write on 'Our Brand is Crisis' and US interference in the 2002 election campaign (e.g. financial assistance by the White House) and speculates rumors against Morales might have started due to the US campaign advisors as well (Meavé Diaz 2006; Lizárraga 2006). The negative comment is a sneer which continued the criticism of the pro-neoliberal cabinet-member, Walker San Miguel, who is compared to Johnny Walker (the whiskey), as both him and Johnny were present during the privatization of state companies. Cheers! (Cáceres 2006b).

Similarly to the other newspapers, the critical and leftist EJR opted for evaluating Morales and the MAS less positively. While the 2003 evaluation was neutral or positive in equal parts, positive evaluation shrank by 13 percent between both time frames. Those 13 percent shifted to negative reporting. This number is so dismal, that it cannot indicate a sway of opinion, but reveals that EJR can criticize even those who are 'on their side,' even if it not the goals or actors themselves who are criticized but their choice to include a member of dominating discourse in their ranks. The trend set in *La Prensa* and *La Epoca* was not followed by EJR. The Angry toy still believes that the MAS offers a viable option to neoliberal hegemony and that it can solve the country's problems.

5.4 Overall Comparison and Interpretation of press analysis results

There seem to be two trends in the Bolivian elite which were found in the newspaper analysis. For one, the conservative daily and moderate weekly re-evaluated their position toward the MAS, rioters and Morales and tend to write more neutral articles in 2006 than in 2003. Both agree that the MAS' economic policy are not what the country needs. Their evaluation of neoliberalism and the IFIs also shows that they no longer favor this option (in one case the topic wasn't even worth writing about in 2006 and in the other positive reporting decreased dramatically). However, the also MAS failed to persuade its critics to join their ranks or to pulled over those who had no opinion. Overall, both 'old' and 'new' elite lost members, who are now spectators. The elite as a whole seems to currently watch Bolivian society, stuck between anti-neoliberal and neoliberal thought, concocting a solution on how to escape this pressure and stay in power.

At first, this leaves the question open of what it is they would like instead of these actors. Excluding both hegemonic and counter-hegemonic options doesn't leave too much to work with. Counter-hegemony is apparently not firmly standing in Bolivian society just yet. This particularly applies to the elite. The critics of the MAS stayed in their position, as numbers indicate. The elite seems to be in a difficult position. It has understood that neoliberal reforms did not bring the promised progress or wealth and have dissatisfied most of the population. The elite also knows that the population is dissatisfied with the elite as a result of the failure of neoliberal reforms and because they were forcefully implemented. The elite is also not interested in consenting a change of power relations, especially if it will disadvantage them in the long run.

The elite will use the MAS for their profit, as they have before. In 2003, evaluation of the riots turned positive, only when consensus in the elite was that Goni lacked legitimacy and that he had to leave. Thus, protestors aims were instrumentalized and diverted from the issue of gas and turned into the common goal of ousting Goni. This applies especially to *La Prensa*, who stuck with the president until Carlos Mesa withdrew his support for him. Similarly *La Prensa* quit nasty reporting on Morales when it saw that it was not needed any more, as enough of the 'old folks' thought negatively about the MAS anyway. Again, it is unfortunate that this analysis did not integrate to examine the varying degrees of positive or negative reporting. The author assumes the severity of negative and positive articles would have shrunk across time, particularly in *La Prensa*, but that their amount would have increased.

The loss of importance of neoliberalism and IFIs may mean that certain parts of the elite block discourse on this matter purposely: one cannot have an opinion on something which is not spoken of. Neoliberalism might not be worth mention, as they believe that it will stay in place regardless of who is

president. This finding goes hand in hand with the 200 percent increase of articles on neoliberalism and the IFIs in EJR, who discusses this topic more in 2006 than 2003. The elite should not underestimate counter-hegemonic discourse as it has proven to organize differently when prohibited or debilitated (e.g. CONDEPA and UCS took in many former COB supporters; when these parties lost their leaders, MAS filled the gap). Support for the MAS and protestors never existed on part of the elite. It only prevailed while both had a common goal: ousting Sanchez de Lozada.

