

INSTITUTE OF CURRENT WORLD AFFAIRS

WLM-18

28 September 1989  
La Paz, BOLIVIA

"Silent Comedy"

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Dear Peter,

It might have been the zany script of a Luis Buñuel film. Set in the Andes earlier this decade, a left-wing populist jumps out of a crashing airplane -- rumored to be sabotaged by right-wing zealots of a then military dictatorship -- to survive with severe facial burns. The honest citizens of this Latin country detest shady antics like the above, and the cruel dictator is later deposed. The scarred populist recovers to become the vice-president in a government that follows, and, with a monetary policy that resembles a loose cannon on deck, creates an experience more painful than the populist's own, prior tragedy. Buñuelians remember this as hyperinflation. The nation tires of bread lines and disappearing incomes, so votes out the populist crew and calls back to office an old hero. The old hero presided over a Revolution three decades before, which means the hero is bigger than the lives disrupted when thousands of inefficient workers are fired and public-sector wages are frozen. A mineowner, with a degree in philosophy, is called in to keep watch over a ministry that prohibits the nation from spending more than it earns. Economic order is restored and the world takes note. The philosopher is credited with a miracle and decides he wants to be president. By now, elections are fairly common, so the philosopher and the populist (who, out of office, has championed the poor he helped to make poorer while in office) decide to square off.

But wait. The military officers keep coming back. Another former dictator (there were quite a few) declares himself a convert to democracy and enters the electoral contest. During the presidential campaign and its aftermath, this dictator is said to be hiding the other dictator who nearly (oops, allegedly) blew up the beloved populist at the beginning of the show. That dictator was declared an outlaw and is on the run to avoid questioning by a high court tribunal. Calumny, such vicious calumny.

Democracy is relatively new to Buñuelia. The nation cannot afford to entertain rumor. The nation thinks hard. The nation votes. The election is close, but the results are clear: philosopher, dictator, and populist. In that order.

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Would that Buñuelian republics were so dull. They are not. Behind closed doors, negotiations proceed. The electorate is ignored. The philosopher goes back to mining. The dictator is declared the "architect" of modern Buñuelian democracy. And the third-place populist sits first in the presidential palace. We could worry about who came to the inaugural dinner, but that would be another movie. Isn't it fun to be a film-maker?

Unfortunately for Bolivians, there is no cinema screen in La Paz large enough to accomodate the real-life drama played out here last month. On the eve of Bolivia's presidential inauguration slated for 6 August, Alianza Democratica Nacional (ADN) and right-wing candidate General Hugo Banzer Suarez reached an accord with Movimiento Izquierda Revolucionaria (MIR) and left-wing candidate Jaime Paz Zamora to decree who would govern this Andean country for the next four years. Since no single presidential candidate could claim an absolute majority in the 7 May national elections, Banzer and Paz Zamora were able to take advantage of a constitutional clause that rests responsibility for naming a president under such circumstances with the Bolivian Senate. With 90 days between the election and inauguration, Banzer and Paz Zamora had plenty of time to sway the sentiments of their respective party die-hards and convince their ADN and MIR senators that a "National Unity" coalition was the answer. General Banzer renounced his candidacy in favor of the MIR candidate, thus catapulting Jaime Paz into the Palacio Quemado and presidential office.

There was only one problem. General Banzer and Jaime Paz conveniently forgot that the spoils usually go to the winner. Gonzalo Sánchez de Losada, the incumbent party Movimiento Revolucionario Nacional (MNR) candidate, finished first in the 7 May elections. Sánchez de Losada had viewed his May victory as national approval of his years as Planning Minister under Victor Paz Estenssoro's MNR government (1985-89) that halted hyperinflation and reduced -- through deft bargaining -- Bolivia's foreign-debt obligation by approximately 30%. Embittered by the Banzer-Paz Zamora coalition, the MNR candidate vowed to lead the parliamentary opposition, and, as a result, make governing more difficult for the "National Unity" front.

Sánchez de Losada was not the only unhappy one. Days before the "National Unity" pact was announced, the mere speculation that Paz Zamora could emerge as president fueled a run on the (US \$) dollar in currency exchange houses. When Banzer actually stepped aside for Paz Zamora on 3 August, street changers took the dollar off the market, waiting to see how high it would go. And zoom it did, topping 3 Bs = US \$1 after starting the morning at 2.62 Bs. The day's devaluation was greater than had occurred over the course of the entire last year.

The Bolivian private-sector was not amused either. In the three months after the May election, Bolivian savers remembered how Paz Zamora's UDP government (1982-85) "de-dollarized" their assets [See WLM-13]. Fearing a repeat of the same, an officially estimated US \$130 million was retired from Bolivian banks to be stuffed into mattresses at home or secreted away to safe accounts abroad. The unofficial figure could well be twice that amount.

