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# "Why I decentralized Bolivia"

## Working paper

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# "Why I Decentralized Bolivia"[1]

Gonzalo Sánchez de Lozada[3] and Jean-Paul Faguet[4]

**Abstract**

Why would any president, having spent a career achieving the pinnacle of power, willingly hand it over to others he cannot control? This is the black hole at the heart of the decentralization debate that has never been satisfyingly answered. We provide a response to this question by considering the radical case of Bolivia, through an extended interview with the man who decentralized it. Gonzalo Sánchez de Lozada was a principal actor in some of the most important events in Bolivia's—and indeed Latin America's—modern history. A highly improbable politician and statesman, he rose to prominence as the minister who designed the stabilization plan that defeated hyperinflation in a period of near-national collapse. He was elected president in 1993 and again in 2002. His first term saw a burst of reforms that decentralized political power and resources to municipalities, capitalized the largest state enterprises, reformed education, created a new public pension system, reformed the executive branch of government, and reformed the constitution. His second term saw rising unrest that culminated in huge demonstrations, shocking violence, and Sánchez de Lozada's resignation and exile to the USA, where he lives today. This chapter focuses on his formative experiences in government, how he came to believe in the necessity of reform, and how he carried his party and government in a startling push that decentralized Bolivia.

**Keywords:** Decentralization; Bolivia; Sanchez de Lozada; local government; Law of Popular Participation; political feasibility; hyperinflation; Evo Morales

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# 1 Introduction

Why would any president, having spent a career achieving the pinnacle of power, willingly hand it over to others he cannot control? This is the black hole at the heart of the decentralization debate that few address and none have satisfyingly answered (Faguet 2012). Strictly speaking, the urge to decentralize is irrational in those who must, by definition, do it. Are presidents motivated by normative arguments about state effectiveness? Is decentralization politically convenient? Can politicians be altruistic? Are there really philosopher kings?

This chapter attempts to answer these questions for the case of Bolivia, one of the most radical and well-known of decentralization reforming countries. Our attempt takes the form of an extended interview between an academic researcher and the former President of Bolivia whose government designed and implemented reform. We begin with Bolivia's long-term historical trajectory, which created its rich, complicated social and political tapestry, and then home in on the formative experiences and political transformation of Gonzalo Sánchez de Lozada, the man who decentralized Bolivia.

The arid *altiplano* highlands of western Bolivia have long been home to ancient civilizations. Prior to the Inca conquest of the fifteenth century, the most important of these was probably the Tiahuanaco culture, centered on a small town of the same name just south of Lake Titicaca. From about 100 AD onwards, Tiahuanaco developed a strong religious, artistic, and agro-economic presence whose influence spread throughout the entire southern *altiplano* (Klein 2003). Its distinctive pottery, religious artifacts, and important agricultural innovations, such as mountain terracing, complex irrigation, and the characteristic *suka kollus* (flooded-raised field) agriculture, which insulated crops from the cold and dramatically increased yields, spread far north and south to what are modern-day Peru, Chile, and Argentina.

A marked fall in precipitation around 1000 AD, and possibly a severe drought, appear to have led to the collapse of Tiahuanaco. By the mid-fifteenth century, Incas entering the region from the north recorded only remnants of Tiahuanaco amongst the wealthy, warlike, Aymara-speaking

kingdoms of the *altiplano*. The Incas were a Quechua-speaking power centered on Cuzco (now Peru), who absorbed disparate peoples, cultures, and religions into a heterogeneous empire governed by a sophisticated administrative apparatus. They were an absolute monarchy and a vast empire, spanning most of South America’s Pacific coast. But civil war, the resentment of many of the conquered, and the devastating effects of European diseases weakened the empire to the point where, in 1532, fewer than two hundred Spaniards fighting with firearms, cannon, and a few dozen horses were able to defeat a vast empire and an army numbering in the tens of thousands.

Spanish colonists came to Bolivia to exploit its enormous mineral wealth, and—in smaller numbers—to convert its indigenous peoples to Christianity. Many colonizers were rapacious, and the two-tiered society that grew out of conquest featured extreme levels of oppression, inequality, and exploitation. Spaniards and their descendants inhabited the towns and cities, and owned the mines and large landed estates. Indigenous peasants lived in villages and were forced to pay tribute and work the land and mines of their foreign overlords. This social and economic order was largely inherited by the republic after independence in 1825. It broadly endured for a further 125 years, with mining wealth becoming more and more concentrated in fewer and fewer hands. By 1950, Bolivia was a backward country mired in poverty, and presided over by a “typical racist state in which the non-Spanish-speaking indigenous peasantry was controlled by a small, Spanish-speaking white elite, [their power] based ultimately on violence more than consensus or any social pact” (Klein 1993). The persistence of extreme poverty and inequality is striking. Bolivia’s GDP per capita of only $119 in 1952 (Dunkerley 1984) was highly unevenly distributed; most Bolivians lived in poor agricultural communities, while a tiny proportion of mining and landowning families controlled vast wealth. Only 8 per cent of Bolivia’s population had finished secondary school, and only 31 per cent could read. Nearly one-third of all children died before their first birthday, and most who survived died well before 50 (Dunkerley 1984).

The 1952–3 revolution set out to change all this. The middle-class revolutionaries of the *Movimiento Nacionalista Revolucionario* (National Revolutionary Movement, MNR) raided army

weapons stores, armed workers and peasants, and led a popular uprising against the oligarchical regime and its *superestado minero* (mining superstate). They won a crushing victory, and then mounted a concerted effort to reorganize the country's economic and social relations. Their preferred instrument was a highly centralized, interventionist state. They destroyed the *superestado minero* by nationalizing the mines and other strategic sectors, and attacked the broader oligarchy by seizing its lands and redistributing them to the peasantry. Once the "commanding heights" of the economy were in its control, the MNR launched Bolivia on a state-led modernization strategy that used public corporations and regional governments to break down provincial fiefdoms, transform social relations, and create a modern, industrial, more egalitarian society. To this end the President directly named prefects, who in turn appointed entire regional governments and their various local dependencies, forming a cascading chain of authority that emanated from the capital.

The many coups and political uprisings that intervened between 1953 and the arrival of Gonzalo Sánchez de Lozada in Bolivia in 1991 did little to change this defining characteristic of centralized, top-down rule. When he arrived in August of that year, Bolivia had some 100 legally incorporated municipalities, of which maybe 30 existed in any operational sense. The rest had perhaps an honorary mayor who presided over the town's annual festival and occasionally inaugurated a new school, but enjoyed no salary, budget, offices, or staff. Local decisions of any consequence were taken by central government in La Paz, or its representatives in one of Bolivia's nine departmental capitals. The few officials who resided beyond the regional capitals were implementing agents with small budgets and little discretion. Even minor decisions concerning local schools and clinics were the responsibility of central education and health officers, to whom local residents appealed from a distance, if at all.

Hence decentralization via the Law of Popular Participation (1994) was an unexpected shock that almost no one at first understood. The core of the law consisted of four points (Secretaría Nacional de Participación Popular, 1994):

1. *Resource Allocation*. Revenue sharing to municipalities[6] doubled to 20 per cent of all national tax revenue. Crucially, allocation switched from unsystematic, highly political criteria to a strict per capita basis.
2. *Responsibility for Public Services*. Ownership of local infrastructure in education, health, irrigation, roads, sports and culture, and water and sanitation was transferred to municipalities, along with the responsibility to maintain and extend these networks. Staffing and salary issues remained central responsibilities.
3. *Oversight Committees* (OCs; *Comités de Vigilancia*) were established to oversee municipal activities. Composed of representatives from grass-roots groups, OCs propose projects and provide a parallel channel of representation in local policy-making. Their ability to have central transfers suspended gives them real power.
4. *Municipalization*. 198 dormant municipalities (out of 311 in total) were reactivated, and the borders of existing municipalities were expanded to include suburbs and rural catchment areas.

The change in local affairs produced by these measures was immense. Before reform, most Bolivians, and the vast majority of Bolivian territory, had no local government of any description, and the broader state was present—if at all—in the form of a health post, schoolhouse, or military garrison, each reporting to its respective ministry. After reform, elected local governments sprang up throughout the land.

As Faguet (2012) has shown, the effects on public investment and public services were dramatic. Decentralization shifted public investment from infrastructure and economic production (e.g. hydrocarbons, transportation, energy) into primary social services and human capital accumulation (e.g. education, health, water and sanitation). Smaller, poorer, rural municipalities—largely ignored since Bolivian independence —gained significant resources, producing a much more equitable distribution of resources across Bolivia's territory. Lastly and most impressively,

[6] Strictly speaking, to "provincial municipal sections", which are territorial subdivisions of provinces that unite various municipalities having geographical and historical ties, such as "counties" in the US and "*comarcas*" in Spain.

decentralization made public investment much more responsive to objective local needs than it had been before, under centralized government. Whereas central government had invested more in education and health in wealthier cities where indicators of need were lower, local governments invested resources where they were needed more. Hence municipalities with lower literacy began to get more education investment, and those with worse access to sanitation received more investment in water and sewerage. This marked a reversal of central government's previous practices, which was to concentrate investments in districts already better off. The largest beneficiaries were Bolivia's smaller, poorer, more rural districts. The trends described are strong and hold across the universe of Bolivian municipalities.[7]

Who is the man who pushed through these reforms? In many ways Gonzalo Sánchez de Lozada is a highly improbable politician and statesman. The son of political exiles, he was educated in the United States, studying philosophy at the University of Chicago. To this day he speaks Spanish with an obvious American accent, which he deploys to comic effect. His acid wit won him friends and enemies in equal measure throughout his career. His rivals admit that he is an intelligent, creative politician, as bold as he is stubborn. He is also a highly successful entrepreneur who, with his brother, built up one of the country's largest private mining companies and became one of Bolivia's richest men.