Perhaps the solution to Bolivia's problems and its future development concept will not come from either hegemonic or counter-hegemonic ideas. Rather, like so many times before, the solution will come from outside. The findings of the analysis support this hypothesis as the articles on relations with the US were less in 2006 than in 2003, while articles on foreign relation were more prominent. This cannot be confirmed by the critical leftist EJR, which still believes the MAS may solve the country's problems and holds a negative attitude to the IFIs and hegemony. The EJR is objective in its monitoring and criticizing of the MAS and Morales. The hypothesis, that a change of consensus in the Bolivian elite took place can therefore not be confirmed. Rather, hegemony and the old elite are in crisis and it is yet to be seen if counter-hegemony can become the new historic block.

6. Conclusion, Findings, Outlook

This thesis considered Gramsci and Cox' proposals to view societal change through a dialectical lens and to examine whether crisis in neoliberal hegemony (the 2003 Gas and Tax War) might change power relations by altering elite discourse consensus in a peripheral country. Gramsci stated that the reciprocal relations between the structure (economic relations) and the superstructure (the ethic-political sphere) might be constituent entities of world order. Cox added that political conflicts in a society will either maintain power relations of production or lead to the implementation of a new historic bloc. This thesis tied in at there and found that neoliberal hegemony in Bolivia is still in crisis, as the elite is not ready to hand over power.

To continue as hegemony, neoliberalism has to stay engrained on all three levels of society: in economic, political and social structures. As Chapter 2 outlined, neoliberalism favors free trade and the unrestricted flow of capital and was culturally re-defined for Latin America by the IFIs in the Washington Consensus (see Section 2.1). Neoliberal values were internalized in peripheral countries such as Bolivia with help from their elites who coerced the masses into accepting the reforms of the 1980s and the PGDES (see Chapter 3). Help with the implementation of hegemonic policies and its system were tied to other political goals (coca eradication) by the head-hegemon (US) and its institutions (IFIs) (see Section 4.4). Bolivia was threatened that development aid (which benefits neoliberal policies' implementation) would be cut upon not meeting these political demands; a threat that co-opted the elite as Cox predicted (see Section 2.1.1). The threat to cut the developmental assistance package was voiced again in 2002, when a leader of the anti-neoliberal movement ran for president.

Anti-neoliberal sentiments in the population existed ever since democracy arrived to Bolivia in 1982. Propagators of neoliberal reforms promised an improvement of the livelihoods of many, but hardly anyone believed them. Resistance to neoliberalism increased throughout the 1990s, when many noticed a deterioration of their livelihoods and that democracy failed to include the poor, indigenous and rural. About these marginalized people, Cox wrote that they would revolt against hegemony, if international capitalism was not able to neutralize its negative effects (poverty). If this counter-hegemonic force was to overcome hegemony, it should establish alternative institutions and intellectual resources by using the strategy of *Transformismo*. In *Transformismo* two groups of different political spectrums unite and form a movement which is not class based. Then, this movement assimilates their policies to the dominant coalition to de-vilify them (see Section 2.1.3). Seemingly, this was done by the MAS and Morales, who received votes from those who previously supported CONDEPA, the UCS or who were active in the COB. The MAS is popular in urban and rural areas alike; two regions with different needs and demands but one goal (nationalization of gas reserves) and which include many groups of people under the umbrella term *campesino* (e.g. coca growers and agricultural workers who do not agree with each other on all issues; see Section 4.2 and Molina 2006: 89f, 103-108). Thus, the blue print of critical theory may be applicable to Bolivia's masses, but this is not what this thesis examined.

So what about the elite?

In the beginning of this thesis possible outcomes of the discourse analysis were outlined: (a) the newspaper study would confirm that counter-hegemonic goals are accepted by the Bolivian elite. Had the new administration received good press in 2006, it might indicate a change of consensus

