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Political settlements, natural resource extraction, and inclusion in Bolivia

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Abstract

This paper forms part of a project investigating the relationships between political settlements and natural resource governance over the *longue durée* in four countries in Latin America and Africa. Specifically, it examines this relationship for the governance of minerals and hydrocarbons in Bolivia. This paper makes the following arguments. As a poor country with a relatively weak central state, Bolivia's natural resources have served as a 'mechanism of trade' mobilised by competing interest groups to build coalitions in support of their particular projects and to secure the acquiescence of those who might contest their projects. In this way, natural resources are used to create political pacts and negotiate political settlements in which a dominant actor attempts to win over the opposition of those resistant to a particular vision of development and/or governance. These pacts and settlements are revisited constantly, reflecting the weak and fragmented power of the central state and of the elite, as well as persistent tensions between national and subnational elites. There have been short periods of settlement – in particular the early 20th century, when the so-called 'tin barons' were especially strong and excluded sectors (labour, peasantry, indigenous people) were weak; and the contemporary period, in which social movements and their dominant party are strong. However, the more general pattern has been one of instability, reflecting the relatively short-lived capacity of one or another actor for strategic collective action. Ideas about, and modes of, natural resource governance have been central to periods of instability and stability alike, and to significant periods of rupture in Bolivian politics. For example, mining and miners were central to the 1952 revolution and the following 12 years of the National Revolutionary Movement (MNR) government; natural gas, water and notions of resource nationalism were at the core of the 2005 election of the Movement to Socialism (MAS) government of Evo Morales.

The period since 2006 has been characterised by a stable settlement revolving around an alliance between MAS, national social movements and two iconic, dominant leaders in the forms of the president and vice-president. This settlement is also sustained through bargains with parts of the traditional economic elite and those subnational actors able to exercise sufficient power to extract concessions from the main parties to the settlement. In addition, particular interpretations of prior forms of natural resource governance have produced ideas about historical dependency and exploitation that are themselves constitutive of the settlement that the MAS has built (ideas that also circulated in earlier periods of resource nationalism).

Keywords: Bolivia, mining, hydrocarbons, political settlements, state capacity, sub-national politics, resource nationalism

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1. Introduction

The concept of ‘political settlement’ draws attention to the need to understand institutional arrangements as the products of bargains among elites (Di John and Putzel, 2009). That is, contention and relationships of power among elites produce institutions that will tend to distribute benefits more or less in line with differences in power (Khan, 2010; see also Acemoglu and Robinson, 2012). The nature of the state will therefore reflect this distribution of power and these bargains, as well as institutions inherited from historical distributions of power.

Khan (2010) suggests that the overall mode in which state authority is exercised depends on what he refers to as the ‘horizontal’ and ‘vertical’ distribution of power. The vertical distribution refers to the way in which power is distributed within the coalition of ruling elites (the parties to the ‘bargain’), while the horizontal distribution refers to the relationships of power between the ruling coalition and so-called ‘excluded factions’, who were not party to the bargain and are not therefore directly involved in rule and benefit capture. These two distributions of power draw attention to the ever-present possibility of instability in the settlement, where, in principle, there is more instability the greater the relative power of excluded factions as well as of weaker (‘lower-level’) groups within the ruling coalition. Another factor in determining relative instability is the extent to which the form of development delivered by the ruling coalition produces benefits for factions that are excluded from, or are little more than sleeper members of, the ruling coalition. For Khan, the nature of this development depends on the extent to which ruling elite interests are aligned with economic growth. Booth (2015) adds that the quality of this development will also depend on the capacity of elite parties to the bargain to act collectively around a shared vision of society and economy. In some sense, the issue here is whether the bargain arrived at hinges around a shared vision of change or a simple divvying up of the spoils of government.¹

These different observations are important because although the term ‘settlement’ implies some type of equilibrium, the pacts underlying the settlement can be unstable and even ephemeral. This has been the norm for Bolivia. Understanding the sources of such instability, and also the conditions in which settlements become more stable thus becomes important for understanding how development processes are governed. In a case such as Bolivia, where governance and development were traditionally characterised by chronic instability, only to enter a period of remarkable stability since 2005, it becomes particularly important to find a framework whose concepts help explain both the drivers of instability and the conditions that help favour stability.

The Bolivian case also suggests the value of making natural resources central to political settlements thinking. This is for several reasons: access to and control over resources and resource rents are central to elite bargains; the transnational valorisation of resources serves to bring political actors into being and into demise; and the economic and cultural values

¹ Such an agreement to ‘divvy up’ can be an agreement to distribute control of resources and benefits simultaneously, or to allow parties to the bargain to take turns in controlling these benefits (e.g. with different parts of the elite coming to power at different times through some form of electoral process).

apportioned to natural resources become critical elements of both state- and nation-building (Bebbington, 2013). In some sense, the *longue durée* of political settlements in Bolivia reflects ‘unresolved tensions’ (Crabtree and Whitehead, 2008) in debates over who should control natural resources, how those resources should be used and by whom, how their benefits should be distributed socially and spatially, and the type of state that should be built for a particular mode of natural resource governance (state-led vs. market-led; centralised vs. decentralised; linked to indigenous governance vs. Weberian state forms; etc.).

In this context, this paper considers three postulates:

- 1) Prior political settlements and coalitions structure the forms taken by an expanding extractive economy, but are subsequently shaped by this expansion.
- 2) This interaction is especially affected by the extent to which conflict and coalitional change drives institutional innovation on the basis of prior learning.
- 3) There are important interactions among actors operating at different scales in these processes.

We address these postulates by first offering (in Section 2) a short introduction to minerals and hydrocarbons in Bolivia, followed by a brief periodisation of Bolivian political dynamics and settlements from 1899 through to the present. This serves to introduce a more detailed discussion of the interactions between mining, hydrocarbons and political settlements over time – the theme of Sections 3 (mining) and 4 (hydrocarbons). Section 5 concludes with a discussion of the relationships between resource extraction and political settlements over the long term, emphasising the recurring importance of subnational politics and ideas of resource nationalism in these settlements.

Our argument draws on historical analysis from secondary sources, complemented by a series of key informant interviews. Specifically, we conducted field research and interviews in the departments of Tarija, the primary centre of natural gas production in Bolivia, and Potosí, the historical centre of the hard-rock mining economy since pre-Hispanic times. Both structured and informal interviews were conducted with a range of actors representing businesses, popular organisations, elected representatives, and local authorities in Potosí, Tarija and the capital city of La Paz. The analysis is further informed and complemented by documentary analysis drawn from newspaper articles, government publications and presentations, and published and unpublished reports from Bolivian research centres and non-governmental organisations.

2. Resource extraction and political settlements in Bolivia: an overview

a. The simple geographies of mining and hydrocarbons in Bolivia

Mining has been part of Bolivia’s identity and economy since well before it existed as a modern nation, and even before Spanish colonisation of the central Andes. Until recently this mining has been concentrated in the western highlands of the country. This region is one of high altitude plains (the *altiplano*), mountain peaks and valleys, and historically was the home to advanced

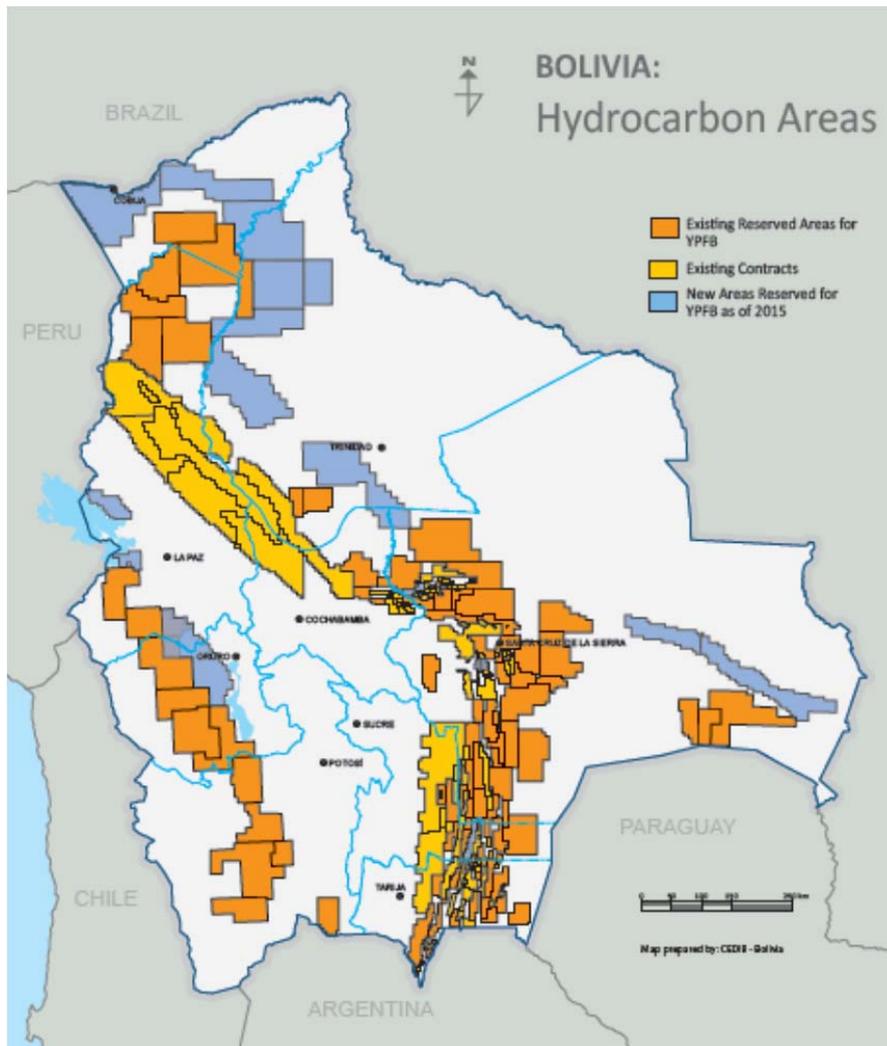
through hierarchically structured networks of control and informal labour gain preferential access to mine sites provided by the state mining company, COMIBOL. These networks have come to dominate the mining sector and have been politically important actors since 2000.