He came to prominence as the Minister of Planning and Coordination who mapped out Bolivia's return from hyperinflation and the brink of economic disaster in 1985–6, with the help of Jeffrey Sachs, then of Harvard University. Sánchez de Lozada went on to head the MNR ticket in the 1989 election and won a plurality of the popular vote. But he was denied the presidency by an alliance of the second- and third-place finishers, General Hugo Banzer of the ADN (*Acción Democrática Nacionalista*, Nationalist Democratic Action), and Jaime Paz Zamora of the MIR

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[7] Such trends hold across a broad range of countries as well. See Channa and Faguet (2012) for a survey of international effects on education and health; Faguet and Shami (2008) analyze decentralization's effects on spatial inequality.

(*Movimiento de Izquierda Revolucionaria*, Leftist Revolutionary Movement). This alliance of the left- and right-most of the major parties was made further improbable by the fact that Gen. Banzer’s dictatorship had persecuted and killed many MIR activists in the 1970s. “A river of blood divides the MIR from the ADN,” Paz Zamora had famously declared. But when Sánchez de Lozada won the election, the ex-dictator and the ex-Marxist found a way to work together, and Paz Zamora became president.

Four years later Sánchez de Lozada ran again, won more votes, and this time his opponents could not stop him. In alliance with the populist UCS (*Unión Cívica de Solidaridad*, Civic Solidarity Union) and the intellectual left-wing MBL (*Movimiento Bolivia Libre*, Free Bolivia Movement), amongst others, he set about implementing his *Plan de Todos* (Plan for All), a strikingly ambitious set of reforms that had five major planks: privatization of state-owned enterprises via “capitalization” (i.e. sales proceeds were reinvested in 50/50 joint ventures with strategic private partners, as opposed to reverting to the general budget, as in most countries); decentralization via the Law of Popular Participation; education reform; pension fund reform; and reform of the executive branch and constitutional reform. In this way he hoped to increase economic investment, accelerate economic growth, deepen democracy, and make the state more effective and efficient. And the MNR hoped to reverse the steady inroads that the UCS and Condepa (*Consciencia de Patria*, Conscience of the Homeland), another populist party led by a popular television personality, were making into the MNR’s core vote.

Sánchez de Lozada ended his term with strong economic growth and popular participation and executive/constitutional reform well under way, but capitalization only barely completed. He handed power over to Gen. Banzer, who had finally achieved the electoral victory he craved. After a period out of office as required by the constitution, Sánchez de Lozada ran and won again, but this time with a margin of less than two per cent over Evo Morales and Manfred Reyes Villa, who essentially tied for second place. With the vote continuing to splinter amongst more and more non-traditional political parties, Sánchez de Lozada returned to the Presidency at the head of a large and

unwieldy coalition. Economic growth was poor and the fiscal deficit was large and growing. A cycle of popular protests abetted by Morales and his new political movement, the MAS (*Movimiento al Socialismo,* Movement to Socialism), whose principal support came from coca growers' unions, gained force when it was alleged that the government planned to export Bolivian gas to the USA via a Chilean port. Protest turned into a popular blockade of La Paz. Sánchez de Lozada ordered the army and police to intervene to allow essential supplies to reach the capital, and 59 civilians died in the ensuing violence. Amid much rancor and a fog of rumor and misinformation from all sides, Sánchez de Lozada resigned the Presidency and left the country.

The period that followed was one of deep political uncertainty as the old political party system centered on the MNR, ADN, and MIR collapsed, and a new politics struggled to emerge. The old certainties of left vs. right and labor vs. capital were swept away in the upheaval. Political parties and movements espousing a huge array of causes, many of them remarkably local, sprouted in their hundreds across the land. Into this vacuum stepped Evo Morales with a discourse of ethnic grievance, vindication, and recovery, filling the void that Sánchez de Lozada's resignation had left. Morales won the presidential election of 2005, and has since filled the Bolivian national stage to the exclusion of all else. The MAS now occupies the center of Bolivian politics, with other parties defining themselves against it and reacting to it, but none showing any ability thus far to make more than temporary inroads into its huge base of support. Whether the MAS, and the new Bolivian politics of identity, can outlive its dominant leader is for now impossible to tell.

# 2 Interview

## 2.1 The Experience of Government under Victor Paz Estenssoro

*Jean-Paul Faguet*: The reforms your first administration introduced in the mid-1990s were breathtaking in their ambition. What made you think you could attempt so much? What made you think they would work?

*Gonzalo Sánchez de Lozada*: I had had experience, thanks to the fact that I was Victor Paz Estenssoro's quasi-Prime Minister. I had been Minister of Planning and Co-ordination in his last government, when we tamed inflation. Because of how government was organized, the Minister of Planning presided over CONEPLAN,[8] which was the council where all the social and economic ministries sat, and where all kinds of important decisions were taken. We were all ministers, and we reviewed and agreed on policy matters. But I was the one who took these recommendations to the President and explained them to him. And then I took his decisions back down to CONEPLAN and explained again. Victor Paz very wisely held on to what is the essence of power: the ministries of foreign affairs, defense, homeland security, information, and other critical political ministries. He ran those directly. I didn't have delegative authority there. But I did have a lot of power over the other areas of government, although he always had the last word.

This was a very wise system. Take the stabilization plan. We rolled that out in three weeks, after discussing shock therapy vs. gradualism for one week, stabilization vs. indexing along Brazilian lines for another week, and a third week to write the Supreme Decree (executive order). It was intensely discussed at cabinet level, and it made important political actors buy into the ideas.

*JPF*: Being in government with Dr Paz Estenssoro was clearly a very powerful experience for you, as I'm sure for everyone involved. Can you tell me a little more about that?

*GSL*: One thing about Dr Paz is that he called in very young people compared to him. He was already in his 80s, and a very famous, revered national figure.

Once I went to him—he had immense confidence in me after we stopped inflation, and I was a sort of a teacher's pet—and I said "President, I know it's not my business, but I'm worried because I understand that this commander of the army you appointed is very tied to Banzer. Aren't you a little worried about this?" He replied, "Goni, I really respect you. But your advice is not welcome in this area. I'm running foreign affairs, homeland security, defense, information—all the political

[8] Consejo Nacional de Economía y Planificación [National Council for Planning and the Economy].

ministries." And the last thing he wanted was a meddling guy who had lots of power but not much political experience. In spite of the fact that I was part of the inner circle, Victor Paz understood very well where my place was. I was invited not to express any further opinions. "You are logical," he said, "and I have a great deal of respect for your opinion. You may sway me, but I need to do this myself. I need to talk to the ministers that have line responsibility and make these decisions."

The economy and social affairs were a different story. I always defended the introduction of market economics to the MNR and the country as something that should have been done in the revolution, because we were not communists. From the start, we should have gone to a market economy and not a command economy. When we were pushing through the stabilization plan, we called it the New Economic Policy (NEP), just like the early Bolsheviks, because ours was a populist party and they would accept that. They *liked* the sound of that. An important component was the Emergency Social Fund, which was based on an idea of Victor Paz. He understood the need for it, as a cushion for the economic shock that was coming. I was very happy because I thought a market economy had to be regulated to be stable, because you know I never believed in free markets. It's like sports—imagine football without rules, without impartial referees. In markets, the minute you don't have rules and an appeals process, you don't have a market. A market is about competition. To compete, you need rules and umpires, otherwise it becomes monopolies. I believe in markets like the Chinese believe in markets—the cat's only good if it catches mice.

## 2.2 A "Stolen" Election and Goni's Political Transformation

*JPF*: How did you go from there to your first Presidential election?

*GSL*: I was conscious of the fact that I'd played a key role in stopping hyperinflation and achieving economic stability. Victor Paz was impeded by the constitution, and also by his age, from running again. And to everyone's surprise, including my own, I became the most viable candidate my party had. For electoral reasons, the number 2 man in the party started

attacking the economic model that had permitted us to re-achieve growth and stop hyperinflation. I obviously realized it was a politician trying to win votes, but I was identified with the stabilization program so I started to defend it. And then I joined the primaries and lost them all, except for Cochabamba, the department I represented in Congress. I didn't really have political ambition then. I felt that my background—having been brought up in the USA, my accented Spanish, and being a successful mining entrepreneur—made me politically unviable. So I got into the elections for the best of reasons—to defend what we'd achieved. Being a modern man, I brought in modern technologies, like advertising and polling, and won the election by 1 per cent. The second round is decided in Congress between the top three candidates. And these two guys, Banzer to the right and Jaime Paz to the left, hated me because I'd come up through the middle and had very sharp elbows. I was able to unite Congress, but unfortunately against me! They didn't have the congressional representation to elect one or the other between them, so they played around with the electoral courts, and they were able to take away our majority in the Senate. Through very unfortunate interpretations of the law, and also through corruption, they were able to eliminate representatives in the Chamber of Deputies of smaller left and center parties. So these two parties who hated each other got together and formed a government and froze me out.

I wasn't aided by my sense of humor. I said, "You know, if Jaime Paz had known Banzer was persecuting him all those years in order to give him the presidency, he wouldn't have run so fast!" That didn't make me very popular with them.

But when I realized that there was a general acceptance that I'd been cheated, that the rules of the game had been violated, I set about using Jaime Paz's four years of government to get an impartial electoral court. "How can you play football if the umpires can be paid off?" I would say. I made adverts, gave speeches, and made the intellectual case. It weighed heavily on my mind. They could see it was going to be very difficult to get me next time, because

you can play around with the electoral process if the difference is marginal—like the USA, where the presidency was decided by a political vote in the Supreme Court—but not if the difference is large. I had a lot of moral authority as people knew I had been cheated. So instead of attacking the government, I kept saying, "Let's get an impartial electoral court." I realized that if I was going to run again, I needed a level playing field.

I also needed to overcome the fact that I was seen as foreign, upper-class, and distant. The polling and focus groups showed that I was respected in the sense of competence, but people couldn't relate to me. So I decided to do something that ended up being very smart. I got in a car with a driver and visited almost every town in Bolivia. I said "Goni's listening." Instead of giving speeches, I would listen. I would bring people together and they would tell me their problems, and I would say to them something that I believe. I said, "You know, my wife and I are parents, and we've lived life, and have experienced the things our children do, the mistakes they're making. We know what they're doing, their mistakes, and at the same time we're intelligent enough and love them enough to know that the only solutions are the ones they find themselves, because they're the ones who have the problems. We're a generation away, and though we may be blessed by experience, wisdom, and affection, all you can do is support them because you really can't solve their problems. That's the basis of good family relations." So I went out and said, "I've come to hear your problems and hear your solutions, because the people who know the solutions are the people who have the problems, not the people who don't have the problems." There's a famous French saying, "Nothing is more bearable than other people's problems." What I had decided to do was listen to other people's problems.