Disappointment was rife also in the political process that allowed Paz Zamora to assume the presidency. More than one ardent MIR or ADN partisan turned up his nose at the "National Unity" accord and refused to serve in the government. For those who accepted posts, there were reports of infighting at crucial ministries where ADN sub-secretaries report to MIR

ministers, and vice-versa. Bolivia's more humble citizens were miffed equally. One elderly shopkeeper muttered, "I thought I had seen it all, but this has to be the worst. I didn't vote just to watch politicians make a deal in private."

The deed done, however, Bolivians have had little choice but to sit on the edge of their seats and wait for the rest of the plot to unfold. One former minister expressed a commonly asked question when he wondered, "Did Banzer and Paz Zamora act out of political opportunism or patriotic altruism? Nobody knows. And it really does not matter as long as the stability of the last four years continues."

Seven weeks is a short time to judge any government. Nevertheless, a cautious optimism seems to be settling in among Bolivian savers and businessmen. The Office of the General Superintendent of Banking claimed last week that private deposits have recouped almost US \$122 million of the cash withdrawn before the inauguration. And though money is still tight while the Bolivian currency fluctuates and the more conservative of Bolivians hesitate to renew business activity, there are signs of better days ahead. One importer of telecommunications equipment was happy to note that he is receiving new orders for the first time since May. "People still use the phone," quipped the importer.

The optimism is due, in the main, to the explicit effort made by President Paz to shake off the image of an interfering and dogmatic socialist that he acquired from 1982-85. In his inaugural address, the new Paz Zamora came as close to preaching the gospel of free markets as his past will allow, stating, "My government will guarantee one exchange rate, that is both real and flexible .... All foreign-denominated [savings] deposits will be guaranteed ... as will be the unfettered conversion of foreign currencies." Taking a lesson from Alan Garcia's failure to create sustained growth by imposing price controls (while raising wages) in neighboring Peru during 1986-87, Paz Zamora even promised, "Prices will be determined by supply and demand."

Most veteran observers see the hand of General Banzer behind the market-led resurrection of Paz Zamora. But no matter who is pulling the strings, both policymakers are beginning to see that pricing mechanisms do not always work as one would wish. As soon as the "National Unity" government moved to boost the price of gasoline and other petroleum products by more than 20%, the price of most food staples shot up by even more. Without any exceptional surge in demand or decline in supply, chicken rose from 4.2 Bs to 5 Bs per kilo within days. Vegetables took the same leap, with potatoes jumping as much as 2 Bs per arroba. One housewife declared in a local survey, "Everything has gone up ... not just in 'centavos', but in 'bolivianos' .... Before I could buy everything with the money I bring and now I take home half that amount."

Small surprise, then, that most Bolivians were left confused when the Instituto Nacional de Estadística (INE) released figures this month that pegged the August inflation rate at only 3% (though it may have something to do with INE's overweighting of rent payments when calculating the consumer-price-index. The vast majority of Bolivians -- poor or not -- own their homes). INE's figures certainly make less credible current Planning Minister Enrique García's contention that annual inflation will not top 12% for 1989.



"Casera, I've heard talk that they are going to shut down your store." "Ay, niñita, why do you suppose that?" "They say you don't give out sales' receipts ...." "Ay, that's not so bad. I thought it was because I raised my prices again ...." Taken from the La Paz daily, Presencia, 14 September.

More possible conflicts loom on the horizon for Paz Zamora. The Central Obrera Boliviana (COB), which is the country's oldest and largest union, adjourned its VIIIth Congress in Oruro this week after demanding that the minimum monthly wage be raised from 60 Bs to 929 Bs. This is the same amount COB economists estimate that a family of five needs to live adequately. If the results of the COB's executive elections are any indication, union leaders are in a fighting mood. With the support of MIR delegates, the COB elected Víctor López Arias as its secretary-general. López Arias has headed the separate miners' union since last year, when he and others pledged to change syndicate tactics from those of peaceful reform to "subversive resistance" [See WLM-13]. Also, last year's Ayllus Rojas are still around. Their presence at this year's CSUTCB campesino congress in Tarija -- and the Ayllus Rojas' call for the destruction of non-governmental aid organizations and expulsion of foreign aid workers by violent means -- moved Izquierda Unida (IU) Deputy Miguel Urioste to denounce publicly "Sendero Luminoso-like" influences at work in the countryside. [See WLM-8]

Labor leaders are looking for an ally in Paz Zamora. When the new President is far enough away from his ADN partners, he seems predisposed to revert to his populist ways. Addressing the United Nations General Assembly in New York yesterday, Paz Zamora discarded his prepared text and waved his arms as if he were speaking at a political rally in La Paz's Plaza de Murillo. At one point he asked, "I wonder if more children have died in the civil wars that are consuming a series of countries in Latin America than have died in the act of violence, known as structural adjustment, that my country has had to bear."

Please, Señor Presidente. The children of the world have heard enough demagoguery. What they can use is tangible growth. And even Luis Buñuel knew the value of the understatement. That is why he called his movie, "The Discreet Charms of the Petit Bourgeois".

As ever,

WL Melvin

Received in Hanover 10/19/89