Mineral extraction in the humid tropical lowlands to the north and east of Bolivia is a far more recent phenomenon, taking two forms (Map 1). To the north, informal gold mining has become increasingly important in alluvial areas, where gold has been carried downstream from the Andes over geological time and deposited in areas bordering what are now Peru and Brazil. This alluvial gold extraction should be viewed as part of the larger complex, of which the socio-politically and economically significant alluvial mining in Madre de Dios, Peru, is perhaps the most discussed manifestation (see Sanborn et al., 2017; Cano, 2015). In Bolivia, this alluvial gold mining has produced murderous violence, as in Peru, but is yet to generate socio-politically strong actors in the way that has occurred in the Peruvian lowlands or Bolivia's highlands. The second form taken by lowland mining involves actual and planned large-scale operations in the eastern parts of the Santa Cruz department. Most significant among these are the Don Mario gold mine (Hindery, 2013a; 2013b) and the very large iron ore deposits of Mutun that are currently held by the Bolivian state following the withdrawal in 2012 of the Indian company Jindal.²

The geography of hydrocarbons is the obverse of that of minerals, with primary reserves being concentrated in the Chaco, a narrow band of lowlands of the eastern/southeastern departments of Santa Cruz, Tarija and Chuquisaca (Map 2). These deposits are part of a larger belt of hydrocarbons and gas stretching along the eastern flank of the Andes through to Argentina. In Bolivia, these reserves are also concentrated in historically indigenous territories, primarily of Guaraní peoples. However, unlike mining, these populations have played scarcely any role as labour in the hydrocarbon economy and have more typically (until recent years) been displaced and ignored by operating companies.

The first hydrocarbon operations in Bolivia were along the Aguaragüe mountain range of the Chaco of Tarija in the 1920s. By the 1940s, operations extended into the Chaco of Santa Cruz and Chuquisaca, as well as more humid areas of Santa Cruz. Santa Cruz steadily became the heart of operations for Bolivia's hydrocarbon sector at the same time as it was becoming the overall economic centre of Bolivia. It also emerged as an important hub for more conservative political parties and populations with a strong regional identity and more or less overt expressions of racism differentiating themselves from highland indigenous populations (Perreault, 2013). Over the last two decades, large gas fields were discovered and brought into production in the Chaco of Tarija, making the department of Tarija by far the largest producer of hydrocarbons and recipient of hydrocarbon revenue in the country (Humphreys Bebbington, 2010). However, the city of Santa Cruz continues to be the administrative centre of the hydrocarbon economy, with companies maintaining their primary offices there.

² As of January 2016, the government signed a contract with SINOSTEEL Equipment to proceed with the extractive project.



Map 2: Hydrocarbon areas, Bolivia (Source: map prepared by CEDIB, Cochabamba, Bolivia).

The geography of revenue distribution from hydrocarbons (discussed in Section 5) has meant that these three departments have gained significantly from gas and oil extraction. This has given rise to tensions with other departments and national government (discussed in Section 4), one result of which has been a move by the MAS central government to encourage hydrocarbon exploration in non-traditional areas such as the Amazonian lowlands of the department of La Paz.³ While there appear to be strong indications of reserves there, the cost of establishing operations is high and government efforts to drill wells lag behind the traditional hydrocarbon producing areas (Página Siete, 2016).

³ Considered part of the Sub-Andean belt of hydrocarbons linking the Camisea gas fields in Peru to the lowlands of La Paz, Cochabamba, and Beni.

The geographies of mining and hydrocarbons have been the mirror image of each other, but over time each has extended into the primary ‘territory’ of the other. These geographies are important because, through their interaction with geographies of race and ethnicity, they have helped produce politically important actors and some of the discourses of justice, sovereignty and autonomy that these actors mobilise in arguments over natural resources.

Not only have mining and hydrocarbons been politically salient, they have also dominated Bolivia’s economy throughout history and certainly since 1899, the starting point for this paper. Mining production dominated early, with a peak in the 1950s as a result of a decline in the quality of ore grades beginning in the 1930s. In contrast, oil accounted for less than 1 percent of total GDP in 1953 (Klein and Peres-Cajías, 2014). However, by 1972, the opening of markets for natural gas quickly led that sector to surpass oil exports. Following the collapse of international tin markets, natural gas became Bolivia’s most important commodity. Indeed, in the 1980s, taxes from the hydrocarbon sector constituted nearly 50 percent of national income.

Aggregating across minerals, mining and hydrocarbons now make comparable contributions to GDP: 6.6 percent for hydrocarbons and 6.8 percent for mining. Each subsector likewise contributes similarly to total exports: 42.3 percent for hydrocarbons and 34.3 percent for mining. However, there is a significant difference in terms of taxes paid, with hydrocarbons accounting for 29.2 percent of government revenue and mining a paltry 1.9 percent (Arellano-Yanguas, 2014). Conversely, mining continues to provide employment to significant numbers of Bolivian families, which is not the case for the hydrocarbon sector.

b. A brief periodisation of Bolivia’s political settlement and instability

Continuities and instabilities in elites and extractivist institutions

Interpreting Bolivian history and contemporary events through the lens of political settlements is no small challenge in light of the often unruly and rupture-prone nature of national politics (Dunkerley, 2007). The main difficulty lies in balancing an attention to detail, which can shed light on the forces that lead to new settlements, with the need to tease out larger patterns. We argue that political settlements beginning in the late 19th century and extending into the 21st century have been characterised by competition, instability, shifting alliances of power, and deeply entrenched forms of clientelism.

As we build this interpretation, we draw upon the work of both institutional economists and historiographers of Bolivia. In their work on the colonial origins of economic development, Acemoglu, Johnson, and Robinson (2001) explore the ‘riches to rags’ trajectories of a group of once wealthy but now impoverished countries first colonised by European powers in the 16th century, a category into which Bolivia would fall. Seeking to explain this ‘reversal of fortune’, the authors turn to an analysis of the kinds of institutions that European colonial powers introduced to these settings. They hypothesise that the different economic trajectories can be explained by taking a closer look at the organisation of society at the time of colonisation. More specifically, in

those territories of great wealth, Europeans introduced 'extractivist institutions',⁴ which favoured control by a small elite; conversely, in more marginal environments with less obvious resource wealth, the tendency was to ensure property rights ('institutions of property') to a broader swath of society (Acemoglu et al., 2002: 1235; Acemoglu and Robinson, 2012). Extractivist institutions are seen as a brake on investment and long-term economic development, as such institutions allow groups that hold power to capture rents and maintain power, while institutions of property are seen as contributing favourably to the conditions necessary for investment in capitalist development.⁵

Acemoglu et al.'s emphasis on the 'stickiness' of institutions, and the *longue durée* of history, is important. However, there is more than a suggestion of path dependence in their argument, as 'extractivist institutions' remain firmly in the hands of a small but cohesive elite that retains its power and privilege through the control of rents over an extended period of time. In the case of Bolivia, however, recent historiography suggests that the nature of elite cohesiveness and power is more nuanced, complex and potentially fragile (Barragan, 2008). Economic historian José Peres-Cajías (2011) argues that the 'oligarchy hypothesis', which suggests the presence of a coherent and powerful elite exercising hegemonic power over national territory from 1880 to 1930, is not supported by evidence. He argues that it is more useful to analyse power relations through the prism of negotiation and accommodation, rather than domination. Through this prism, Peres-Cajías details a chronic struggle of the weak (*lucha de débiles*) among sectors whose relative strength and capacity to influence politics is uneven and generally insufficient to consolidate a true national-level hegemony sustained over time (2011: 99). He points to the tensions between 'national elites' and regional elites over the construction of railway lines which resulted in clear winners and losers (Rodríguez, 1994, cited in Peres-Cajías, 2011: 111). Importantly, one upshot of this chronic struggle is the production of prolonged uncertainty that in turn dampens the expectations of economic actors, dissuades investment and generates negative consequences for economic growth.

Bringing these insights together, we argue that the roots of political settlements and coalitions that underlie Bolivia's extractivist economy can be traced to historical institutional arrangements first introduced by Spanish colonisers and later modified during the Republican period (1825-1880).⁶ These early institutions were focused on extracting silver for export to Europe and resulted in the suppression of other economic activities not linked to extraction. This helped perpetuate arrangements in which a few elites linked to the control of natural resources were able to dominate national politics, even if they were not the only groups to draw some benefit

⁴ Extractivist institutions were already in place at the time of colonisation as the Incans employed the 'mita', a tribute in the form of labour that conquered populations had to deliver. The Spanish were adept at maintaining and expanding those prior institutions that were useful for their purposes (Stern, 1993). In Bolivia, forced labour practices such as *pongeaje* and *mitaje* were not eliminated until the reforms of the 1952 National Revolution. Before the revolution, only property-owning males with a certain income were eligible to vote.

⁵ Acemoglu, Johnson and Robinson further argue that population density and prosperity at the time of colonisation were important influences on the policies introduced by Europeans (2002: 1236).

⁶ On the long-term effect of colonial institutions on the contemporary Andean economy, see Dell (2010).

from these institutional arrangements.⁷ The emergence of oil and gas production in the eastern lowlands in the second half of the 20th century then brought into being new elites, as well as a new set of institutional arrangements, reflecting significant divergences from mining sector practices with regard to how financial resource flows were collected, redistributed, and spent.

Periodising political settlements: 1899-2016

With these observations in mind, we suggest that the broad dynamics of political settlements in Bolivia can be discussed across five periods between 1899 and 2016. The transitions between these periods are marked by some combination of change of government, period of crisis and revolution, and/or dramatic economic change (see Table 1).

1899-1935. The first period is bookended by the termination of the Federal War (1898-99) and the Chaco War (1932-35). The former pitted liberals supported by tin mining elites, mostly in the La Paz area, against conservatives, who were more linked to silver interests, and large landowners based in and around Sucre. This tension between Sucre and La Paz was indicative of this period, which was one of regional oligarchies competing among themselves and with national elites.

The end of this period of settlement, in which the so-called tin barons were dominant, was ushered in by economic crisis and war. The beginning of the Great Depression in 1929 and associated collapse of export markets revealed the chronic dependency of Bolivia on commodity market volatility, and marked the beginning of the end for the tin barons. Then the Chaco War, waged between 1932 and 1935, saw Bolivia and Paraguay in a dispute over inhospitable eastern lowland territory that was becoming known to host oil reserves. The Chaco War became a disaster for Bolivia, while also marking the delegitimation of the old political order and setting the stage for the emergence of modern political parties, the ascension of younger military officers with more progressive ideas, and new forms of popular political consciousness.⁸

1936-52. The Chaco War changed Bolivia and Bolivians in profound ways. All Bolivian men had been conscripted to fight: miners stood alongside students, urban workers, highland peasants from 'free' communities, and peasants labouring on semi-feudal estates. In the wake of the conflict, the political system collapsed and a period of social protest and disorder followed. In 1936, two war heroes, David Toro and Germán Busch, launched a coup installing Toro as president, and shortly after Toro announced his intent to pursue a project of 'military socialism'. Political life expanded in many directions as students and intellectuals explored radical politics through the creation of new political parties, at times influenced by international currents.

Meanwhile, the continuing stagnation of the global tin economy marked a period in which the traditional political parties (liberal, conservative, republican) unravelled, and the power of mining

⁷ The nature of such elites was not, however, constant across time and space, and they were only able to secure dominance by negotiating power and resources with other groups which had some degree of political capacity.