This was extremely effective because if you listen and don't talk, people think you're intelligent. And they think you care about them. And that was my political problem. I had a very clear diagnosis of how people saw me—they saw me as honest, they saw me as capable, but they saw me as very distant from their lives and their problems. This was an

eye-opener. I would say, "I want to know about your problems." The motto was "Goni escucha."[9] As you know, Victor Paz was always known as *El doctor Victor Paz Estenssoro*. Given all these difficulties, if I went out there as Gonzalo Sánchez de Lozada y Sánchez de Bustamante (my mother's name), I wasn't going to get very far. It would just confirm the image: totally upper class, totally distant from their lives, totally uncaring. So my associates and I took the wise decision to be "Goni" (my childhood nickname in the USA, where no one could pronounce "Gonzalo"). The motto was "Goni escucha."

The problem was that if I wanted to be president I had to win by a landslide. Nobody really wanted me. The right hated me—they considered me a radical leftist—and the left considered me a neoliberal heartless capitalist. So if I wanted to be able to win an election I had to be closer to regular people. I didn't realize it at first, but I learned two big lessons in this process. One, that what's important to people vis-á-vis the state is solutions to the problems that affect their lives on a daily basis—basically, education, health, and community development like sports and culture. I was very influenced by a woman who said to me: "You know, Goni, our problems are so great that nobody can solve them. But at least you've come to listen to what our problems are, although we know you can't solve them. And also we really appreciate that you're not promising anything. You're just listening." I realized that people are very conscious of what their problems are and they're convinced that their problems probably have no solution. But what they really resent is politicians who arrive at election time to make outrageous promises that they know they can't fulfill. So I ended up looking intelligent, sensitive, *and modest*, which is, of course, very desirable.

Secondly, I started learning about what people really want. I was the guy who had slain inflation, but I still didn't understand that. They know that the only solutions to poverty are two things—health and education. That's the only kind of income redistribution that they

[9] "Goni is listening."

really believe in. They get suspicious if you promise anything else. They know those are key, and they tell you, "We're never going to get out of this poverty if we don't have health and education." And I also realized that the things that really affect peoples' lives are the things they can achieve through consensus,, and that was the secret of stable democracies like the American, with its town hall traditions, the Scandinavian and some other European democracies.

By going out into the countryside and the neighborhoods and listening to their problems, I had a sort of conversion. By talking to these people and really listening, which in the beginning was done to improve my image, I started to learn from them. I went down and listened and found that they were 100 per cent right. It was very successful from a political point of view. But also, I became a believer not only in decentralization, but in a deeper social dimension, which was popular participation. That's a very nice phrase, but it reflected something different and deeper. People talk about decentralization like corporate entities delegating power and resources. I became a real believer in something that was intrinsic to the experience of the town hall meeting—of people discussing their problems and coming up with solutions. When people talk about decentralization they usually think of handing off responsibility but not authority. We wanted to hand down *authority*.

But if we did this, we'd be left with lots of poor municipalities. People's local problems might be solved, but what about the other great problem of today: the cost of government? Because the other big issue is that there's no way you can afford all the levels of government. If you have a central government, and then you have a state government, and then you have a county government, and then you have a municipal government, then you're dead.

*JPF:* Because it's too expensive?

*GSL:* Too expensive! You can't support it all. So what people want from government is what's really important to them. But if you try to run it all from the center the resources will

never make it down, and you can't afford to run all the levels of government and all the services. But then I realized that could be solved too—hence "popular participation." Much of what was needed could be done on a volunteer basis. The tradition that the Spanish took up from the Inca empire is that people provided labor free as an obligation to the community, a bit like military conscription. You either went and worked, for example, on the roads for a number of days, or you paid a tax and were freed of the responsibility. Usually the upper class paid the tax and the lower classes did the work. Since local government, especially rural local government, was so underfinanced, everything was made for the upper and middle classes. That's the absurd thing about public subsidies—they usually don't benefit the people who need them.

So in Bolivia the big cities had better services and poor villages had almost nothing. But we could revive and transform that tradition through popular participation, with citizens contributing to their own services, especially in rural areas where they're much more willing to volunteer. Secondly, people had to be able to hold politicians responsible. And that's where my idea for decentralization started. Both things were possible with popular participation. Without it, neither is.

So the experience of that campaign ended up being crucial, because I realized two things: (1) only the people who have the problems have the solutions, and (2) an idiot close to a problem is better than a genius a thousand miles away. Whoever's feeling the pain will know the solution better than anyone. So I went into this radical effort to decentralize power in Bolivia.

## 2.3 "Why I Decentralized Bolivia"

*JPF*: That's very compelling and idealistic and high-minded. And also … with the greatest respect … not entirely credible. At least not on its own. Are Presidents really motivated by philosophy?

*GSL*: I had to stop this fight for a federalist system which came from the regions. I realized that the "regions" are really local elites who wanted to capture rents from our natural resource wealth, and managed to mobilize broader movements behind them. I kept saying to them: "What you guys really want is not to have to come to La Paz to steal. You want to be able to steal at home, so you want to have a devolution of resources, you want power without responsibility." I was totally against these groups of rent-seekers.

*JPF*: These were the people pushing for decentralization then [before 1994]?

*GSL*: Yes! Landowners in Santa Cruz, growing soya, cotton, corn—people who had benefitted enormously from national policies and investments. For example, roads built all over the eastern lowlands. When Victor Paz nationalized the mines he fixed the exchange rate, which decapitalized the mines. They tried hard to diversify the economy, because Bolivia was dependent on imported food. And almost all of the capital they invested went to Santa Cruz and the other lowlands departments. From being a very backward place, Santa Cruz progressed rapidly, and became powerful and wealthy. And these people became unruly. They seemed to think they deserved it, or they had achieved it by themselves.

*JPF*: Was it a political project? I remember when I arrived in Bolivia in 1991, it would occasionally appear in the newspaper that certain organizations—the *Comité Pro-Santa Cruz,* for example—were agitating in favor of decentralization. And as you say, it was always regional decentralization. Was it just the elites, or did this have any sort of popular echo?

*GSL*: It had an echo because everybody identifies with the region they're born in. Especially in a country that's ethnically and geographically divided into isolated areas: the *altiplano* speaks Aymara, the valleys speak Quechua, and the lowlands speak Guaraní. They're very different—their religion and beliefs, culture, folk music. Those identities are strong in Bolivia. So here was a country with a strong tendency towards federalism—granting it would have led to a continual struggle for the rents that raw materials produce.

I really believed that unless there's a deep reason for federalism—like in the United States with all the states big and small, which were basically founded for reasons of religious liberty—it was unnecessary. When you really study it, what the US has is a religious geography: Puritans, Quakers, Baptists, Mormons. The basis of the Union was a desire for religious liberty independent of the state. That's why they didn't want to be in a system where the greater populations of states like New York, Massachusetts, or Pennsylvania could dominate the rest. And that's why everybody pushed for this crazy idea of Washington, DC, which is not in any state. Because, you know, the capital of the United States should have been Philadelphia.

Bolivia's characteristics were different. There the main divides are geographic and ethnic, and that makes Bolivia very heterogeneous. I was very worried by this. Bolivia was historically dominated by where the wealth came from. The capital was Sucre. Why? Because it was close to the silver mines [of Potosí]. Then we had a civil war at the turn of the century, and the government was taken to La Paz, the center of production of non-ferrous minerals. But, in one of those compromise solutions, the capital stayed officially in Sucre, where the judicial branch [i.e. the Supreme Court] physically remained, but the executive and legislative branches were sent to La Paz. And if I had been a better politician and a lesser statesman, what I would have done is move the government to Santa Cruz, where it had to be because of the gas, oil, soya, iron ore, and everything else. That would have been another step in a logical progression. But I was very worried because there was an immense amount of pressure, especially from the most favored departments. There were even threats of secession as they demanded a bigger and bigger piece of the pie, even though they were highly privileged by public investment.

As a solution to this political problem I decided that you had to go to the roots, you had to create local government. You could only have a unitarian state if it was decentralized, because Bolivia—like so many countries—was a tree without roots. The state wasn't being nourished; no nutrients were going up. I realized we could decentralize the things that really matter about government to people—health, education, local development, agriculture,

county roads, sports. And it became very clear to me that instead of fighting and trying to repress these regional movements that were so powerful, there was another solution.

That solution allowed me to undermine the elites. I was able to pull the rug out from under this movement by not going to the regions, but instead going down beneath them. I pulled the rug out from under these dominant elites and their attempts to control public funds.

I was very interested to find that in municipal elections, only half the population could vote. The towns were like the medieval, walled towns where the people, the *vecinos*, lived who owned the land, which the Indians, the *campesinos*, worked. Indians couldn't vote, so municipal elections were held amongst townspeople only. We got a group of people together—sociologists, economists, agricultural experts, historians and politicians. and we found that in the colony, what was called the *cantón* was basically the Indian community, and the *provincias* were provinces, a concept inherited from France. After spending more than 300 hours in meetings, and many drafts of the law, we found that the provincial municipal sections had fallen into disuse, and we decided to revive them as a basis for the Law of Popular Participation.

To sum it up, why did I do it? I did it because of the dangerous struggle between the regions and the central government, which was ironically most vigorous in those areas which the central government had most helped to develop.

*JPF*: So you were really worried about centrifugal forces that might break the country up . . .

*GSL*: I was; I had seen it in Victor Paz's government. Elites were continuously fighting land taxes; people agitating on behalf of regional universities' budgets; the regional *Comités*—all of that was a leftover from the military regimes. They were really regional de facto governments that just wanted more public resources. It got so bad that these regional interests would decide where the state oil company should drill its wells. It was just a mess. Many of these reforms—not just decentralization but also education and others—were born out of the fact that I had to beat this force that was going to destroy the country. These

privileged persons are the worst. The people who are the best off fight the hardest. You never have a problem when you raise taxes on the poor. You have terrible problems when you raise them on the rich, because they control the newspapers, and they go out screaming and yelling that jobs will be lost. So my problem was that I was fighting this regional battle which is a battle that cannot be won.