toward neoliberalism, especially if press toward Morales and his party was negative in 2003; (b) the elite might disfavor the current government and its policies and still favor neoliberalism. This would have reflected itself that overall reporting on the MAS on the MAS would have been negative (in categories 2 through 8) and mostly positive on Neoliberalism and the IFIs (in category 1). Results showed a third, previously not considered, option (c) the elite does not consider Morales and the MAS the solution to Bolivian problems. However, the same applies to neoliberalism and the policies suggested by the IFIs. As Christian Parenti writes in an article in *The Nation*: “some local elites (...) have (...) weaned themselves from their sycophantic intellectual habits of believing whatever comes out of Washington” (2006: 22). An interview with Carlos Mesa in the panamenian newspaper *La Prensa* confirms this attitude further: “President Morales has made a strong bet and risk with the decree on the nationalization of gas, but if it works only in 80 percent of the time, it will be an extraordinary success for the country (...) whose income will multiply” (Mesa 2006). The newspaper analysis confirms that the values and ideas of hegemonic discourse were reconsidered between 2003 and 2006 but counter-hegemonic discourse not implemented a new historic bloc yet, because it does not favor the elite.

Let’s face it: the elite doesn’t care which economic system is in place. It cares about its power and wealth and any system is fine as long as their power and money are preserved by it. The MAS government is only tolerated, because the elite has no alternative at the moment as the political middle of Bolivia (or an alternative to both hegemonic and counter-hegemonic ideas) is empty (Padilla 2006). This is not surprising, because in a way the election of the MAS indicates the beginning of a new era. While the country had many presidents since 1982, Chapters 3 and 4 showed that these presidents simply continued along the lines of the previous administrations in which they were involved.

The historic chapter explained with the help of critical theory (institutions and patterns from the past are connected to changing modes of social reality; Cox 1981: 93f) that Bolivian elite benefited from the political culture of the Inca and the *Conquista*, particularly to oppress the masses and stay wealthy and powerful. Benefits, such as education, were only given to the indigenous, rural and poor if they also benefited the elite. When the elite thought the president should be ousted, it supported the masses in its protests against the exportation of gas through Chile and turned them into a matter of expelling the president (see Chapter 5). This confirms that hegemony can only be lifted if hegemony in all areas of society consents to do so. If the elite had not agreed that Sanchez de Lozada should resign, the masses would still be protesting against him today. Perhaps this is also a matter of whom the elite views as a legitimate critic: Goni only resigned after intellectuals asked for his resignation and the most important politician in his cabinet, Carlos Mesa and other politicians such as Paz Zamora withdrew their support. The elite thus maneuvered the protests away from their anti-neoliberal cause (and did not learn their lesson as they did not after the Water War of 2000). The moderate stream in the elite, represented by *La Epoca*, seems to think Morales so unimportant that in its first publication of the MAS administration it spent more time dwelling on the issue of ‘Our Brand is Crisis’ than on the new president.

Molina, the editor-in-chief of the right wing conservative weekly *Pulso*, published a book in 2006, in which he also says that Carlos Mesa and Goni were one. They brought together the intellectual and entrepreneurial front and different political goals (e.g. fight for democracy but rigid economic reforms) (2006: 66-82). Furthermore, they took advantage of the fact that Bolivians believe the media

(represented by Carlos Mesa) acts in their interests, whereas opinion of the state is low. Molina attributes the success of the MAS a backlash of populist politics and cites internal problems will contribute to their failure (e.g. they will not be able to nationalize the gas reserves because foreign relations will be affected negatively) (2006: 112f). He accuses the MAS of returning to policies the MNR implemented during the 1952 Revolution and that it is predicted to fail in the same ways (Molina 2006: 121-124). Molina also addresses the issue of the Andean capitalism, which EJR already picked up in its 2006 issue (see Section 5.3.2); an ideology that propagates a strong state and encourages the use of the state as a “baby bottle.” According to him, anti-neoliberalism leeches on the people’s bad habit to receive rather than produce themselves; on the perception that Bolivia is a victim of its history and exogenous forces. This is why the idea of nationalizing the gas reserves is so popular, but this is “ruining a business which could improve the livelihoods of many” (Molina 2006: 100f). The editor-in-chief of *Pulso* explains that these are reasons why the MAS does not speak of “a better life for all,” but of “a good life” (Molina 2006: 132). Molina concludes his analysis, by reminding his readers that “fortunately minorities exist and preserve themselves” – most likely a call to his fellow elite friends (2006: 150). Molina’s book underlines the findings of the newspaper analysis: the elite does not want to let their power go, especially not in the economic spectrum, when it already lost the political sphere.