⁸ This has of course been a frequent effect of war (Tilly, 2004).

and landed elites began to break down. This period was marked by 'increasing polarisation between labor and capital in the industry' (Contreras, 1993: 20), as well as the undoing of old elites replaced by coalitions of new elites. This was reflected in a series of regime changes and coups leading to periods of liberal military rule and reform. The combination of liberal-minded militaries and increasingly organised and radicalised labour also gave rise to a growing prominence of nationalist ideas and discourses around natural resources. This period of extended political disequilibrium marked the absence of any clear settlement and a profound churning of elites, with industrial elites increasingly challenged by new elites emerging from labour, new political parties and factions in the military.

1953-84. The churning of elites culminated in the revolution of 1952, led by the National Revolutionary Movement. While the period from 1952 to 1964 was hardly one of political quiescence, the MNR's sustained hold on government power allowed for the rollout of thoroughgoing institutional and social reforms. These included broad-based expropriation of rural estates and land reform, the nationalisation of mines (and thus the end of the tin barons), mass education, universal suffrage,⁹ and social programmes. A period of dominant party politics, with increased attention to the promotion of class alliances, these 12 years changed the structures of access to and control of resources in the country, of political participation and of class alliances. Indeed, in this period, the peasantry and workers became central to the ways in which settlements were negotiated, largely because they became increasingly organised from the local to national level with the creation in 1952 of the Confederation of Bolivian Workers (COB) and the National Confederation of Peasant Workers of Bolivia (CNTCB) in 1953.¹⁰ The MNR extended its hegemony using a mix of clientelism and authoritarian methods, in particular with the increasingly restless miners' unions.

In 1964, a military coup brought MNR rule to an end, and the following six years combined both coup-based and elected military rule. Conflict within the military regarding both style and content of rule, and a mixture of pacted, contentious, and at times violent relations with organised labour and the peasantry characterised a period of little direction. The absence of any settlement about how politics should be done, who should lead, and how power and property should be distributed, characterised this period.

The period of 1971-85 is thus characterised by a high degree of political instability and the absence of any clear view of models of development. Military rule (albeit by quite distinct factions of the military at different times) resulted in varying combinations of military-society pacts, clientelism, kleptocracy and outright repression. Governing ideas of development and societal organisation changed often in this period, though importantly, there was a sustained commitment to the eastern lowlands whose economies and elites benefited considerably. The lowland city of Santa Cruz emerged as the increasingly obvious economic capital of the country, benefiting especially from the policies of the government of Hugo Banzer (1971-78). Military rule

⁹ Previously only about 10 percent of the male population was eligible to vote in any given election.

¹⁰ The Unified Confederation of Unionised Peasant Workers of Bolivia, CSUTCB, was created in 1979.

came to an end in 1982 with the election of an unstable political coalition of centrist and left-of-centre groupings that culminated in economic chaos and hyper-inflation in 1984 and 1985.

1985-2002. This period begins with the textbook case of economic shock-therapy and structural adjustment in August 1985, but is also characterised by elected rule and a party-based democracy associated with a progressive withdrawal of the military and unions from political life. Governments of this period were all characterised by coalitions among parties, because no party ever won much more than 20 percent of the popular vote at election time. Thus, while the conduct of elections was all about party-based competitive clientelism, at the moment when governments were formed, the competition also manifested itself as one between coalitions of parties. The other stable feature of this period is the agreement among elites on the need to institutionalise neoliberal rules of economic and social management in the wake of the economic chaos of the mid-1980s.

Politics in these two decades are dominated by ‘pacted democracy’ (Assies, 2004: 31), in which rule was mostly characterised by carefully negotiated elections and outcomes among political elites (including the military). While these coalitions were highly fluid, with parties choosing governing allies for pragmatic rather than ideological reasons, the constant was the necessity of government through pacts. Another constant is the gradual undoing of the developmental state (a process that began in the 1970s and accelerated from the mid-80s onwards), due to a combination of unmanageable debt, government incompetence, ideological desire to weaken organised labour, neoliberal commitment to the progressive marketisation of society, and rejection of any pretence that the state might have the capacity to foster development itself.

2003-16. The last period runs from the collapse of the final government of pacted democracy in 2003 to the present. This has been a period characterised by profound disillusion with elite pacts, the resurgence of state-led development, and a centrality of social movement discourse and mobilisation in national politics. The period begins with the fall of the government of Gonzalo Sánchez de Lozada in the wake of broad and violent social protests. While these protests had different origins, the primary drivers were related to natural resource politics (Perreault, 2006; this topic is discussed more fully in Section 4b below). An important actor in each of these protests was the political movement led by Evo Morales, who had narrowly lost the 2002 presidential elections to Sánchez de Lozada. Morales’ movement was itself a product of resource governance, in that its initial bases had been coca growers, many of whom were themselves displaced former miners from the highlands. Morales and MAS prevailed in the 2005 elections, and have ruled via a self-described government of social movements ever since. Though MAS has been sustained by consistent electoral victories, in part this has been made possible by constitutional changes and interpretations that allowed for the successive re-

elections of Morales. In some regard, the period has, therefore, been characterised by the increasing consolidation of a dominant party/dominant leader mode of rule.¹¹

Ideologically, the Morales government rejects neoliberal modes of economic and social organisation, and is committed to a form of state-led development that combines both nationalist and socialist sentiments. The government marks the most settled period of rule in the country since the first two decades of the 20th century. This stability is grounded primarily in a settlement among most national social movements, but also with certain private capitalist interests (lowland agricultural elites) that have been able to continue operating in ways that allow for significant profit. Completely excluded from this settlement, however, have been historical political elites from the east as, in another similarity to the liberal period, the settlement is politically centred in the highlands.

In each of these five periods (summarised in Table 1), therefore, it is clear that overall political settlements cannot be discussed separately from mining and (later) hydrocarbons, given the overwhelming economic and political significance of these sectors. The interactions between political settlements and natural resources across these periods are discussed in more detail in the following two sections: mining in Section 3, and hydrocarbons in Section 4.

3. Mining and politics: the long journey from oligarchs to cooperatives

a. From oligarchic private mining to the unravelling of resource nationalist mining

From the late 19th century until post-WWII, mining in Bolivia was dominated by a small group of elite Bolivian families, first linked to silver mining (known as the Patriarchs of Silver) and later supplanted in the early 20th century by families linked to tin mining (the tin barons).¹² These families increasingly dominated the national economy and politics though in slightly different ways: while the former exercised direct control of the presidency at times, the latter exercised power indirectly and behind the scenes through the so-called '*rosca*' and lawyers and politicians under their control (Mesa et al., 1998). At the same time, the emergence of tin as a valuable commodity led to the rise of new mining elites, who were both more entrepreneurial and more liberal than silver elites. More importantly, tin also sparked a shift in Bolivian politics

¹¹ In February 2016, Bolivians returned to vote on a proposal to allow Morales to run a third time, potentially extending his presidency until 2025. The 'No' vote won 51.3 percent to 48.7 percent, indicating a potential return to a competitive clientelist form of settlement.

¹² The focus of this paper spans the late 19th century to present day for the mining sector and the early 20th century to present day for the hydrocarbons sector. In the period immediately following independence (1825-41), Bolivia continued to participate in global trade circuits dominated by Peruvian foreign mining interests. Later in the century, the sector became dominated by Chilean and British companies, which were very influential in the liberal government, in particular in terms of pressing for railroad construction. From the late 1840s to 1880, Bolivia was governed by a series of military *caudillos* (military strongmen) resulting in political violence and lawlessness, though Klein (2011) remarks that colonial social and political institutions persisted into the 1880s.

Table 1: Periodisation of political settlements in Bolivia: 1899-2016

Period	Characterisation of ruling coalition	Type of political regime	Configuration of political organisations	Broader development ideology	Modes of inclusion in extractive industry
1899- 1935	Single party/tin barons	Multiparty	Limited access order, elite control characterised by <i>caudillismo</i>	Modernisation	Employment in mines
1936-52	Fluid elite pacts with strong military presence	Military and multiparty	Limited access; new military and class elites emerge; old elites unravel	Resource nationalist	Employment in mines
1953-84	Single party/ corporatist followed by military dictatorships (in pacts with different sectors)	Military and multiparty	Competitive clientelist with military presence	Nationalist-populist/modernisation	Employment in mines
1985-2002	Elected 'democratic pacts' among regional and sectoral elites	Multiparty	Competitive clientelist	Neoliberal	Access to mining areas (cooperatives)
2003-2016	MAS and the Government of Social Movements	Multiparty	Electoral politics with de facto dominant party, dominant leader	State-led transformation and redistribution	State ownership; taxation and redistribution through social transfers; ownership of mining cooperatives

as the (tin-based) Liberal Party and La Paz-based regional interests demanded the creation of a federalist system, greater revenue sharing, and more autonomy from the Conservative Party government in Sucre.¹³

Tin production was dominated by three Bolivian producers, among whom the most famous and important was Simon Patiño, a self-made man rising from humble origins to become the richest man in Bolivia and the Americas. At its peak Patiño's tin empire controlled 10 percent of world production and 80 percent of tin smelters (Capriles Villazon, 1977; Granados, 2015). Patiño also played an important though controversial role in the Chaco War by lending the Bolivian government money and donating planes for the war effort.¹⁴ The Aramayos were descendants of an old silver family and active in the mining sector until the 1952 reforms, while the Hochschilds, a family of Jewish immigrants from Europe, eventually left Bolivia to develop mining interests elsewhere in Latin America.¹⁵ Tin cemented the importance of La Paz and the centrality of the altiplano in Bolivian politics and the new tin elite exerted enormous influence over infrastructure investment and fiscal policy. The barons were also favoured by the commodities boom from 1922 to 1929, in which tin prices rose significantly, as did international demand and production.

The tin boom drove increasing government debt, which grew fivefold from 1900 to 1922 as the state took on loans to invest in railway networks to support the sector, but failed to impose any significant taxes on the mines until the 1920s. Peres-Cajías (2014) argues that the government largely accommodated the tin elite and moved quickly to lower tax rates during periods of significant price declines. Efforts to establish a fiscal commission for the mining sector were also resisted and the government was only able to establish the commission and impose new taxes on the sector in the 1920s. Disputes between national elites and regional elites emerged over public investment in railway lines, roads and other public infrastructure. The inability of economic and political elites to agree on how to diversify the economy, combined with an increasing reliance upon tin revenues to finance government, not only reinforced the narrow base of the Bolivian economy, but also fed national-subnational disputes over budgets, stunted institutional development and derailed the pursuit of broader development initiatives (Orihuela and Thorp, 2012: 32-33).

At the same time as the tin-elite exercised significant control over capital and

¹³ Following the Federal War of 1899 between liberals based in the city of La Paz and conservatives based in the city of Sucre, liberal politics prevailed in Bolivia until the coup of 1921. The post-war settlement transferred most government functions to La Paz, but retained the unitary system and elite control over politics. Reflecting longstanding, unresolved tensions between regions, the issue of where to locate Bolivia's capital returned to national political debate during the Constituent Assembly process of 2006-07.

¹⁴ Undoubtedly, Patiño's influence was huge, buttressed by his enormous personal wealth and the success of his international businesses. For an interesting take on Patiño's role during the Chaco War, see: *Página Siete* (2013).