*JPF*: Was that the basic reason why you decided to carry out popular participation?

*GSL*: No.

*JPF*: That, plus the visits to people who knew their own solutions . . .

*GSL*: Those were the two intrinsic reasons. I became an advocate—I was converted. And then a third reason: I realized that strong democracies are decentralized because by decentralizing, you push the problems that are really important to people down to their level, where they can do something about them, if you're willing to give them the resources. If you keep power centralized, you suffer the risk that the discontents and frustrations of their daily lives put the stability of the state in jeopardy.

I wanted to build roots for Bolivian democracy. I saw that you could use OTBs [*Organizaciones Territoriales de Base*, local Grass Roots Organizations]—which are basically Indian communities or neighborhood associations, and which are intrinsic to Bolivian society—as building blocks. They would become the *Comités de Vigilancia* [Oversight Committees], which would have control over the budgeting process and the execution of investment. It would be based on local groups, which would have different natures in different parts of the country. And then you would graft onto it the European system—decentralized municipal government. Of course the minute you did that, you took all the steam out of the regional elites.

So my decision to decentralize was intellectual. And it was political. And finally it was highly personal. I really believed then and believe now that you can't have a tree that doesn't have roots.

*JPF*: So that's why you decentralized.

*GSL*: Yes. But not only that. It was because I'd won in a landslide.

*JPF*: Aha! This is the black hole question. You won and you won big, and you finally held national power in your hands. And you turned around and gave it away? Are you kidding?

*GSL*: That's the only time you can give it up!

*JPF*: When you have it. Yes. The self-interested actor of political science might see that this is the right thing to do, might see that you have an opportunity because you've won with a big electoral majority, but would nonetheless not do it because as between having power or giving it away, you prefer to have it. After all, what were you fighting for in all those elections?

*GSL*: The big point is this. Why was I attacked by the right and left and so weakened in my second government? Because when they saw the reforms I'd pushed through, including Popular Participation, they realized that my party would govern Bolivia for a very long time.

## 2.4 Political Equality

*GSL*: Let's go to the next stage which I think is very important—the big discussion of how to distribute rents. I learned something. There are societies like the Japanese and maybe the Chinese where the culture promotes sacrifice in favor of others. Compare that to my own childhood. My father was a professor in political exile, and we were living on a very tight budget. Back then you ate what was in season. So when it was cherry season, you were lucky and you got cherries. And I learned that you cannot convince children that your brother needs more or your sister deserves more because they'd done something good or were growing or whatever. No. The kids would count all the cherries and we wouldn't forgive anyone who got one more. So I became convinced that on a human level people intrinsically like democracy because of equality.

Now, I had some very sophisticated people telling me we had to have a poverty index to give more money to poorer areas and less to the rich . . . all this bullshit. Intelligent bullshit. So finally we came

up with two solutions. The definition of the unit of government was a mixture of rural communities and urban municipalities, because Bolivian municipalities were basically medieval structures from feudal times. Many more recently have included suburbs. But to decentralize to them, you had to expand and make flexible the definition of municipalities to include surrounding rural areas. And we realized that the only way this can be tolerated is if resources are divided per person. No formulas, no poverty indices, just the same amount of money for everyone everywhere.

But there's more. First you transfer responsibilities. Then you transfer funds, and you know in advance that the funds you're giving them are much smaller than the responsibility they're taking on. The only way they can make it work is if the community volunteers a lot. Let's say retired people, older people, groups that volunteer to work for the community. And the only way you can make that work for services they need is if they're working for themselves, and seeing the benefit of it. So all of these things came together: (1) We had to get away from what would have been hell for my government, which was fighting with the regions; (2) it enabled me to be a statesman; and (3) I had a deep personal commitment related to my own family experience and to what I'd learned travelling around Bolivia. And, finally, it had to be simple—and we had to actually do it.

*JPF*: The per capita criterion was bold and powerful in its simplicity. I've studied decentralization in many countries, and Bolivia stands out for having this simple mechanism, and for its profound effects on making decentralization work. Many times in my research I saw groups of *campesinos* demanding a school or clinic for their community. They'd accost the mayor and say, "We know there are 50 families living in our village. That's 250 or 300 people. That adds up to Bs. XX,000. *So where's our school?*"

*GSL*: Of course! If we'd put a formula in there, the mayors would've told the peasants, "Sorry, the formula says you don't get a school this year." And the peasants would have turned around and gone home. Or actually they wouldn't have travelled to see the mayor in the first place. Because it was always like that; the peasants were always getting cheated for

some reason they couldn't understand. This reform they *could* understand. And once they understood it, they made it work for them.

We did something else they'll never pardon me for. We reformed education to teach in local people's languages. We said to them, "You don't want to speak only Quechua and Aymara. You want to speak Spanish. But the only way you can do that properly"—this was the most important part—"is to learn reading, writing, and arithmetic in your mother tongue. Once you've learned that, you can go to Sanskrit, Mandarin, English—it will open doors for you. But you can't start learning *in* Spanish if you don't speak Spanish. You have to start learning in your tongue, and then you can learn Spanish." And I would say to them, "If you're not careful, your children will start speaking like me!" And this started getting to them, that you have to respect your culture.

But the teachers who spoke Aymara, Quechua, and Guaraní didn't want it because they had struggled to become superior to the people they were teaching. They could speak those languages, but felt it was denigrating to do so. This refusal to do something they obviously could do made them "superior" to the *campesinos*, and made the *campesino* schoolchildren dumber. So bilingual education in indigenous languages was a major equalizing reform in both senses.

But equality isn't the only thing, and in Bolivia it gets taken too far. Education is a good example. It was my grandfather who first introduced the concept of university autonomy in Bolivia, which means no political interference in public higher education. So it was funny to go to universities and be told that I was against their autonomy. I would tell students, "You know, I've got bad news for you. You're here because you don't know and you hope that the people who are teaching you do know. How can you be equal? You're not equal. We in democracy are equal." The people would say "Why are we all equal? Why are you the same as I am?" They would look at me and go "We're not the same, we're poor. Why are you the same?" And I would say, "Because we're all gonna die. That's the basis of equality, that's why your vote is as good as my vote. That is the primary reason of God-given equality." And people would say, "Yes, you're right." That's why a beggar or poor man has one vote

and we have one vote. And the rich or genius or visionary or saint has one vote—because we're all gonna die. That's the basis of the equality of man. That's the basis of democracy. But at a lower level, you can't have full equality everywhere because in education there's an inherent inequality. A student doesn't know, otherwise why is he there?

So I believe in equality, fraternity, and liberty. And the most important of the three is equality. When we talk about popular participation, we mean radical decentralization with grass-roots participation. That's why we have Oversight Committees, which are grass-roots, volunteer committees that participate picking projects and controlling expenses. It's based on this notion of equality.

## 2.5 Bolivia's Historical Context

*JPF*: These are powerful ideas. Where do they fit in Bolivia's broader history?

*GSL*: Look at the leaders Bolivia has had in the past and think of the economic booms and busts. We are condemned because of our incredible natural wealth. The interesting thing is that historically you see swings between *presidentes bárbaros y presidentes letrados* (barbarian vs. educated presidents). The history of Bolivia has been a generational swing between very educated, clear–thinking, and honest statesmen like Victor Paz and—in spite of my failures— I'd like to think myself, vs. Gen. Montenegro, Gen. Melgarejo, Evo Morales, and other *bárbaros*. That's been the swing, and it's usually around very powerful booms in raw material prices.

Ask yourself: Why did Chile take over Bolivia's sea coast in the 19th century? The one thing Chile didn't need is more coast. Why did they do it? That little piece of land has been 40 per cent of Chile's GNP for 120 years because that's where all the copper and nitrate and guano are. And we can go further. There are two countries in Latin America that are only half their original size. One is Bolivia and the other is Mexico. We lost big blocks of land and it's always around raw materials. We had a war with Brazil, who set up *La República del Acre* because when the rubber boom came [in

the nineteenth century], the most valuable area belonged to Bolivia. And they learned from the Americans and set up a republic which they later absorbed. We had to go all the way down to the jungle and have a war; we were able to stop it, but we lost a lot. They signed a treaty that they would compensate for lost territory by building railroads, which they never did. So you have two countries that are twice their original size: Brazil and the United States. And two countries that are half their original size: Mexico and Bolivia. And in all of these wars with our neighbors, our problem has always been the immense wealth we had, which they wanted.

All of this was mirrored inside the country, too, when powerful regional elites tried and often succeeded in monopolizing some resource and holding the country to ransom. For most of Bolivia's history from colonial times, our natural wealth has been a source of autocracy, dictatorship, and tremendous inequality. The first people who tried to break with that were Victor Paz Estenssoro and the MNR revolutionaries of 1952, who nationalized the mines and redistributed the land.

My father was a member of the MNR and always admired the pre-Columbian community system, the *ayllus*, which were territorial areas made up of 48 agrarian communities, 24 called upper communities and 24 called lower communities. Marriage was only permitted between members of upper communities with members of the lower communities or vice versa to avoid inbreeding. Interestingly enough, the areas occupied by the *ayllus* were basically the provincial municipal sections. During the republican period, many of the communities became *haciendas*, where peasant farmers would work 3 days for the land owner, 3 days on their own plots, and one day, Sunday, for the Church. My father rather romantically wanted the land reform done in such a way that peasants would become owners of their original plots of land, and then work the *hacienda* lands collectively as a community. The MNR preferred to divide the land and give it to peasants, and leave in place the Napoleonic Code that permitted inheritance amongst offspring. This resulted in the creation of *minifundios* (small landholdings), and as the transfer and sale of land was prohibited, productivity in the highlands and valleys plummeted. An interesting experience

is the story of the Nanny who brought up my two children. Her family did not divide the land through inheritance; they get together during the winter among all the descendants of legal age to decide through lottery who worked their land the following year. It's interesting to note that the Spanish system of *mayorazgo,* meaning inheritance by the oldest male of the landholdings with the obligation to compensate other heirs, was abolished at the beginning of the 19th century, and *hacienda* holdings subdivided, which weakened landholdings even before land reform.