It seems as if they are hoping the MAS and Morales will get caught up in internal problems or be unable to build an own political agenda as the COB and other political actors did before them, whose leaders were more concerned with furthering their own career than with politics. As the newspaper analysis showed, they are not afraid to encourage these problems by finding leverage to put on the new government. Cox cited that a change in power productions (subordinating of old dominant groups by new dominant groups) implements new hegemony. Counter-hegemonic actors might gain ground in the economic sector (which is still dominated by the ‘old’ elite) not only through the nationalization of the gas reserves, but by legalizing the coca leaf on an international level, gaining *Cocaleros* more leverage and lobbying-weight. This would hurt those in the elite involved in drug-trafficking by depriving them of income.

Morales, who won a landslide victory in Bolivia in December 2005, is a coca grower, a migrant, a school-quitter, an avid lover of sports and an indigenous. During his first election campaign as a presidential candidate Morales said he did not want to speak of the actors in the circus, when referring to journalists, but to its director referring to US Ambassador Rocha. Despite is threat to cut development to Bolivia should Morales be elected (probably a way to co-opt the Bolivian elite into following its instruction), the US did not do so. Either way, the White House is not pleased with Morales’ policies (Parenti 2006: 21) and neither is the elite, who is opting to wait and see and who will only interfere when the conflict between hegemonic and counter-hegemonic forces endangers their position as the wealthy and powerful. There is weariness toward Morales policies and in some cases opposition, but there is also fear (as explained in Chapters 3 and 4). For once the elite might not underestimate the power of the people and the legitimacy of their opinions, but only because they have everything to lose. Therefore, they, alike the MAS, have high hopes in finding help in non-US foreign relations (reporting in this category increased in all newspapers except EJR).

No significant changes in Bolivian society (or hegemonic societies in general) will occur unless the elite agrees, as Gramsci and Cox predicted. However, currently counter-hegemonic forces hold

political power in Bolivia. Anti-neoliberal acts were implemented during the past six months: the gas reserves were nationalized, state employee wages were cut and a land reform was implemented – all against elite will. The elite is retrieving to the spheres in which it still dominates: the economic and social structures. Its task is to de-legitimate the counter-hegemonic administration politically and continue dominating all economic and social matters. The counter-hegemonic movement will only install itself as a new historic bloc if it creates alternative institutions and intellectual resources and enters the domains the 'old' elite still governs (as Cox suggested 183: 129). As the newspaper analysis revealed the MAS was unable to persuade its critics and must cement counter-hegemony as a new historic bloc without support from (and despite) its sceptics. Anti-neoliberal actors and their policies steadily enter the terrain of the bourgeoisie, who is no longer the sole holder of the intellectual, moral and economic leadership of the country. IFI and 'old' elite policies are no longer common sense. Not even in the old elite itself.

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Abstract

Im Dezember 2005, gewannen Evo Morales und seine Partei, die Bewegung zum Sozialismus (MAS), mit über 50 Prozent der Stimmen die Wahlen in Bolivien. Dieses war das stärkste Wahlergebnis einer Partei seit Einführung der Demokratie 1982. Morales wurde im Januar 2006 als der zweite indigene Präsident Lateinamerikas eingeweiht.

Die Einweihungszeremonie war gleichzeitig ein Triumph der anti-neoliberalen Bewegung Boliviens, welche im Wasserkrieg im Jahr 2000 und im Steuer- und Gaskrieg im Jahr 2003 ihren Höhepunkt erreichte. Morales und MAS unterstützten die sogenannten Neoliberalen Kriege. Der Sieg der MAS und von Morales in den Wahlen regt Spekulationen an, dass der Neoliberale Konsens in der Elite, der Bolivien zwei Jahrzehnte lang regierte, gebrochen ist. Die Frage nach einem Konsenswechsel ergibt sich nicht nur von Morales' und MAS Partizipation in den Neoliberalen Kriegen, sondern auch weil die MAS viele Forderungen der Proteste 2000 und 2003 in ihr Parteiprogramm aufgenommen haben. Während sich Morales' anti-neoliberale Denkweisen offensichtlich in der bolivianischen Bevölkerung großer Beliebtheit erfreuen, ist es nicht erwiesen, dass sich diese Popularität auf die Elite des Landes erstreckt.