¹⁵ Patiño had consolidated his global economic power by World War I well before the Hochschilds (after the Great Depression), while the Aramayos never controlled such a large share of the tin economy, though their economic power dated back much further, to the mid-19th century.

politics,¹⁶ the period was characterised by growing mine labour and indigenous organisation, a series of strikes (one of which ended in the appalling Uncia massacre in 1923), and a growing instability in pacts among mining interests following the Depression.¹⁷ The government needed more tax revenue to pay off burdensome loans, including those for infrastructure to support the mining sector, and by the 1920s had managed to install something of a tax system and a fiscal commission (Comisión Fiscal Permanente) which ‘exhaustively reviewed the books of mining companies and succeeded in collecting significant amounts from many of them in back taxes’ (Contreras, 1993). Meanwhile, a boom in tin prices from 1922 to 1929 ended with the collapse of world markets after the 1929 Depression, leading the government to introduce a system for distributing export quotas among mining companies that pitted companies against each other and weakened their national representative association. Finally, despite enjoying a relatively stable political settlement, the period was characterised by development disappointment. Given the explosive growth of the tin economy, ‘the mining industry was not the great “engine of growth” of Bolivian development that it could have been,’ primarily, argues Contreras, because of ‘governmental incapability to extract higher taxes from the mining industry, particularly during the first decades, together with the inefficient use of that income which was generated; and (ii) the fact that the major mining companies, after obtaining large profits, did not invest in the country’ (Contreras, 1993: 8). These were without doubt factors, though it is also true that mining failed as an engine of growth in later decades when taxes were higher, and that the relative paucity of business opportunities in Bolivia may have been a factor in miners’ decisions not to invest in the country. Whatever the case, in many respects it is the ghost of this development disappointment that hangs over the MAS government today as it negotiates how to manage large but unstable resource rents, this time from natural gas, and seeks to convert them into lasting and significant social change and development.

These dynamics played out in the context of a more serious structural challenge: the country’s increasing isolation and limited prospects for economic growth in the wake of its loss of coastal territory in the War of the Pacific (1879-83) and the imposed constraints from the peace settlements that followed.¹⁸ In many ways, Bolivia never fully recovered from the loss of these Pacific ports, and this certainly constrained the expansion of mining and other investments in the altiplano, while also contributing to the country’s eventual turn eastward for economic growth and development.¹⁹

¹⁶ Other authors suggest that the agricultural sector also exercised significant control over politics because it had majority presence in parliament (Galo, 1991).

¹⁷ On long histories of indigenous and peasant resistance and struggle, see Gotkowitz (2008).

¹⁸ Since independence in 1825, Bolivia lost over half of its territory through war and poorly negotiated treaties with problematic neighbours – yet another reflection of a fragmented elite and the chronic weakness of the central state.

¹⁹ Fernando Molina argues that historical patterns of economic activity, combined with geographic constraints, forced Bolivia’s regions to seek integration into global circuits and economic development through different axes. The altiplano looked toward the Pacific Coast – though this was complicated with the loss of access to ports, first to Peru and later to Chile

Following the Great Depression and crises in the tin sector of the 1930s and post-WWII, the mining sector entered a profound slump (Whitehead, 1972). The viability of agro-pastoral production and mining in the altiplano came into question. The government, which had already begun to support colonisation of the eastern lowlands and the promotion of commercial agriculture, redoubled its efforts. Support came from the Bohan Commission, a US government mission sent to Bolivia in 1941-42 to help draft a strategic plan for economic development and cooperation. In addition to supporting the expansion of a modern, commercial agriculture sector, the 'Bohan Plan' called for increased development of hydrocarbon resources in the eastern departments, which had been discovered and developed by Standard Oil of New Jersey in the 1920s and later nationalised in the 1930s. Hydrocarbon production would be revitalised through private investment to generate the revenues needed to fund government and replace lost income from a declining mineral sector. The plan was embraced by political elites from the east and uncontested by elites elsewhere. It served to orient US development assistance to Bolivia for decades, though it would take 60 years and another round of privatisation before the hydrocarbons component of this vision would come to full fruition.²⁰

While development planners and some elites were looking east, mining labour was becoming increasingly organised and militant, with closer links to political parties – both of the far left, as well as the emerging (centrist) MNR. This strength won labour a series of favourable legislative provisions, which also had the effect of increasing mines' costs of production. Struggles between mine owners and labour became increasingly acute, including through the massacre of striking miners at Patiño's Catavi mine in 1943. This was immediately followed by the creation of the Union Federation of Bolivian Mine Workers (FSTMB) in 1944, which subsequently called for greater militancy and the seizure of mines through the Trotskyist-inflected 'Tesis de Pulacayo' in 1946.

The FSTMB, and especially more radicalised elements such as the tin miner militias from the altiplano, played an important role in the MNR revolution of April 1952, which became the first 'national-popular' revolution of post-WWII Latin America (Hylton and Thomson, 2005: 42). A coalition of these mining groups, urban-based middle class reformists, radicalised students, and workers from La Paz ushered in the government of President Paz Estenssoro, which pursued an ambitious and wide-ranging reform agenda. These reforms sought the definitive end to oligarchic privilege and power, which, *inter alia*, required separating the oligarchy from natural resource ownership through agrarian reform and a nationalisation of the mines. The ideas and discourses mobilised in this period reinforced the centrality of extractive

– while the southeast looked towards Asunción and Buenos Aires, and the northeast looked towards the Amazon and Brazil's Atlantic Coast (2008:5).

²⁰ In addition to expanding hydrocarbons production, the Bohan Plan called for investing in pipelines to link oil fields (and later gas) with markets in Argentina and Northern Chile. The idea of Bolivia serving as an energy hub for its larger neighbours was at the centre of the natural gas boom (and ensuing conflict) between 1995 and 2005.

industry in the country's economic development process and imaginary, with effects felt through to the present.²¹

The state only nationalised the mines of the tin oligarchs (Patiño, Hochschild and Aramayo) as they were seen as anti-patriotic and responsible for Bolivia's economic weakness. The tin barons sought to establish joint operations with the state, but this proposal was rejected. Eventually, the state took control of 80 percent of mineral production (see Contreras, 1993). The MNR government created a national state mining agency, COMIBOL (the Bolivian Mining Company) to administer these newly nationalised mines, and introduced the concept of co-government of mines with mine workers. Meanwhile, in the absence of any countervailing power, and under pressure from the US government, the hydrocarbons sector was re-opened to foreign investment.

If the 1952 revolution effectively disrupted the old regime, it also profoundly reshaped peasant-indigenous-worker interactions with the Bolivian state. The government pronounced all rural workers to be '*campesinos*', (peasants) and quickly moved to create a dense network of rural unions (first linked to the expropriated landed estates, but then to more traditional communities – especially in the altiplano). The rural unions became vehicles for rural populations to gain access to government services and programmes, among them the newly introduced food programmes supported by international aid.²² Corporatist ties were cemented between the state and the peasantry that would last far beyond the MNR government, re-emerging in important ways in the MAS/Morales period. From this point forward, the *campesinado* (peasantry) became a central actor in Bolivian politics. The military dictatorships that immediately followed the MNR government were quick to institutionalise the alliance in the form of the *Pacto Militar Campesino* (Military Campesino Pact).

Following the overthrow of the MNR government in 1964 by René Barrientos, formal politics entered a period of hyper-political instability described by James Dunkerley as a 'continuity of ruptures' (2007: 114). Over an 18-year period, 14 governments came to power, almost all of them military and many via the ubiquitous 'coup d'état'. Violations of human rights were frequent and a culture of violence and impunity took root.²³ Significantly, under authoritarianism the conservative right tended to forge alliances with military regimes, while the progressive left sought alliances with more progressive officers within the armed forces. With no single political party strong enough to challenge military rule, party loyalties tended to be fluid and pragmatic (Dunkerley, 2007: 118). Economic management was poor and the mining sector

²¹ For example, many of these nationalist sentiments around Bolivia's natural resources continue to be echoed in the publications of the Committee for the Defence of National Patrimony (CODEPANAL – *Comité de Defensa del Patrimonio Nacional*), among others.

²² International aid was almost entirely from the United States, and it is precisely during this period that US opinion begins to influence internal politics in Bolivia.

²³ During much of this period, Bolivia's neighbours were also governed by military dictatorships in which civilian repression, torture and violence were commonplace. However, unlike its neighbours, there was no organised leftist guerrilla movement, and the level of political violence was significantly less than elsewhere.

suffered because of repression of unions, but also from a lack of any strategy to invest in or strengthen COMIBOL.

Profound divisions within the military ultimately led to a return of a (weak) civilian political coalition first elected in 1980, but prevented from taking office until 1982. The return to civilian rule coincided with the emerging debt crisis in Latin America, an empty treasury, and a restless citizenry. Sliding into social crisis, Paz Estenssoro, the president who had led the revolution of 1952, and now in the role of elder statesman, was elected to power in 1985. He promptly announced a programme of stabilisation, including a package of emergency economic measures, to stem hyperinflation. The country's plight was compounded by the dramatic collapse of tin markets in 1984 and the resulting crisis of tin mining, a key source of rural employment and export revenues. Among the measures to reduce public expenditure and open the economy to external competition, the national mining company, COMIBOL was 'decentralised' into a series of regional units and a policy of *relocalización* (relocation) was introduced.²⁴ Nearly 80 percent of COMIBOL's workforce, comprised largely of indigenous highland miners, was dismissed. The FSTMB fought the closures and negotiated with the state to maintain production at some sites. But this time, strikes and road blocks – the tactic of choice in so many previous conflicts with the state – held no sway. With little left to negotiate, rural families headed to urban settlements in El Alto and Cochabamba, to the Chapare to cultivate coca leaf as well as further afield to Argentina and Brazil. The ensuing exodus from the mining sector has had profound implications for Bolivia's social and political landscape, as seen in the capacity of ex-miners to organise the Juntas Vecinales at the forefront of the 2003 Guerra del Gas conflict and more recently the role of colonist families (many of them ex-miners from the highlands) in the TIPNIS conflict of 2012.²⁵

However, not all families abandoned mining, and an important number of miners negotiated with the state in order to obtain concessions and equipment to continue mining activity on a small-scale basis as organised cooperatives. This was not a new institutional arrangement; mining cooperatives had long existed in the highlands, in particular in the department of Potosí. From colonial times, miners practiced *Kachi*, arrangements in which miners were allowed to enter certain areas of the mine and

²⁴ In contrast to COMIBOL and the mining sector, the draconian economic measures strengthened the operations of the national hydrocarbons agency, YPFB, by liberalising the prices charged to customers. As a result, the agency's contribution to the national treasury increased from 12.7 percent of total public revenue in 1983 to 56.7 percent in 1986 (Dunkerley, 2007: 152). It is at this point that the hydrocarbons sector definitively replaces tin at the head of the national economy in terms of share of total public revenue and total exports.