Because of their material dialectic formation, the MNR also believed that the *Revolución Nacional* required the fusion of the two races, Indians and whites, into the New Bolivian Man. Along those lines, in my first term in office I was accompanied by Victor Hugo Cárdenas, an indigenous intellectual who was not a member of the party but had his own indigenous party, as the country's first indigenous Vice President. I introduced the concept of Unity in Diversity, which Evo Morales is now doing all he can to break down, leaving a racist fight between white people and brown people.

## 2.6 Was Decentralization a World Bank Imposition?

*JPF*: Let's come back to decentralization. Many decry it as an imposition of the World Bank and other aid agencies on developing countries. As an academic, I've often heard claims, and occasionally even reviewed papers asserting, that decentralization was imposed on Bolivia by the Bank. But I was working for the World Bank at the time, and this doesn't seem right to me.

*GSL*: Oh, they didn't have the slightest idea!

*JPF*: I remember my colleagues in the La Paz office asking, "What is this?" None of us knew. Colleagues from Washington called wanting to know what was going on. I was the officer in charge of health, education, and rural development. If I didn't know, then neither

did anyone else. "So they want to legislate participation?," we mocked, unfunnily. Eventually, I went and read the law, and that's how we all found out.

*GSL*: But it took you a while. You guys were clueless.

## 2.7 Design of the Law of Popular Participation

*JPF:* When you were campaigning for the presidency in the early 1990s, what did you diagnose as Bolivia's major challenges?

*GSL:* Well, the country was economically stable. Jaime Paz's government hadn't dismantled the stabilization. The country still had many structural problems that had to be attended to. In his last term, Victor Paz had said, "Look, I dismantled all I did in the Revolution. I'll stop at privatization. When you become President, you can do that if you want." Jaime Paz was too scared, so that sort of thing was left to us. And we did it. We had to make an electoral offer, so we came up with a comprehensive plan, which was called the *Plan de Todos*, which was our governing agenda. The name was great. And it was serious. A lot of the things we ended up doing were in that plan. We worked with a good team of people, and it was an important step in re-imagining what the new Bolivia should be.

*JPF:* When you became President and you had this idea of popular participation—who was in favor and who was against it then?

*GSL:* Our governing coalition included a populist, Max Fernandez [leader of the UCS]. Max owned Bolivia's most important brewery, and his only real interest was to make sure we didn't increase sin taxes, which are a very good source of revenue. He supported us, but basically because he didn't want us to become too energetic in collecting taxes by changing inspectors all the time. Then we had to give it a progressive tinge. We had the MBL [*Movimiento Bolivia Libre*], a sort of radicalized Christian Democrat bunch led by Antonio Araníbar, who had broken with Jaime Paz because they considered him corrupt and willing to do deals with ex-dictator Hugo Banzer and the ADN. We called people in from those two

parties, and of course from our party. We set up a multidisciplinary group of people who were interested in this concept of progressive social and income policies. These were very much intellectual, left-wing people. But it was awkward because the MBL supported the reforms and helped write the laws, but then voted against them in Congress!

We realized it was extremely important that people in the coalition be part of this. We had people from Santa Cruz who were important regional figures, but also willing to break with the quasi-feudal organizations that defended elite interests there. You have to understand that during twenty years of military rule there hadn't been any sort of democratic participation. In that context, self-appointed groups of landowners, businessmen, even workers grew up and prospered. They weren't elected by anybody, and had a lot of power. They were "civic organizations" of a kind favored by the fascists. Opposing them was popular.

*JPF*: In terms of interest groups within the economy, or within society, were there organized interests groups pushing for it? Or was this a discussion amongst a small group of technocrats?

*GSL*: A small group of people, thirty or forty in total I guess. The relevant interest groups were pro-regional elites, and they were all going to be against it. Our response was, first of all, to make sure there was a lot of participation by high quality people from the parties in the coalition. And then by a lot of people who were lawyers, sociologists, technical finance experts, etc., looking at popular participation in a holistic way. We had to make sure that it wasn't just my project or the group's project. It had influential people from every party, and from wings of every party, who would guarantee us breadth of support. But it was selective—we looked for people who were interested and sensitive to this. This was not a cake that had already been baked. We really went for this inclusive process of working out the idea. In its design, too, it was a *Plan de Todos*.

*JPF*: What did you rationally expect popular participation would achieve?

*GSL*: We knew what we wanted. We wanted local governments that could be held accountable for their actions, and not just demand money from the central government. We wanted to make it something that the people owned—that's why it was so important. We had a concept of participative government where people who participated and accepted responsibility took over. We had a general idea, but of course the devil's in the detail and that's what we had to work on. But we also had a good name: Popular Participation—people being involved. It was a kind of unity of the pre-Columbian village institutions that had been overlaid by European and French Revolution ideas like the prefectures and departments.

We knew we had something but we didn't know quite what it was—that had to be worked out. I think we went through close to a hundred different versions of the law. There was a great deal of platonic dialogue. We would talk about it and explore different ideas, and at the end I would kick it to pieces and we'd go back to zero. We would go on for hours. It didn't take very long for me to learn that meetings shouldn't go on for more than three hours because you just don't maintain any focus. We were running long meetings with hundreds and hundreds of hours. And just when we thought we'd made a breakthrough, I would start discussing it and—like a good platonic dialogue—you end up kicking it to pieces again.

It was an extremely progressive experiment of reform. It was anti-feudal, because it went against all those interests groups. The country was very feudalized—you had the COB [*Central Obrera Boliviana*—the national workers' union], the *Comités Cívicos,* and others. They elected themselves and were never accountable to anyone else, like many NGOs are. They had great influence nationwide. We wanted to change that.

That was a great time. We were trying really hard to do something good, to think things through carefully. All things considered, it was a very honest and idealistic type of government, my first government.

*JPF*: Did you think it was necessary to keep discussion of the various versions of the law away from the public eye?

*GSL*: No. The real issue is that for a long time we didn't really have anything to put forward. We needed something concrete before opening it up to a broader discussion. I felt that you had to have a clear proposal, and that proposal first had to be intensely discussed—intensely criticized and argued against. I remember many times I found to my surprise that some of the criticisms that seemed worst or least fair turned out to be right. Somebody would walk into the room and say, "I'm a historian. The problem of how to govern a country of this size from points so distant with poor communication is not new . . ." So it was really a process of discovery and innovation.

We were never able to get a high level of consensus with the hard opposition—Banzer and those people—or with Jaime Paz. The military believe in the central government; that's the way they're organized, that's the way they think. The LPP (Law of Popular Participation) was an affront to the authoritarian way of thinking. We were looking for something that could be tolerated by the opposition and still be acceptable to the government. This was very important. We really went and discussed it with everyone, and people came back to us and we made changes. We kept working and finally got to a point where the opposition wasn't so offended that they would walk out on us in the middle of the night. They weren't happy, they wouldn't support it, but they tolerated it. And it's funny—the MBL voted against all the popular reforms. I don't know why but they just voted against it. But some of those congressmen had been working with us on the draft law, and they voted in favor. So we split the parties.

We tried to explain it as part of the popular nature of the National Revolution. We considered it an extension of the Revolution in areas that it had forgotten, but shouldn't have.

*JPF*: What was opposition to the reform like?

*GSL*: The big attack on the LPP had to do with the structure of the MNR. Our party was organized around *comandos* [village or neighborhood party organizations] that were almost like cells. It was a revolutionary party, but also a quasi-fascist right-wing party when it started out. Then it evolved into a left-wing party highly influenced by the communists. We

had a tradition of looking after the people, and the party wanted to nurture that. So we worked hard to keep that kind of support. Much of the criticism came from sectors within the MNR, but also from other parties—from people worried that the grass-roots organizations [*OTBs* in Spanish] we were organizing to oversee municipal performance would turn into some system of thought control, like the commissars in the USSR. And they screamed and yelled about that.

I think one of my big failures was that I didn't make decentralization political. I tried to keep it depoliticized. I think I did my party a great deal of harm because rural municipalities had so little money to work with up to then, and this was a huge windfall. The MNR could have benefitted hugely from that, but I chose not to play it that way. And so I think the biggest mistake I made was not to make it political. I should have said, "This is our invention – we are giving you both economic and political power!" People saw it as a big play to consolidate power and build a powerful organization to serve the party. Unfortunately it wasn't that. I didn't want that, and I felt it was intellectually dishonest to sell it even to my own party as something it was not. I think I made it so technocratic that it lost its charisma and its sex appeal. I tried to make it apolitical, which was a big mistake.

*JPF*: How would you have politicized the LPP to help the MNR?

*GSL*: Well, we would have said, "The MNR gave you the land and the vote, and now we're giving you power." But with the transfer of funds we felt that would be a big mistake. We felt the LPP was of national interest, and that it would be accepted better if it wasn't identified too much with the party, although the party was tickled pink. These municipalities had so little money because they had been deprived of the land tax, which had been the basis of municipal financing. They started hating departmental capitals as much as the central government, because everything went to them and stopped there. They were left with crumbs in the countryside. So I think I made a big mistake. If I'd said, "This is something like land reform, like the universal vote. This is something that the party will be identified

with," I think it would have been much better. I tried to show this as a national interest, and people attacked it anyway as a political move to win votes for the MNR.

Actually it was a way to decentralize authority and resources, based on very simple, non-discussable facts. Many wanted to distribute resources according to poverty measures, but instead we tried to make it very concessional and create something along the lines of the Emergency Social Fund. What we really did was to create these municipal entities and put World Bank money in to help the poor. Poorer municipalities only had to put up 20 per cent of the cost of a project, but also had to have the approval of central government institutions. Richer municipalities had to put up 50 per cent. It meant they had to use transferred resources to co-finance public investments with the central government, because no project would work without local input. Many of these payback schedules were obviously subsidized. If you got a loan and you put up 20 per cent of the project cost, theoretically you were borrowing 80 per cent. But they got that back out of future transfers. So you almost had a lien on that money.