Der potentielle Konsensbruch bezüglich des Neoliberalismus in der Elite entstand jedoch nicht von ungefähr. Im Gegenteil: er baute sich über die gesamte Geschichte Boliviens hinweg auf und wurde von den Rahmenbedingungen im Land begünstigt. Mit Hilfe der kritischen Theorie von Antonio Gramsci und Robert W. Cox, welche in Kapitel 2 vorgestellt wird, erforscht diese Magisterarbeit ob der Neoliberale Konsens in der Bolivianischen Elite gebrochen ist. Mit Unterstützung des Konzeptes, dass Geschichte und Produktionsbeziehungen Gesellschaften und die Gegebenheiten in ihnen den hegemonialen Diskurs formen, stellt diese Arbeit in den Kapiteln 3 Boliviens Geschichte bis dato dar und bespricht in Kapitel 4 wichtige Themen der aktuellen Bolivianischen Politik und Wirtschaft. Die Umsetzung der neoliberalen Ideologie und Richtlinien in Bolivien wurde von den USA, den hegemonialen Institutionen (der Internationalen Währungsfond und der Weltbank) sowie der sich in der Regierung abwechselnden Elite propagiert und implementiert. Die neoliberalen Programme der 1980er und 1990er wurden trotz bitteren Protesten seitens der Bevölkerung beibehalten, die sich gegen die negativen Konsequenzen der Programme wehrten.

Da die kritische Theorie Konflikte als Mechanismen sieht, die Machtverhältnisse verändern und einen Hegemon/ein hegemoniales System stürzen können, werden auch die Neoliberalen Kriege Boliviens besprochen. Insbesondere im Steuer und Gaskrieg 2003 baute sich ein anti-hegemonialer Diskurs auf. Dieser Konflikt, in dem die MAS mitagierte, wird besonders begutachtet weil er den Präsidenten Gonzalo Sanchez de Lozada (der neoliberale Kopf Boliviens) stürzte.

Auf diesen Erkenntnissen basierend, wird in Kapitel 5 die Zeitungsanalyse vorgestellt. Diese wurde in zwei Zeiträumen vorgenommen: 2. bis 19. Oktober 2003 und 22. Januar bis 19. Februar 2006 (erster Monat der MAS-Regierung). Es wurden drei Zeitungen analysiert, welche je eine politische Strömung in der Bolivianischen Elite repräsentieren (*La Prensa*, konservative Tageszeitung; *La Epoca*, moderate Wochenzeitung, *El Juguete Rabioso*, ein alle zwei Wochen erscheinende linke Zeitung). Die Befunde der Zeitungsanalyse zeigten, dass die Bolivianische Elite sich sowohl gegen die anti-neoliberale Politik der MAS wendet, aber auch den Neoliberalismus und die Internationalen Finanzinstitutionen den Rücken gekehrt hat. Sie bewies auch, dass die Elite im Jahr 2003 erneut die Massen zu ihrem eigenen Vorteil missbrauchten, in dem sie ihre Wut, die gegen die Privatisierung der Gas Reserven gerichtet war, auf den regierenden Präsidenten (Sanchez de Lozada) umlenkten. Insofern zeigte die Zeitungsanalyse auch, dass ohne die Zustimmung der Elite in Bolivien ein friedlicher Systemwechsel unwahrscheinlich ist.

Wie im Endfazit (Kapitel 6) beschrieben wird, hofft die bolivianische Elite, dass sich die MAS und Morales in inner- bzw. zwischen-parteilichen Scharmützeln verfängt, damit sich in der Zwischenzeit eine Alternative zwischen anti-hegemonialen und hegemonialem Diskurs findet, welche den Reichtum und die Macht der Elite erhält. Dies dürfte sich als schwierig erweisen, weil die politische Mitte Boliviens leer steht.

Erklärung

Hiermit erkläre ich, dass vorliegende Arbeit selbständig verfasst und keine anderen als die angegebenen Hilfsmittel benutzt sowie die Stellen der Arbeit, die anderen Werken dem Wortlaut oder dem Sinn nach entnommen sind, durch Angabe der Quellen kenntlich gemacht wurden.

Möglingen, den 7. August 2006

Marion C. Schmidt