²⁵ This conflict was triggered by government plans to build a highway that would run through TIPNIS, a region that is designated both as indigenous territory and protected area. It was supposed by some parties that the road would benefit colonist (including coca) farmers in the lowlands and would also support the expansion of hydrocarbons within TIPNIS. While positions and identities assumed around the conflict are complex, in a very broad sense lowland indigenous groups tended to protest against the road, while colonists and coca producers favoured it. The conflict was ultimately violent, and indeed became viewed as the first time that the Morales government had used police and military violence indiscriminately against the population.

work independently, sharing the value of the minerals they produced.²⁶ In the 20th century, this practice persisted and was consolidated in times of economic crisis. Analysts today sustain that the rise of the cooperative sector is linked to the long practice of *Kachi* and the state's legalisation of independent mining via the measures introduced by Gonzalo Sánchez de Lozada, the planning minister and implementer of the stabilisation programme (Poveda, 2012; Francescone and Díaz, 2014). In hindsight, the government's recognition and support of the cooperative sector might be seen as a so-called *salida de paso* – a pragmatic exit to an immediate problem. It certainly was not part of a longer-term view of developing the mining sector, nor an attempt to increase popular access to mineral resources. The organisation of cooperatives and the transference of concessions and equipment for the purposes of exploitation at least partially resolved the immediate question of what to do with mining families. It also complemented the government's larger plan of reopening the mining sector to foreign capital in the hopes of revitalising a long moribund industry, *inter alia* to satisfy the personal interests of the president (Kaup, 2013; Hindery, 2013a).²⁷

b. Emergence of cooperativism and return of large-scale private mining

While many subaltern actors in Bolivian politics have gained visibility and power over the last 30 years, the trajectory of the mining cooperatives from assertive excluded faction to dominant actor in the current political settlement is most noteworthy. One interviewee noted:

“The cooperatives have always made pacts: with neoliberal governments of the past, with the MIR, with ADN, with the MNR and NFR in order to have access to mining concessions and benefits. Before MAS the cooperatives had these pacts. The mining cooperatives were against the Constituent Assembly (to reform the constitution) and they marched against it with dynamite in hand. Today, after opposing the new constitution, the cooperatives are now *the* transcendent political allies of this government, not the Federation of Mine Workers, not the Confederation of Workers (COB). It is the Federation of Cooperative Miners (FENCOMIN) and its departmental and regional affiliates

²⁶ The first mining cooperative can be traced back to Potosí in 1929, when the Palliris K'ajcha Libre was organised, later to be transformed into the Sociedad Cooperativa K'ajcha Libre.

²⁷ Gonzalo Sánchez de Lozada served as planning minister and architect of Bolivia's structural adjustment programme (with the support from Jeffrey Sachs) of the Paz Estenssoro government of 1985-89. He was later elected president (1994-98) and introduced a series of sweeping reforms, among them the privatisation initiatives known as capitalisation. He was elected again in 2002, but did not finish his term as rising social protest over economic policy, the 'transnationalisation' of Bolivia's natural resources, and an unpopular drugs eradication policy descended into increasingly violent confrontations between the state and social movements. A highly contentious figure in Bolivian politics, Sánchez de Lozada was part of the mining elite. He was founder and owner of the Compañía Minera del Sur (COMSUR), which operated several important mines, including the Porco Mine in Potosí, and the Don Mario mine in the Chiquitania of Santa Cruz. See Kaup(2013), for a critical view of the economic reforms he pursued. Both argue that such reforms benefitted his personal financial interests. Kaup also notes that his governments strengthened the hand of private mining interests (and the power of La Paz elites) while effectively neutralising regional and agro-industrial elite challenges to central state authority.

that are part of this political alliance.” (Interview with former Assembly representative, Department of Potosí, our translation. Humphreys Bebbington and Grisi, 2014.)

The emergence of mining cooperatives has produced wide-ranging impacts on the development of Bolivia’s mining sector (Francescone, 2015). This is evident in the significant influence they exerted to shape the policies, practices and governance of the sector in the new *Ley Minera* (Mining Law) of May 2014. The sector is also one of the closest allies of the MAS/Morales government, as they can be relied upon to mobilise their massive numbers (estimated at over 100,000 families), eclipsing the importance of the state’s historical ally, the FSTMB.²⁸ In acknowledgement of their political power, one former minister of mining explained that the MAS/Morales administration created three vice ministry positions, assigning each key sector either a vice minister’s or minister’s seat: the cooperative sector; the FSTMB; and private, medium-scale miners. Moreover, a representative of the cooperative sector was appointed minister in 2013, though was later replaced in the midst of negotiations around the new Mining Law in favour of a more conciliatory figure not linked to a particular mining constituency.²⁹

To secure their unconditional support, the mining cooperatives receive highly favourable treatment that is at times better than that received by the FSTMB miners who labour for COMIBOL. This is not lost on the latter, who have seen their power diminished, both politically and at times physically, as in the case of the Huanuni mine conflict of 2005.³⁰ According to one ex-minister of mines, Dionisio Garzón, the cooperative miners pay only the mining royalty – which is 5-7 percent of the total value of their production. They do not pay IVA (value-added tax) and are exempt from additional (social) costs that private mining firms and COMIBOL are obliged by law to cover. The smaller, less organised cooperatives do not contribute to pension schemes (though the larger, better organised cooperatives do). Cooperatives are not required to present an environmental licence for their activities nor fulfil other

²⁸ Rolando Jordan (2012) refers to the mining cooperatives as an ‘untouchable political and social power’, and links their emergence of *relocalización* and the politics of accommodation pursued under Sánchez de Lozada.

²⁹ Interview with a former minister of mining, August 2014.

³⁰ On 5-6 October 2006, a bloody conflict between two rival groups of miners exploded any perception of stability in the mining sector under the Morales government. Some 4,000 mine workers linked to mining cooperatives came to blows with some 800 state mine workers (FSTMB) over control of the richer veins of Pokasoni Hill. COMIBOL began operating the mine after a private firm was forced to return the concession to the Bolivian state. A former cooperative Huanuni mine worker himself, Wálter Villaruel, Morales’ first minister of mining, supported the position of the cooperatives. Failing to negotiate an agreement with COMIBOL, the minister called on the cooperatives to take over the mine. Sixteen miners were killed and dozens more injured. The government intervened in favour of COMIBOL by nationalising the mine, incorporating cooperative miners into COMIBOL and abolishing cooperative mining. However, the move did little to strengthen COMIBOL or the unionised mine workers. Since then cooperative miners have continued to either threaten – or have indeed carried out – invasions of mines, forcing COMIBOL to grant them areas to work. (See: Stein, 2010; Espinoza, 2010.)

environmental requirements.³¹ The new Mining Law of 2014 also provides for low-cost loans, technical assistance, and social benefits to the cooperative sector.

The cooperative sector also enjoys preferential treatment in terms of receiving concessions for areas to work, a practice which appears to be in contradiction to a stated government agenda to consolidate a state-led mining economy. In a highly fluid context, cooperatives attempt to gain access to mines through two routes. The first involves petitioning COMIBOL for concessions, which may be pursued through the violent occupation of a (private or state-owned) mining operation in order to force the government to give them more areas to work. The second tactic involves a more collaborative approach, in which private mining interests sub-contract cooperatives to work specific areas and/or carry out tasks, as in the case of the San Bartolomé mine in the vicinity of Cerro Rico.^{32, 33} What is markedly different from previous eras of extraction is the high level of social conflict and violence associated with the expansion of mining (Fundación UNIR, 2014; CEDLA, 2014). While the government has moved to discourage violent occupations of mines, police presence in rural areas is weak, and the government is hesitant to send in the military to remove the occupiers. Analysts criticise the government for doing too little, too late, pointing to the now entrenched modus operandi of cooperativists (and other opportunists masquerading as cooperativists) that has constrained the prospects for developing a vibrant, modern, state-led mining sector (Oporto, 2012; Espinoza, 2010).

The emergence of the cooperative sector is critical to understanding the changing structure of capital investment and economic development, as well as to interpret shifts in the political base of the MAS/Morales government of social movements. However, it would be incorrect to suggest that this marks the beginning of the end of transnational mining and private investment in Bolivia. Indeed, cooperatives contribute little to the national budget by way of taxes or royalties. Instead, mining revenue comes largely from a single operation, the San Cristobal mine in southern Potosí, which accounts for 30 percent of all export mining revenues (CEDIB, 2013). Operated by Sumitomo, a Japanese firm, the mine produces silver, zinc and lead. In 2011, the mine paid \$150 million in royalties and taxes. The rest of Bolivia's private mines, while not as large, also contribute important sums in terms of royalties and taxes. These are medium-scale mines with investors from Canadian, US, Australian and Korean firms, who often partner with Bolivian firms represented by the National Association of Medium Mining (*Asociación Nacional de Mineros Medianos – ANMM*).

³¹ In July 2014, a spill involving a cooperative-owned mine in Potosí sent thousands of gallons of toxic chemicals into a nearby stream and eventually into the Pilcomayo River. The then-mining minister noted that government supervision of cooperative mining operations was nil.

³² *Cerro Rico*, or 'Rich Hill', is a large, cone-shaped mountain in Potosí that towers over the surrounding landscape. Discovered by the Spanish in 1545, the mine led to the founding of the city of Potosí, also known as the Villa Imperial (Imperial City) at its foot. It was the first colonial city of the Americas, and quickly grew to surpass the populations of London and Paris by the early 1600s (Brown, 2012: 46). Nearly 500 years later, Cerro Rico remains an important source of employment for the largely indigenous, cooperative miners and workers who labour alongside private investment and the state mining agency.

³³ In some cases, such as the Colquiri mine, the government moved to nationalise the mine and then proposed joint exploration between COMIBOL and cooperatives.

In recent years, private investment in the mining sector has stagnated, as only the most risk-tolerant firms move forward with projects. One national mining authority interviewed noted that privately the government promotes foreign investment in mining, though its public message is more antagonistic.³⁴

Under the 2014 Mining Law, the Bolivian government will convert all existing mining concessions to joint contracts with COMIBOL, with the objective of reasserting sovereignty (if only symbolically) over the country's natural resources and deterring speculation.³⁵ Of the various actors in the sector, COMIBOL, the FSTMB and ANMM stand to lose the most. In the case of COMIBOL, the government is forced to cede its plan to forge a modern, dynamic, state-owned mining sector and instead focus on attracting foreign capital (when possible) and pursue initiatives to exploit and industrialise iron ore (via the Proyecto Mutún in the department of Santa Cruz) and lithium (via a joint investment in Potosí). These are both long-term projects that have the potential to radically reshape Bolivia's mining industry. However, they require enormous investment over a long period of time, and the MAS/Morales government has not shown the capacity to negotiate contracts that can support the development of iron-ore and lithium reserves. Meanwhile, the FSTMB has been displaced by a more vocal and militant cooperative leadership that has extracted major concessions from the government. While they continue to be important allies as a social movement, their relatively unimportant role in the negotiation of the new Mining Law suggests a very different trajectory for COMIBOL, and a less visible political role for unionised mine workers. Finally, medium-scale mining companies will have to negotiate complicated arrangements with the Bolivian state (via COMIBOL), as well as with communities, cooperatives and in some cases with formally recognised indigenous communities.