There was also the issue of what to do with the poorest populations. We wanted to say everyone was equal, but of course in certain places you had to have subsidies and pump priming and grants. For the poorest it was grants and concessional loans, often based on what we were getting from international aid agencies, including the World Bank.

## 2.8 Political Feasibility and Passage into Law

*JPF*: How did you make this technocratic reform politically feasible?

*GSL*: I tried to get my political allies to commit. I pushed the most able people who were political leaders and bought into this project to go out and try to sell it to the country. In the discussions that followed we often surprised people by making big changes to the reform. "This guy is a pig," opponents cried. "All he wants is to grab resources. He doesn't really care about the poor." They were just waiting for us to run out of steam. But many more times than I care to remember, even when they criticized in bad faith, they turned out to be right. So we modified the law, and everybody thought we were negotiating. But we weren't

negotiating—we were trying to get a serious dialogue going, trying to make it better. You reached a point when the opposition wasn't that violently opposed. They hadn't bought into it, but we had backed off from our more extreme positions. At that point you took it to Congress, and it went through like a steamroller. The way it happened was, as you went through the law article by article, in meetings that lasted twenty to twenty-five hours, the opposition would get up and go home. They didn't want to support you, so they would leave and make big speeches saying "This guy is an idiot!," "This is against the interests of my department!". They would walk out and slam the door. But they didn't leave angry because what they were really doing was agreeing to respect the majority.

We could instead have rammed it through Congress with our majority. But then you lose the respect of the minority, and the minute you offend the minority you have some really tough guys to contend with.

*JPF*: Did it go through Congress rapidly?

*GSL*: Yes. These were very complicated laws—you couldn't play around with them. If people started making changes, they were likely to end up vetoed. Under the Bolivian system you have ten or fifteen days to send a letter to Congress saying "I veto the stand the two houses made." It's not like the committee system in the USA. If there isn't a two-thirds majority in Congress, they have to accept the changes you want. If they do have the two-thirds, they can impose their changes, but this was rare in Bolivian politics.

That's why the regional thing can be very bad for you. Because people say, "This affects my department," which trumps party loyalty, and they defect from your side. The big problem was always really the city of Santa Cruz, not the department. In our travels, rural Bolivians criticized departmental capitals because the capitals kept all the money they received and never sent it to the provinces. With Popular Participation, towns and villages realized the money would be deposited directly in their accounts, and that made a big difference.

## 2.9 How did you carry the MNR?

*JPF*: The most important question left is: How did you carry your own party? I buy your story about the process of becoming President—your big victory—it's very compelling. But the MNR—like any political party, and more so because it was the most successful political party in Bolivia—must have had a lot of self-interested politicians who, when you proposed to give away money and power to people in the municipalities, would have said: "No don't do that, because we're going to lose jobs, we're going to lose influence."

*GSL*: But the MNR was a national party, so they had people who could felt they could win anywhere and everywhere and get jobs in the municipalities.

*JPF*: I was in Bolivia at the beginning of your presidency. I remember local *comandos* of the MNR taking out full-page ads in the newspapers that said, "The *comando* XYZ demands jobs for party members!" They must have been against decentralization. After all, you could have simply handed down jobs and resources to lots of people in your party. Instead, now they were going to have to compete in municipal elections themselves. Why had they worked so hard to help you win?

*GSL*: The party realized that this would be electorally powerful and would create jobs locally. When the 1964 coup[10] brought in Barrientos and Obando, people asked Victor Paz, "Why has this happened?" And he said, "Because we had 300,000 party members and only 250,000 jobs!" Basically it was a spoils system, but there weren't enough jobs in a centralized, unitarian government. So the party was quite unhappy. I think one of the biggest failures was not to sell this as something like the universal vote or land reform—as more power to the people.

*JPF*: I take that point. I think it's quite right. Nonetheless, your party voted in favor in Congress, so it must be the case that at some level they were convinced.

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[10] When a military coup overthrew an MNR government led by Victor Paz.

*GSL*: They *were* convinced. The MNR might have been a lower middle class party, but they were also a party that understood populism. Remember that our area of greatest power was always the countryside. They saw that the level of enthusiasm for Popular Participation was very high in the countryside.

*JPF*: But it was more than just a good idea, no? I have a theory that even though you didn't present it politically, the MNR thought this would capture the vote, especially of rural Bolivians, for them for another generation—like land reform.

*GSL*: I didn't think of that. I wanted to be all-inclusive, Unity in Diversity, this phrase that justified Victor Hugo Cárdenas and others joining us; that concept of a diverse society where people lived together, not this racist concept we have now. I felt it was best to make it a national policy, and I undersold it. Maybe I should have put it in the party's hands, because later it went from *La Ley Maldita* to *La Ley Bendita* [from "the accursed law" to "the blessed law"]. And here I was saying it belongs to everybody. "It's really not about the party. We're serving the country!" A reform like this had to be used! It was a transfer of power, of real power to decide, and of money to do things, and maybe we should have taken advantage of that. But if we politicized it, the resistance of the opposition might have been much greater, and we could have had a deadlock in Congress

*JPF*: I remember all those people marching in the streets of La Paz calling it "*La Ley Maldita.*" What happened to that?

*GSL*: When the radical left wing was told they were getting the money, and that real transfers had begun, their opposition evaporated. I had to overcome a lot of resistance on our side to make that happen. "Don't send out checks," demanded Miguel Urioste [a key MBL reformer]. But I said, "No – we're sending them out. Otherwise we won't have done anything. There'll be no decentralization." And then Carlos Hugo Molina [Secretary for Popular Participation] opposed changes to university funding that the reform implied. "Don't touch my alma mater!" The thing is, change is *very* hard. Everyone is afraid of it.

All the people from Banzer's party, who were very close to this concept of devolution, and Jaime Paz's party—they were the children of privilege. They wanted what they called decentralization, not giving power away to people. So they continued to oppose it, but more quietly after a while.

A lot of the positions around Popular Participation were of a political nature. Some of the people who resisted popular participation were the unions! Why? Because if you had to report to a community, you lost your power to negotiate. You went from speaking *for* them to answering *to* them. If you gave the community the power to hire and fire, you would break the back of the *inamovilidad*—the tenure system—in education, where promotion depends on years of service and not performance. Instead, you would have a community to respond to. When I travelled around, I realized that rural teachers who claimed, "We sacrifice ourselves for the country," actually lived in the cities. They spent three days a week in the community and imposed very long school days on poor students, so they could squeeze six days of lessons into three.

Lots of people talk about decentralization, but no one actually wants to do it. In the 1899 Civil War, La Paz flew the flag of federalism, promising to make Bolivia a federal country, against Sucre and the unitary state. They mobilized indigenous forces to fight alongside them, promising them land and better lives. But when they won and gained control of the government, they suddenly changed their minds. They found themselves happy to preside over a unitary state, and went back to repressing indigenous people. That's the dynamic—people never want to give up power.

*JPF*: Let's talk more about the Bolivian decentralization debate before 1994. What was it like? Who was pushing for decentralization and who was pushing against?

*GSL*: Well, there was and there wasn't such a debate. What they called decentralization was devolution to *regional* governments—to elected prefects (as governors) representing the departments, whose income derived from royalties on extractive industries: gas, petroleum,

mining, forestry, etc. What they were really talking about was a federal system, which is not the same.

The regions and the capitals, mainly Santa Cruz and Tarija, were in favor. It was those two departments because they had petroleum. They wanted to control the income they produced. They wanted their own elected departmental congresses and prefects.

*JPF*: But who were "they"? Basically business leaders and landowners?

*GSL*: First of all, it was an elite—business groups and different social movements and civic organizations that were created for that end.

*JPF*: Why did the push for that kind of regional decentralization—what the *cruceños* and *tarijeños* wanted—never succeed before the LPP?

*GSL*: Because the parties didn't want it. We had internal problems because both the parties and government coalitions of the time were torn between their political and regional loyalties. Which pressures to obey? The pressure could become fierce. I was Minister of Planning and Co-ordination for the famous stabilization law, 21060. We cut a lot of things, and I was declared persona non grata in all the departments of Bolivia except one, which I was wise enough not to visit. In Cochabamba, my own district, I was declared persona non-grata twice.

*JPF:* Why specifically did the parties resist?

*GSL:* Because of conflict with the regions, which fought fiercely for their interests. It was a continual fight about resources. They wanted control of more and more of the national budget, not just royalties from their oil and gas. We were being pressured terribly by the teachers' unions, universities, and regional organizations. The parties were all suffering. Many felt it was expedient to be more loyal to regional groups and interest groups like teacher and health-worker unions from those areas. They demanded more and more without ever looking at where the money came from. Party discipline was a big problem because politicians feared the regions.

But the private sector was in agreement because they were scared of populist movements like Condepa and the UCS. Highland regions were also scared of so-called "decentralization" to regional governments, who would have had large incomes from raw materials. Regional elites were very well organized and vocal, and regularly made unreasonable budgetary demands. So really what I was doing was co-opting people by going down to a much more popular level.

*JPF*: That's interesting. So you put together a coalition of highland interests, private sector interests, and others who could see that this was going to solve a number of problems?

*GSL*: Yes. I didn't know exactly how those problems would be solved, but I had something that was very important: high credibility from having been with Victor Paz Estenssoro, and stopping hyperinflation, and also being able to communicate well.

*JPF*: I remember this period vividly. The MNR had been out of power and it was obviously a painful experience for them. No party likes being out of power, and the MNR—who made the National Revolution—always felt that it was the natural party of government.

*GSL*: They also had good political instincts. They weren't ideologically blocked. They weren't like the communists, or the fascists, blocked into a rigid way of thinking.

*JPF*: How did you convince the MNR to support Popular Participation?

*GSL*: Because it appealed to the MNR by its very name and substance—giving power back to the people. Also, as a national party the MNR was built of local and regional *comandos.* That's why we were so good in elections, because we had a political structure all over the country at all levels. We had the *comandos departamentales*, *comandos provinciales*, *comandos municipales* . . . and we had people who could see that this was a transfer of power and money. They had a good intuition and could see the political benefit.