Summary

In this section, we have demonstrated that the control of mining in Bolivia shifted broadly over time from international-national capitalist control, to national capitalist control, to state control, to a return to international and national capitalist control, followed finally by increasing – and increasingly prominent – cooperative influence. These changes reflect shifts in the larger development ideas and discourses across the settlement periods outlined earlier: from liberal capitalist, to developmental statist, to neoliberal, to statist/resource nationalist and social movement-based. These changes reflect the shifting influence and politics of different actors within national settlements, at the same time as they have helped to constitute certain actors as particularly powerful. The changes also point to the complex relationships between economic and political power: as much for 19th century mining elites as for cooperatives today, while their economic power has been a basis for their political power, they have also used their political power to secure and enhance their

³⁴ Interview with vice minister of mining, 2013.

³⁵ In August 2016, cooperative miners protested the government's efforts to regain control over concessions obtained by cooperatives to work in partnership with third parties, mostly AMMM mines, leading to the death of Vice Minister Rodolfo Illanes and the delegitimisation of cooperative mining leaders.

economic power. The current context is one characterised by the increasing power of the cooperatives and a pragmatic institutional pluralism that accommodates their demands, but also permits private capital to coexist and participate profitably in the sector.

Changes in the sector also reflect shifts in the relative importance of different modes of inclusion through mining. In earlier periods, mining policy was not very inclusive, except through labour. With the creation of COMIBOL in the 1950s, inclusion took place through labour that sought both economic and political inclusion for miners, through co-government, with miners taking up positions in the bureaucracy, and also through government-administered clientelist programmes funded by rents generated by COMIBOL. In the neoliberal period, at least initially, there was limited inclusion of either type (few jobs, and low tax revenues). However, the economic crisis at the moment of adjustment (1985) sowed the seeds for a new model of inclusion. First, the government's transfer of mining rights to displaced miners organised as cooperatives created the basis for what has now become a large sector. In this case, what was initially an effort to foster limited economic inclusion (through allocating mining rights) triggered processes that have culminated in far greater political inclusion demanded by an organised sector with substantial capacity (or 'holding power' in Khan's terms³⁶) to exercise influence over other actors, national elites and the nature of the national political settlement. Second, adjustment in 1985 was accompanied by the creation of the Social Emergency Fund, an effort to foster very basic inclusion under conditions of crisis. In retrospect, this initiated the model of fund-based social protection financing that has since become central to the MAS government's efforts to foster inclusion.³⁷

4. Hydrocarbons, regionalism and economic development

Rise and demise of hydrocarbon nationalism

The emergence of oil as an additional source of rents began in the early years of the 20th century, far from the disputes and struggles of the La Paz-based mining and landed elites. Some minor investment, speculation and exploratory activity took place prior to this period, but it was not until 1921, when Standard Oil of New Jersey began exploring for oil in the Chaco, that the sector attracted any real interest. The first fields brought into production were in the area of Bermejo (1924), just north of the frontier with Argentina, in the department of Tarija, followed by a series of discoveries along the *Serranía de Aguaragüe* in the Chaco of Tarija (which has become an area

³⁶ The concept of 'holding power' for Khan refers to 'how long a particular organization can hold out in actual or potential conflicts with other organizations or the state' and is 'a function of a number of characteristics of an organization, including its economic capability to sustain itself during conflicts, its capability to mobilize supporters to be able to absorb costs and its ability to mobilize prevalent ideologies and symbols of legitimacy to consolidate its mobilization and keep its members committed' (Khan, 2010: 20, cited in Hickey et al., 2015: 47-48).

³⁷ The government has three very popular cash transfer programmes providing a minimum pension for the elderly (*Renta Dignidad*), a stipend for pregnant and lactating mothers (*Bono Juana Azurduy*), and a stipend for school-aged children (*Bono Jacinto Pinto*).

of renewed gas exploration in recent years). These were remote sites in a marginal region occupied by a mix of lowland indigenous groups, cattle ranchers, missionaries and indigenous peasants tied to landed estates.

The purported role of oil companies in fostering the Chaco War (1932-35), in which over 50,000 Bolivian soldiers died, changed how Bolivians viewed the role of the state in administering and protecting the country's natural resources. Political analyst Carlos Toranzo argues that historical interpretations of the Chaco War as having been fought over oil produced an 'idea fuerza' (dominant idea) that oil is part of Bolivia's strategic wealth and that the state must retain control over the oil (and gas) sector. This idea persists among the general public through to the present, and underlies the MAS/Morales discourse.³⁸

The post-war, coup-installed military government moved to regain control over the country's hydrocarbon resources by confiscating the oilfields owned by Standard Oil, establishing yet another 'idea fuerza' in the process: that of the military as defender of Bolivia's natural resources. In 1937, the government created a national hydrocarbons agency (*Yacimientos Petrolíferos Fiscales de Bolivia*, YPFB). In addition, a Ministry of Mines and Petroleum was established to oversee the development of the extractive sectors and to promote a modern, technical management of the country's resources. For the next 15 years, YPFB was the sole operator in the sector, drilling at different sites in the Chaco and gaining expertise in the emerging oil and gas sectors.

As a relatively small sector providing modest amounts to the national budget, and with physical operations in a distant territory, YPFB was able to grow, develop technical capacity, and consolidate its operations relatively undisturbed. The Bolivian hydrocarbons industry never produced a national hydrocarbon elite of oilmen and speculators (as it did in the United States, or as mining had already done in Bolivia; Kaup, 2013). Instead, as YPFB grew, it produced an important, if small, number of engineers and managers. Some of these were trained in Mexico, and therefore knew the experience of state-led PEMEX, while others were trained in the United States, particularly in Texas, and forged ties with international oil companies. Those who worked in the industry in Bolivia in the decades from the 1950s to the 1970s often came to occupy important positions in central bureaucracy and in the governments of oil-producing departments, established technical services firms serving the industry, or took up consultancy work as analysts both in the country and abroad.

In contrast to the royalties produced from the mining sector, which were sent to the national treasury (mining rents never formed an important part of departmental budgets), the system of royalties for oil (and later gas) followed a different trajectory. This system was first laid out in legislation dating to 1921 and later reaffirmed in the Organic Petroleum Law of 1938, which established that a royalty payment of 11

³⁸ Historians generally agree that the Chaco War was not over oil (Klein, 2011), and that tensions within the Bolivian elite were key factors in the decision to go to war with Paraguay.

percent of the value of oil production would be paid to the region where it was produced. The Busch Law of 1957 ratified the arrangement again, though there were efforts by the central government to modify these payments. While the amount paid was initially modest (in 1954 the department of Santa Cruz received only US\$76,000 in oil royalties), it rose quickly as production increased (Barragan, 2008). When in the mid-1950s the MNR government sought to rein in these payments, the response was a regional citizen revolt in Santa Cruz, in which the *Comité Cívico* (Citizen's Committee), a group of prominent citizens lobbying for departmental interests, launched a two-year protest to receive their 11 percent royalty in support of their economic development (Roca, 2008). Eventually, the government ceded to the demands of the Santa Cruz rebels. The department of Tarija, a more modest producer of oil, allied with the Santa Cruz *Comité Cívico* to demand to be included in the same arrangement, and thus Tarija also began receiving royalties paid directly by YPFB to departmental coffers.³⁹

Importantly, these social mobilisations organised by regional political and economic elites to institutionalise the payment of hydrocarbon rents to departments reinforced another set of *ideas fuerza*. The first of these was that producing regions were *entitled* to a direct flow of the financial resources linked to the amount of hydrocarbons produced in their territory. The second idea was that these resources were needed in order to promote the economic development aspirations of regions that had been neglected and harmed by the excessive centralism of La Paz and the highlands. And a third *idea fuerza* was that regional governments must be vigilant against central government's efforts to reclaim departmental revenues.⁴⁰ These dominant ideas linked to hydrocarbon rents have persisted over the last six decades, fuelled significant social conflict in recent years, and continue to shape the current (post-2003) political settlement, despite the efforts of MAS and Morales to reform how hydrocarbon rents are distributed and spent across national territory.

Under pressure from the US embassy, the MNR government agreed to sign the Davenport Code in 1956, which transferred potential areas of production held by YPFB to the US-owned Gulf Oil. In 1969, another military government, led by General Alfredo Ovando, reclaimed sovereignty over Bolivia's oil and gas fields with a second nationalisation. Advising Ovando were two influential public intellectuals: Marcelo Quiroga Santa Cruz, later named Minister of Mining and Petroleum, and Sergio Almaraz, a strategist of the left. Both effectively mobilised nationalist-populist sentiments that resonated with the working and urban middle classes and with YPFB workers and technocrats. Through nationalisation, the country recovered about 90 percent of its gas reserves – considered to be illegally controlled by Gulf Oil. Bolivia was then able to negotiate a long-term agreement to deliver natural gas to Argentina's expanding market. Shortly thereafter, during the Banzer dictatorship, the

³⁹ Interview with Luis Lema, former supervisor of hydrocarbons in Tarija.

⁴⁰ These ideas were very much invoked during conflicts between Santa Cruz, Tarija and the central government in 2008.

natural gas sector further expanded with the possibilities of serving new markets in Brazil (1972).⁴¹

By the early 1990s, however, the sector was again confronting a shortage of capital to invest in exploration and the development of new fields. With the decline of tin revenues, the Latin American debt crisis, and constraints imposed on public expenditure through neoliberal measures, the coffers of YPFB were empty (Morales, 1992). To further aggravate YPFB's woes, an erratic payment arrangement between Bolivia and Argentina for the delivery of natural gas meant that YPFB did not always receive what it was owed. As the contractual arrangement allowed Bolivia to be paid 'in kind', repayment would take the form of equipment, processed fuel or other inputs, among other things. As both countries suffered from significant currency devaluations and general economic mismanagement, keeping track of deliveries and payments became exceedingly complex. This led to the infamous 'borrón y cuenta nueva', when both countries threw up their hands and agreed to settle accounts with a 'clean slate'.⁴²

The period from the 1930s to the 1980s was therefore one of oscillation between private and state control of the industry. While the state was never able to adequately strengthen a national hydrocarbons company, social and political leaders were recurrently inclined to deploy ideas of resource nationalism because of historically inherited distrust of transnational companies. In parallel with this, regional actors in hydrocarbon-rich areas became increasingly strong and able to make claims for the earmarking of tax and royalty revenue for regional needs. The seeds of hydrocarbon nationalism planted in the 1960s would re-emerge in the 21st century, again in a context of regional claims for revenue sharing. This time, however, these claims also emerged in the context of a government based on a stable settlement with negotiated relations, both with parties to the settlement (mostly social movements) as well as with strategic excluded factions. This has led to greater stability in hydrocarbons governance, as discussed in the following section.

b. Resource regionalism, social movement nationalism and the governance of natural gas

By the 1990s, the combination of a pacted democracy (Assies, 2004) and inter-elite agreement on neoliberal economic management became progressively less stable in the face of new, more radical political currents in the Andean highlands, the coca growers' movement (*cocaleros*) in the Chapare, and the increasing mobilisations of lowland indigenous groups in the east. The combined effect of these distinct forms of 'holding power' forced political leaders to address issues of political, economic and social inclusion. In response, the first Sánchez de Lozada government (1993-97) launched a broad-ranging reform programme that created new vehicles for grassroots political participation and decentralisation. These programmes sought to appease excluded factions (especially subnational ones), while at the same time

⁴¹ Though large-scale exports to Brazil begin only around 2000.

⁴² Interview with a former supervisor of hydrocarbons, department of Tarija.

actually deepening market reforms and opening up new opportunities for capital investment in natural resources (Kohl, 2002; Farthing and Kohl, 2005). Through a series of new laws, the government announced the creation of 311 new municipalities with elected town councils. These would be supported by municipal citizen oversight committees and have control of modest budgets.⁴³ These new municipalities would now receive a direct flow of resources from the central state – an arrangement that has been reaffirmed and expanded under the MAS/Morales government. Sánchez de Lozada did nothing, however, to recognise regional demands for greater political autonomy,⁴⁴ fearing this would ‘Balkanize Bolivia’ (Roca, 2008: 66). This was therefore an attempt to build a mega-pact with municipal governments which would allow the government to work around entrenched and hostile political elites in the departmental capitals.⁴⁵ In the end, though, the effort to incorporate subnational factions through resource transfers rather than the delegation of political powers was insufficient to sustain the settlement.

Political and economic elites generally supported these neoliberal reforms, even though the power of La Paz elites and the dominant position of the western departments and the mining economy were significantly impacted (those in La Paz, for example, saw their access to government posts and public funds diminish: Molina, 2008:7). Bolivia pursued its own version of the privatisation of state assets through a programme of ‘capitalisation’, in which the government retained only a minority share in former state enterprises. YPFB was broken down into various operations and sold off to foreign investors, retaining only minimal functions of promotion, information and regulation. Attracted by extremely favourable terms, some of the world’s largest oil companies became involved in the sector as the ‘fire sale’ of YPFB’s assets coincided with a worldwide boom to search for and bring into production new oil and gas reserves. Numerous scholars have argued that this sell-off of state assets was an act of betrayal by the political elite, and ultimately gave rise to an environment of hyper-social mobilisation and conflict that would eventually end the decades of pacted democracy in 2003 (e.g. Farthing and Kohl, 2014; Kaup, 2013).

The break-up of YPFB thus effectively put control of the hydrocarbons sector in the hands of international firms, who moved to develop their projects in a highly fluid and competitive environment influenced by international hydrocarbons and capital markets. By the turn of the century, the natural gas market was booming, and ‘new discoveries’ led by Petrobras (Brazil) and REPSOL-YPF (Spain) led to projections that Bolivia would be a major producer and distributor of natural gas for the Southern Cone region (Brazil, Argentina, Paraguay and Chile). It is important to note, however, that several authors, as well as former YPFB officials and Bolivian geologists

⁴³ The government allocated 20 percent of state revenues to the municipalities, based on population.

⁴⁴ Indeed he blocked them. A draft decentralisation law, crafted by representatives from a range of social and political groupings in 1993, was ignored by Sánchez de Lozada. Previous efforts during the Paz Estenssoro government of 1985-89 were blocked for the same reason.

⁴⁵ Subsequent governments of Carlos Mesa and Evo Morales pursued a similar strategy (see below).

interviewed for this project, argue that YPF already knew about the existence of these 'newly discovered' wells, and that they were on the maps that YPF had to turn over to foreign firms under privatisation. The sting in the tail is that the tax regime was much lower for new discoveries: 18 percent versus 50 percent for existing wells. This fed the public perception of an all-out pillage by transnational firms and grievance that led MAS/Morales' nationalisation of oil and gas fields in 2005.

A series of mergers and acquisitions – exercised far beyond the borders of Bolivia – produced a landscape of investors, speculators and operators that were beyond the control of the state. The public perception, especially in the highlands, was that transnational firms and institutions were now in control of Bolivia's gas resources (Perreault, 2006). In contrast, regional leaders and elites in the departments of Santa Cruz, and especially Tarija, where the gas boom was centred, were less critical of the presence of transnational firms and actively participated in the promotion of major investments. In interviews with a range of social actors in Tarija, most noted that there was generally positive reaction to gas projects, as this would mean that departmental revenues would increase along with employment and other economic activities. As *petroleros* (a term used to describe all workers/officials linked to the oil and gas industries) had a long-established history in the region, and hydrocarbons had contributed to the development of the Chaco and the city of Tarija, there was less animosity towards their presence. While there was some opposition by indigenous groups on whose territories much of the resources were located, their mobilisations were dismissed as little more than an attempt at rent seeking (Humphreys Bebbington, 2010).

In the rest of the country, and in particular the Bolivian highlands, the expansion of hydrocarbon investments in the 1990s and early 2000s was generating anxiety over the sense of lost wealth, as well as increasing animosity towards political leaders. Ethnic tensions flared between east and west. The rise of MAS, which was linked to the *cocaleros* in the Chapare (Cochabamba) and their standard bearer, Evo Morales, emerged as the most coherent and organised force among Bolivia's political movements, and would lead the demand for greater political participation and an end to neoliberal policies. A series of violent confrontations between social movements and the government over the privatisation of water services in the city of Cochabamba, known as the Water War, led to social mobilisations elsewhere in the country (Perreault, 2006; Assies, 2004). Facing a breakdown of the social order, Sánchez de Lozada called in the military to quell a mobilisation in the altiplano. Dozens of protestors were killed and hundreds were injured. The images projected in televised news reports provoked widespread outrage at the outsized use of force. Sánchez de Lozada resigned and departed from the country. After some 30 years of pacted power sharing, the political settlement collapsed in the face of what came to be known as Bolivia's 'gas war'.

The in-coming president, Carlos Mesa, was seen as a more moderate and conciliatory figure, and he moved to introduce a series of reforms to calm tensions.

To appease both protesters' concerns as well as calls for greater regional autonomy from the bloc of eastern departments (Santa Cruz, Tarija, Beni and Pando) he offered to allow regions to elect their prefects directly (previously they had been appointed by the president).⁴⁶ Under the Mesa government, the New Hydrocarbons Law (2005) was passed, which has since become the basis for the current political settlement. The law helped resolve a crippling political crisis by creating a framework for sharing the financial resources generated by extraction. It increased the taxes levied against foreign companies' revenues, while also expanding distribution to a broader range of sectors and interest groups, with important implications for how different social and political projects are pursued and sustained. Once again, then, a mechanism was created to allow the fashioning of political settlements on the basis of natural resource revenues.

Despite these efforts, tensions continued to flare across the country, resulting in Mesa's resignation and a special election in 2005. Morales and MAS were easily elected to power in the first round, through the support of a coalition of highland and lowland social indigenous and peasant movements (his closest allies), urban intellectuals, non-governmental organisations, urban middle-class workers, and trade union members. Much of Morales' base came from the altiplano, but he also received significant support from the ever-expanding migrant communities (largely from the altiplano) in urban centres and from poorer sectors throughout the country (even in the four eastern departments). The Morales/MAS government represented a return to state-led capitalist development under the control of a movement-based party. The basis of its economic project is a continuation of the extraction and export of natural resources (especially hydrocarbons), with a programme of redistribution via cash transfer programmes. Industrialisation of Bolivia's natural resources is also part of the larger vision, with a view to altering how Bolivia participates in the global economy.

One of Morales' first moves was to re-nationalise Bolivia's hydrocarbons. Through a decree referring to the fallen Heroes of the Chaco, and mobilising the 'political mythology'⁴⁷ of a war purportedly fought to defend Bolivia's natural resources, Morales travelled to the most important gas field (operated by Petrobras) to declare: 'the gas is ours'. The enormously popular move produced reverberations in international financial markets and put Bolivia in the category of poor investment environments (in ratings such as those produced by Maplecroft Risk Analysis, 2013). More practically, it provoked tension with Bolivia's biggest neighbour and consumer of gas, Brazil. Petrobras, the hybrid state firm, effectively produces about 60 percent of all Bolivian natural gas, and consumes upwards of 70 percent of all gas produced by the country. In addition, it operates several major pipelines and provides important technical assistance and support to YPFB.

⁴⁶ Reflecting the complicated nature of expanding political participation and to avoid any issue of constitutionality, President Mesa said that he would then 'ratify' the winner of the election by appointing them to the position (Roca, 2008).

⁴⁷ See Molina (2011).

In the end, the re-nationalisation was more symbolic than real, insofar as it did not confiscate the camps, equipment and related infrastructure. Petrobras continued to produce and transport natural gas and ensure that financial resources flowed to government coffers. What the nationalisation did accomplish, however, was the unravelling of some of capitalisation's most egregious errors. It re-established sovereignty over natural resources, abolished concessions and forced all companies to enter into joint contracts with the state via YPFB. It addressed the imbalance caused by the 18 percent tax on new discoveries, increasing Bolivia's take to 50 percent on all wells, new or old. It re-established YPFB as the state authority responsible for hydrocarbons production, returned areas reserved for development to the agency, and set about restoring its ability to produce and distribute hydrocarbons. In addition, Bolivia renegotiated the contract price of natural gas with Brazil and Argentina closer to market rates.

As a result, government revenues nearly tripled overnight and injected a sense of national euphoria that Bolivia had recovered what rightfully belonged to her. Ironically, this change benefitted the regional governments in opposition to MAS/Morales more than any other group. The financial windfall, however, did little to calm tensions between the eastern regions and central government. Instead, it led to increasingly acrimonious conflict. Hamstrung by an agreement that left few resources for the central government and his projects, Morales announced his intention to alter the percentages contained in the New Hydrocarbons Law of 2005 and claw back resources for the national treasury. Almost immediately, regional governments responded with threats of revolt, and a 'catastrophic stand-off' ensued.⁴⁸ The four regional governments receiving the highest royalty and tax transfers (Santa Cruz, Tarija, Beni and Pando) mobilised their bases, set about writing charters for autonomy, and organised departmental referenda to adopt them. Once again, distributional fights seemed to threaten the country's internal cohesion.

In the end, confrontation was averted when the central government left tax transfers to regional governments mostly intact, and instead focused on re-directing revenue linked to the increased production of gas to municipal governments. The combination of increased production and higher prices swelled departmental and municipal government coffers, and there was no shortage of central government largesse to be used to garner support for its positions. The MAS/Morales government has been able to consolidate political power through a mix of bold political tactics and hydrocarbon revenues. Since the passage of a new constitution in 2009 and the re-election of Evo Morales in 2010, regional political elites have largely been subdued and redistributive fights have been resolved.⁴⁹

⁴⁸ See García Linera (2008) on the institutional crisis brought on by the resignation of President Sánchez de Lozada and the breakdown of the neoliberal project.