But I tried to make it something very intellectual and that was a big mistake. "*No lo politizaremos* [Let's not exploit this politically]," I insisted. Instead perhaps I should have made speeches saying, "We gave you the land, we gave you the vote, and now we're going to give you power so you can participate in local decisions about the things that really affect your daily life." We were attacked for

politicizing it anyway—*La Ley Maldita,* and everyone who said "These guys are going to use it politically." But they didn't realize it was going to be a true restructuring of political power and development.

But the MNR understood it immediately. They supported it, they applauded it, and they won local elections. They were very happy because instead of fighting for jobs they could win the local election. They went and sold it to the people, "We're going to have this and that," and the MNR just took over local power. We had landslides in the first municipal elections. We wiped everybody out because we had party members in all the regions, and we were a party that identified with the countryside. I had broken the glass ceiling of being able to win the cities for the MNR. I can't tell you the results we had in those first months.

## 2.10 Popular Participation in Action

*JPF*: So now the law's been promulgated. What happens next?

*GSL*: Before, no one ran for local government because the municipalities had no money. A few women ran and won. When popular participation came, and money with it, the men were indignant. They began throwing the women out of office. They'd say, "In the next election we've got to get rid of all these women, who only became candidates because there was no money."

So lots more men came in. But many women remained—many more than in national government. And I really learned. I really listened and I saw the wisdom of it. I saw, of course, that local government is women's government—and they're fifty per cent of the population and the mother of the other fifty per cent. So I think it's all about the power of women.

*JPF*: So this is unlocking women's power in some sense?

*GSL*: I belonged to a society where my mother was the one who taught us how to swim. My father was very affectionate. He was a great intellect and a very wise man, but my mother had the balls.

*JPF*: Then what happened?

*GSL*: Then the people had to decide what to do. So the first thing they do is fix the plaza, and then they fix the football field. "These idiots, they should be spending on education," said the critics. But these were the things that meant a lot to people. It was their right, their local identity. Of course, they later got around to education and health, which were vital. And what popular participation did was public investment. Before, the World Bank and other donors financed many wonderful hospitals and filled them full of equipment. But nobody had money for maintenance. The central government paid salaries, but the hospital had no band aids, they had no alcohol, they had nothing to operate with.

With participation, local people had the money to make sure these things actually ran. As they put up the money, they made sure the work got done and the money wasn't stolen. That's when it went from *Ley Maldita* to *Ley Bendita*—it was very sudden. And that's when everybody who was in politics started hating us. "These people gave everybody the vote together with land reform," they said, "and we won't be able to get rid of them for generations. Now they are going to stay forever!" We tried to reintroduce land taxes, but we weren't successful. We did reintroduce land taxes on large plots of land, though.

*JPF*: When were land taxes abolished? In the Revolution?

*GSL*: When they gave out the land they abolished the tax. Which was idiotic because it was a firm principle of ownership since colonial times—if you pay a tax on it, it belongs to you. That created a big problem because with urbanization people who wanted to build couldn't get title to the land. "How are we going to know who owns it?" they kept saying. It's very simple, you just walk along and if a dog starts barking at you, that's the beginning of someone's property. Dogs know where the property is. You can't do it with aerial photography or GPS. But you can with a dog—a dog is trained to know what belongs to his master.

The World Bank wanted very sophisticated answers on how we were going to implement these measures. And of course all this "give all the power to the Soviets" stuff, they didn't like that very much. Nobody likes it because what everyone wants is to control other people. But Popular Participation worked because if communities didn't put money in, they didn't get money out. This was based on the Emergency Social Fund, which was Victor Paz' great idea. I was a technocrat; I wanted to talk about inflation. He said, "Goni, you can't do it if you don't take care of the people. You've got to create jobs." He was a good politician.

*JPF*: Looking back on it now, do you think that the Law of Popular Participation did what you set out to achieve?

*GSL*: I think it did in part. It was attacked violently from the left and the right. But it worked. I'm always very proud of the fact that when I went into government, 75 per cent of public investment was managed from La Paz and 25 per cent in the regions, and when I left government 25 per cent was managed from La Paz and 75 per cent in the regions. It increased funding for education and health all over the country. It was a fabulous reform.

*JPF*: Were there any outcomes from decentralization that you didn't expect?

*GSL*: I didn't expect a high level of corruption.

*JPF*: You didn't? Really?

*GSL*: No, I felt people would run things well. When the Catholic Church said corruption would increase, I always had a very good reply. I'd say, "At least we'll have achieved a true democracy in corruption. Usually only the guys on top steal, and that's not fair. Now everybody steals!" But the church was right—they had a more realistic view.

But, you know, as time went by people started to pay the price for corruption. My grandmother used to say, "There are two things you can't hide. One is money and the other is love." And money in a small community is hard to hide. You can't put it in Switzerland. People would look and say, "Where the hell did that truck come from?"

## 2.11 Goni's Political Legacy

*JPF*: Let's move on to the end of your presidency.

*GSL*: I left government in 1997 because I had to comply with the Constitution. But many people said that I had a constitutional method of staying in power for another term. A clause in the constitutional reform increasing the presidential term from four to five years would have permitted re-election once, with a two-thirds vote in Congress. But I knew I had a conflict of interest so I didn't take the re-election, and I'll tell you why. To get the two-thirds vote I needed to do a deal with either Banzer or Jaime Paz. Jaime Paz approached me and said, "The Americans are persecuting me because they say I used drug money for my campaigns." They'd taken away his visa and were pressuring me to apply the anti-drug law to throw him in jail. So Jaime Paz said to me, "I'm willing to vote for your re-election." "And benefit from a deal with the accused?" I said. "You don't have to do a deal with me. I won't persecute you. I've told the Americans that if they have proof of what they're alleging, they should apply for your extradition instead of taking away your visa and degrading your reputation." I promised unconditionally not to do it, even without his support.

The cynical American ambassador said to me, "You know, the proof we have wouldn't be permitted in a US court." They wanted me to do their dirty work for them. So I didn't take that deal, and everybody's criticized me because I didn't have enough time to see my reforms through. Maybe I did the right thing, maybe I didn't. But that's the way I did it.

*JPF*: You could have traded for it?

*GSL*: Yes, because he came in thinking that I was a good politician, which obviously I wasn't.

In fact, it was the wrong thing. When I was out of government, Banzer and Jaime Paz worked very hard over five years destroying everything we did. The biggest mistake I made was not making that deal with Jaime Paz to get another term. Because with his party we had the two-thirds I needed to run again. My party didn't help me either because they didn't want me to stay. Everybody wants to replace you. I felt bad about it on ethical grounds, but it was a terrible mistake. I could easily have

won an even bigger re-election. They would have asked, "Why do you need five more years?" and I would have answered, "Trees need time to produce fruit. It took a year and a half to put these reforms in place, now let me finish." And the people would have said, "Let him finish. Let's see if it works." With five more years we would have seen the reforms bear fruit, and then Banzer and Jaime Paz wouldn't have been able to cut those trees down.

Indeed, that's why we moved to a five-year term. I learned that traveling around the countryside. Reform is like a fruit tree—you have to wait years to get the fruit. In the third year you start getting some fruit, and then more in the fourth year, and in the fifth year you finally see full production. So if you reform, a fifth year gives you a chance of seeing results before your party goes through another election.

All of these reforms could be dismantled. I felt the changes we'd made were so fundamental they couldn't be reversed. But they were.

*JPF*: Where do you fit in Bolivia's political history? Where is your place?

*GSL*: When I was elected, there were primaries and Guillermo Bedregal (the party's no. 2) won most of them. But then the party chose me, because the people in the party knew they couldn't win an election with him but they could with me. First, because I was more credible, and second—I had money! So they and the technocrats said, "This is the man who can do it."

But politicians are so self-centered. Although Victor Paz helped me, he was really upset because he wanted to finish his career with all of us, like Hindu wives, burnt on the pyre of his retirement. He was very upset with me when I became the candidate, although he did help me to obtain the nomination. He was upset because he was worried about his future. He was going into history and he had had some bad scrapes, but was able to return to power each time. His was the best government—his first and last governments—the last was a great government. I gave a speech and said that a politician is a man who looks at the next election, and a statesman is a man who looks at the next generation. So when I went to visit Victor Paz to present my resignation [as Minister], he said to me,

"Goni, I've seen a lot of people over my career, and among the few that I think could be statesmen is you. But please explain to me, how the hell are you going to win this coming election?!?"

*JPF*: You think he was worried about being overshadowed by you?

*GSL*: No. I think, first of all, he couldn't leave it to a guy with a mining background; second, to a guy who had taken all the brunt of stabilization and all that brutal criticism; and third, to a guy who had this accent so far removed from peoples' lives. This was my first election, which I won and they stole from me. He couldn't believe that I had any chance. He preferred me to leave the scene, and for him to outlive his party. He wanted the party buried because he had founded it; he made the big revolution, and then the big counter-revolution—in this way Victor Paz is what Mao always dreamed of being. But Mao didn't have the experience, and he didn't have the people who would listen to him like Victor Paz did, by following him out and then following him back again. He had this wonderful reputation and he really deserved it.

I wish I hadn't been so intellectually arrogant. But you know you have to be an egomaniac to be a politician. The cost–benefit is so bad that you can't think you're human. My wife and my daughter—real people—were never in agreement that I should stay in politics because they had lived the ups and downs of political service. My wife's grandfather—a very good judge who happened to be the president of an interim government that called elections after the revolution that brought down the *ancien regime*—he was exiled by the MNR. The MNR got into power and of course threw him out. My wife and daughter saw how he suffered, an honest man and all the rest. So nobody wanted me to be in it. But I obviously had it in my genes. When democracy came to Bolivia, my father said, "Goni I don't think you really want to be the richest man in South America's poorest country. Now you have to go into public service." So of course I went to help the MNR and ended up in Parliament. That's a long story. A lot of it was luck, and a lot of it was instinct and something that I wanted.

*JPF*: Did you think that your first presidency would be a second revolution? And that you would be a second historic figure for Bolivia?

*GSL*: Yes. Whitehead said, "Progress is change with order and order with change." We were making a revolution in democracy. What is the definition of a revolution? It's irreversible change. But that's where I made a dramatic mistake. I didn't realize that in four years, the time it took me to get these concepts clarified and go through the dialectic, not only would it take so long to prepare, but once we presented the law we needed to go through hours and hours of meetings at community level with the unions and with parties, and we would even hold a great deal of meetings at town halls. People would come and Victor Hugo Cardenas [Bolivia's first indigenous Vice President, from 1993to 1997] and I would answer questions about popular participation. All these interest groups, like the teachers, and all the party members were against this, saying, "How can you give power to ignorant people? How can they vote if they don't know how to read or write? How can they run their own affairs if they're illiterate?" And I said, "The majority of Bolivians are illiterate, but they all know how to count. Go down to the market and see if you can get a good deal out of these *cholas*. They know better than anybody what to do!"

*JPF*: In 1997 you handed over the Presidential sash to Gen. Hugo Banzer. But you chose to stay in politics. Why?

*GSL*: I always said the best job I ever had was in Congress. I loved being part of Congress. I liked negotiating in the halls, and all the horse trading. I always said, any job where you go to committee meetings after 10 a.m., and you don't have to go to work until after 3 p.m., is a good job. And every idiotic thing you say is recorded for posterity.

There are three things that people struggle for in politics. First money, but I already had that. I don't think honesty is a virtue, I think honesty is a habit. My family has had generations of people who didn't steal. Secondly you want women, and I'd had enough of that. I would have loved to be like Gaddafi and Berlusconi, but I'm too timid. I'm dominated by my wife! And thirdly, you do it for social position, and I had social position. That was my weakness—I had confidence, I was educated. So when you have those things, why are you in politics? You have a mix of, let's say, a desire for

public service and you want to effect change. You want that change to be irreversible, but it's not. Or at least it wasn't.

Public service, wanting to serve your country—I think it's the ultimate arrogance. It's Greek hubris to think you can leave a mark in history. You can't. I think you plant a seed and maybe a tree grows, but you can't guarantee what it grows into. I wasn't able to—probably due to factors beyond my control. I think part of it is that you can't be a politician if you're not willing to bend with the wind. If you think you can be perfectly ethical and be in politics, you don't understand what you're doing! It's like thinking you can ride a horse without a bridle. So I think it was just absolute hubris. I felt I could do it and have all these things without dirtying my name. And now, of course, I'm accused of genocide.

## 2.12 Changes in Bolivian Politics Since 1994

*JPF*: It's self-evident that Bolivian politics have changed a lot in the last decade. Around the time when you were winning elections in the 1990s and early 2000s, we had a stable equilibrium of political parties that varied in terms of composition and ideology. But there was broadly a left–right spectrum, pro-labor vs. pro-business, with the MNR roughly in the middle, straddling that divide. How have Bolivian politics changed since then?

*GSL*: Of the so-called "traditional parties," the MNR had the strongest position because the changes it made were long-lasting. Land reform gave the MNR great strength in the countryside. Village elders told the young how life had been before land reform, and the peasantry voted for the MNR again and again. But over time people migrated to the city, farming and land became less important, and the elders started dying out. And the countryside began to lose that memory, and that gratitude.

Also, the ADN and the MIR worked very hard to discredit what we achieved. I gave Banzer five years in power,[11] but he didn't know what to do with it. All he wanted was to return to the

[11] Goni's reform of the executive branch lengthened the presidential term from four to five years.

Presidential Palace via the ballot box. He didn't actually have a platform—no idea what to do with the power he'd finally won legitimately. So he set about destroying many of the things I'd done, like the *Bonosol*. [The *Bonosol* paid elderly Bolivians a pension that raised many above the poverty line, out of the dividends from the capitalization of the big state-owned enterprises.] It was a beautiful idea. But they destroyed it.

*JPF*: Why do you think they did this?

*GSL*: Because they were worried that with these reforms the MNR would be in power forever. They had to undercut the basis of our popularity.

Since then everything has changed. Evo Morales came in and sold the idea of *lucha de razas* [racial warfare] to Bolivians.

Another big change has to do with drugs. I underestimated the problem of drugs. Since the 1950s, with land reform, coca was a symbol of colonial humiliation. People looked down on it. But the US decision to make it illegal had terrible effects on Bolivia. Prices and profitability shot up, and people started producing it like crazy. But we don't even capture much of the profit. Only 15 per cent of the street value of cocaine stays in Bolivia. The other 85 per cent goes to foreign traffickers.

Some of this drug money started flowing into politics. That's what the Jaime Paz deal was all about. Bolivian politics was already very corrupt—corruption was tied up with coalitions and agreements between parties over legislation and policy. People ran for office because of the corruption opportunities available to the winners. It was always going to be hard to eradicate. But then the drug money came in and turbo-charged the whole thing.

*JPF*: How were parties structured internally prior to 1994? Were they elitist? Verticalist? Or horizontal with strong grass-roots support?

*GSL*: The ADN were people who benefitted from Banzer's dictatorship. The MIR were a bunch of leftists who sold out for money. Both parties were vehicles for their respective

leaders, Hugo Banzer and Jaime Paz, with everyone else basically riding their coat-tails. Neither survived the demise of the leader.

All the parties were run from the top down. All of them had lost touch with their grass-roots supporters. This was a worse problem for the ADN and MIR, which lacked the strong structure of the MNR's local and regional *comandos*. And that was made worse when Banzer's government began destroying my more popular reforms. People could see through that; it wasn't smart.

*JPF*: Did decentralization contribute to the downfall of the traditional parties?

*GSL*: The parties were already in trouble, and then, with Popular Participation, you could no longer use the political hacks you had before—they would lose local elections. You had to find people who were popular locally. We did this, but it was hard. The MNR had a structure that should have made it easier, but we weren't used to operating that way. And the other parties had worse traditions and no structure, so they were totally out of touch.

In the MNR, we just couldn't get used to it. The problem of women in politics is one example. Before the reform, local government was powerless and moneyless, and women dominated it. After reform, the men realized what was going on and went and kicked all the women out of their local offices. A lot of those were MNR men kicking out the women. It didn't help us win elections.

More broadly, the system of the second round in Congress [which traditionally decided most Bolivian elections] began to break down, because the way you held coalitions together was through patronage and corruption. With Popular Participation, patronage and corruption spread throughout the country. At the national level it got harder and more expensive to hold governments together. That was part of the political collapse. That is the story of my second term.

# Afterword: Bolivia's Recent Political History [*JPF*]

The changes alluded to above undermined the Bolivian political party system, although happily not its democracy.[12] Following on from decentralization by about a decade, a political tidal wave swept Goni from power and drowned all of the traditional political parties, and with them the political party system that had run the country for fifty years.

Since the 1952 Revolution, Bolivian politics had been centered on the MNR, accompanied by various opponents and offshoots to both left and right that alternated in power in a broadly stable, left–right, pro-labor vs. pro-business equilibrium that survived numerous coups and dramatic economic shocks. In 2003, political protests against Goni's second MNR-led government morphed into a popular uprising that led to his resignation and exile in the USA. With fewer congressmen than before, Goni depended on a larger number of more diverse parties for his congressional majority. As his position weakened in 2002–3, he drew more parties into the alliance. When civilians were killed by security forces and protest turned into full-scale revolt, not only the President was implicated, but most of the political system. When Goni fell, all of the traditional parties fell with him.

The old regime collapsed, leaving a yawning political vacuum. Into this stepped Evo Morales and his *Movimiento al Socialismo* (MAS). Bolivia's new politics is amorphous and still developing; its key competitive dimension since around 2005 has been ethnic and regional identity, although there is no guarantee that this will persist. The MAS itself is a comparatively loose political movement, much less organized or institutionalized than the MNR was before, its appeal largely centered on Morales himself. How it is likely to develop within a new Bolivian politics is impossible to say. But we can already conclude that the rise of the MAS was predicated on decentralization, which was crucial to the political transformation that swept the country.

To see this, consider these stylized facts. Until the 1990s, Congress was dominated by Bolivia's landed, business, and professional elite. More than 90 per cent of its members were educated upper-middle- and upper-class people with European surnames, private educations, and residences in its

[12] As of this writing.

largest cities' best neighborhoods. They were typically men who developed careers in the private sector before penetrating national politics horizontally, via a party. Today, over half of Bolivia's Congress, and over four-fifths of its Constitutional Convention, comes from small towns and villages. They tend to be browner than their forebears, with indigenous surnames like Quispe, Callisaya, or Mamani, fewer diplomas, and backgrounds as carpenters, truck drivers, and farmers (as distinct from landowners). As Zuazo (2009) notes, they overwhelmingly got their political start in local government, as mayors, GRO leaders, and municipal councillors. Decentralization served as both platform and training ground, allowing them to ascend to higher levels of politics through successive elections. In simple terms, it provided a ladder up for budding politicians in Bolivia's villages and poor neighborhoods where previously none existed. Although they joined established parties for the first few elections, they soon turned their backs on such parties and overthrew them in favor of their own amorphous movement.

If the future of this new politics is hard to predict, the future of decentralization is not. Bolivia's current rulers were formed in the crucible of local politics. They see it as both natural and "theirs." They want more of it, as do voters. Hence one of Morales' major reforms has been a dramatic deepening of decentralization via the 2009 Constitution and the 2010 Law of Autonomies and Decentralization (Faguet 2013). Major innovations include the introduction of indigenous and rural autonomous governments for "nations and peoples who share a cultural identity, language, historical traditions, institutions, territory, and world view" (Government of Bolivia, 2010, Art. 30(1)). The law allows such communities to govern themselves and organize their economies according to their own principles, practices, and forms of organization. Within such areas, traditional institutions and practices supersede the legal forms of the state (e.g. elected mayors and municipal councils). These are key elements in the construction of what the MAS calls the new, diverse, "pluri-national" Bolivia.

This leaves us with a final, potent irony: Morales, the MAS, and the "new Bolivia" want badly to stand for the deliberate, systematic rejection of a "neoliberal" past—the most potent symbol of which is Gonzalo Sánchez de Lozada. But all are, in the deepest sense, his own creation.

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