⁴⁹ Vice President García Linera has indicated that the government will move to reform the Hydrocarbons Law of 2005. The process started in 2007, but was later abandoned after it proved too contentious.

Summary

Hydrocarbons have been pivotal to the nature and constitution of national political settlements over the last century in Bolivia, as well as to the political negotiations between central and subnational elites. Indeed, the period discussed here is bookended by two phenomena reflecting the great significance of oil and gas. Whether or not the Chaco War was actually catalysed by Standard Oil's machinations to secure access to oil, the war is imagined to a very great extent through *ideas fuerzas* about oil. The war is viewed as symptomatic of the need for Bolivia to secure its hydrocarbon resources and protect them from foreign capture; and the loss of thousands of highland lives in the war is the critical point of reference for arguing that oil wealth is national, not subnational. In the contemporary moment, hydrocarbons are at the centre of the MAS/Morales political project, providing the fiscal resources for national programmes of redistributive social investment. At the same time, struggles over hydrocarbon revenues are at the core of tensions between a highlands-dominated central government, and the subnational elites of Santa Cruz, Tarija and Chuquisaca.

The governance of hydrocarbons has changed repeatedly over this period, from private to state control on three separate occasions. This has reflected the shifting national political settlement, and the rise and demise of resource nationalist ideas about oil and gas. This general instability has meant that hydrocarbons and development have been only poorly coupled at a national level – indeed, the only success in strategically converting hydrocarbon revenue into development had, until the latter 2000s, been at a subnational scale, primarily in the department of Santa Cruz. This pattern shifted, however, with the consolidation of the MAS/Morales political settlement, under which hydrocarbon revenues have been increasingly secured by the centre, and then deliberately used to finance social inclusion through a range of social protection measures. The success of these transfer programmes has in turn helped further stabilise the settlement through the vertical incorporation of lower-level factions into the settlement.

Given that hydrocarbons have been a constant since the 1920s, it is clearly *not* the case that oil can be said to have any necessary relation with the nature of the political settlement. The nature of the political settlement *does*, however, affect how oil is governed and used. As the settlement has increasingly become one of dominant party/dominant leadership, coupled with some significant checks and balances on power, hydrocarbons have become more obviously developmental.

5. Conclusions: Resource governance, region and political settlements in the *longue durée*

By establishing and discussing five key periods of Bolivia's modern history, this paper has attempted to understand how political settlements among elites have affected and been affected by natural resource governance in the country. In this concluding section we focus on the following: 1) the patterns that recur across these periods, in particular those that relate to the centrality of national-subnational relations within

Bolivia's political settlements; 2) the centrality of ideas about, and the materiality of, natural resources for the nature of these settlements; and 3) the implications of this analysis for political settlements theory.

a. Historical continuities and subnational dynamics

While the constitution of political settlements in Bolivia has shifted over the last 117 years, with corresponding shifts in their implications for inclusivity and exclusivity, certain themes have been recurrent. The first is the importance of subnational elites and politics to the fashioning of a national settlement, and the consequent instability of any such settlement. Second is the increasing importance of the east of Bolivia to the constitution of settlements, given the concentration of powerful agrarian, agro-industrial and hydrocarbon elites who have been included factions or excluded actors with significant ability to exercise power over or within the dominant settlement. Third is the use of natural resources, and above all the rents deriving from these, in any strategy to build national settlements around the exchange of loyalties and patronage. Fourth is the ebb and flow between employment, redistribution and direct control of natural resources as the primary mechanisms of socio-economic inclusion, and the tendency for inclusion-through-employment and resource control to produce subaltern actors with significant 'holding power', who have been able to exercise influence over national settlements. These four themes intersect substantially with each other, and will be present throughout our discussion in the remainder of this section.

The role of subnational elites in Bolivia's settlements, their ability to undermine national settlements, and the relationship between this ability and the presence of natural resource endowments within their territories, is striking. There has been a constant tension between projects to create a unitary state and demands for more decentralised forms of government. This goes back to the very beginning of our period of interest, when inter-elite debates over the levying of taxes and public expenditure reflected the preference for a unitary state over a federalist arrangement, with poorer departments constantly clamouring for more resources from the central government. Historian Rossana Barragán notes that the strengthening of the central government and the departments happened simultaneously, based on the raising and sharing of revenues beginning in the late 19th century: '... we see the fragility of the central state and how it had to fight to impose itself over economic sectors and groups through endless disputes' (2008: 84).⁵⁰ From the late 19th century forward, mining revenues from the departments of Potosí, Oruro and La Paz subsidised poorer departments without capacity to raise revenue through taxes. Mining revenue was also the source of funding for financing transportation infrastructure investments

⁵⁰It is important to note that from post-independence (1825-80) up to the tin mining boom in the late 19th century, some 35 percent of the revenues managed by the Bolivian government came from taxes paid by indigenous peoples, with La Paz, Oruro and Potosí being the largest contributors. After the 1880s, taxes from the mining sector increased significantly, and the state began to live from mining revenues (Barragán, 2008: 90).

(mostly railways, but also roads) to support the growth of the regions and their articulation to markets (Orihuela and Thorp, 2012).

Once hydrocarbons came on the scene, a different tax and redistribution model slowly came into being, strengthening the hand of eastern subnational elites. Beginning in the 1920s, with the production of oil in the eastern departments of Santa Cruz and Tarija, oil revenues (from royalties) were assigned to poorer regions (Pando, Beni) to support their growth and consolidation. However, unlike with hard-rock minerals, royalties from oil (and later natural gas) also went to departmental government coffers, allowing producing departments to grow and develop.⁵¹

These arguments between subnational elites and national elites have long histories. Some of this history is related to the traditional strength of departmental prefects, who in the past were in charge of education, agriculture, industry and commerce; who supervised the treasury and customs offices; and who recruited, clothed and fed troops. Barragán notes that the historical power of this institution

“explains how every revolution or change in government arose from agreements and pacts between departmental leaders, whether prefects or those who aspired to the position, and why every government established itself on the basis of the same strategic geography – in essence a network between capital cities and the main urban centres of each department” (2008: 91).

The importance of these subnational elites in the nation-state-building project has also given them power, and indeed relations between departmental treasuries and the central state were always problematic. There were constant disputes over which income streams were national and which were departmental, as well as over what and whom would be taxed. Thus, central state and departmental relations were characterised by both mutual need and constant feuding, in which departmental authorities were seen as more powerful, cohesive actors negotiating with a weaker central state. This pattern clearly persists into the contemporary period and has been one of the critical factors affecting natural resource governance. That said, beginning in 2009 with the passage of the New Constitution and the referendum reaffirming the MAS/Morales government, we see a significant consolidation of political power. Regional elites that were once avowed enemies of MAS/Morales joined the ranks of MAS, either by running as candidates in local, regional and national elections or through appointments to the public bureaucracy.

⁵¹The creation of the departmental royalty (11 percent of production from that territory) comes from the initial negotiation between the Bolivian government and Standard Oil of New Jersey in the early 1920s.

b. **Natural resources and the constitution of political settlements**

“The question we should be asking ourselves is not ‘why is it that our greatest wealth was lost?’ but rather ‘how do we save ourselves from our natural wealth?’

(Fernando Molina, 2011)

An enduring set of ideas around the reasons for Bolivia’s underdevelopment centres on the oligarchies hypothesis, in which Bolivia’s economic and political elites are seen as a tightly hegemonic group. Acemoglu and Robinson (2012), among others, challenge this view of elites as a homogenous group, offering a more nuanced approach that views inter-elite disputes and bargaining as critical to explaining development trajectories. Through a close examination of the evolution of the mining and hydrocarbon sectors, the shifting composition of political settlements, and the persistent tensions between national and regional elites over the distribution of revenues, we find a story that does not support the oligarchies hypothesis.

Different regimes, under different settlements, would forge alliances with urban-based regional elites, hoping to reduce the chronic instability that characterised Bolivian political life. Indeed, even in the present day, the MAS/Morales regime has constructed a careful coalition of Andean-based regional support to counteract the political and economic power of the eastern departments. Sub-national agreements appear to be an important part of the story – with the department of Santa Cruz perhaps the best example of a long-standing sub-national political settlement. In the most recent settlement period, subaltern actors have significantly increased their holding power or become part of a dominant coalition at both the subnational and national levels. More generally, sub-national actors – both departmental and municipal – have played important roles in constituting and contesting settlements over the course of the last century.⁵²

By the second half of the last century, the emergence of a dynamic oil and gas sector in the east of the country eclipsed the mining sector and ultimately the longstanding power of elites linked to mining in the west. This transition picked up speed with the dramatic collapse of tin markets in the 1980s, coupled with a debt crisis and years of mis-management from military rule, followed by the introduction of neoliberal reforms. But the blueprint for this transition was set in motion decades earlier, through the little-known US-sponsored Bohan Plan, which concluded that Bolivia’s future lay to its east. Indeed, the receipts from oil and gas development have surpassed the collective imagination. Vice President García Linera has described natural gas as ‘the goose that lays the golden egg’ – an unlimited source of funds that will ‘seed development’ in the 21st century. The centrality of gas came quickly, though it will produce long-lasting impacts on the organisation of economic, political and social life. In departments like Tarija, where some 80 percent of all natural gas is produced, and a nearly equal percentage of the country’s gas reserves are located, gas revenues

⁵² In some cases, such municipal actors have themselves been produced, in part, by decentralisation policies (Faguet, 2012).

contribute over 95 percent of the budget. In the department of Santa Cruz, whose economy is more diversified by the presence of a strong agro-industrial sector, oil and gas revenues still dominate the budget.

At the national level, oil and gas revenues are vital to the MAS/Morales 'Process of Change', the wide-reaching project to refound Bolivia. Gas and oil rents are the currency by which social inclusion is delivered and efforts at nascent industrial transformation are initiated, as well as the means by which patronage is extended and loyalties are consolidated. The ambiguity and flexibility of the MAS/Morales process of change allows for new alliances to be created according to fluctuating needs and distinct political contexts. In this way, political enemies of MAS can be incorporated into the bureaucracy through *peguismo* (the creation of posts), or added to political rosters with relative ease. Such flexibility allowed Morales to cement an agreement with and gain the loyalty of conservative sub-regional elites in the Chaco, in exchange for their being granted direct receipt of royalty payments. This in turn allowed him to suppress the political power of urban-based regional elites in the city of Tarija by placing a gas-funded wedge between them and these sub-regional elites. The practice of *peguismo* (patronage) inside YPFB and the central government has continued to flourish, despite Morales' insistence that MAS adherents should not expect to benefit from employment arrangements in exchange for party loyalty. The first director of YPFB, Santos Ramírez, a former close confidant of Morales who is now in prison for corruption charges, was known for hiring party-based technicians who knew nothing about hydrocarbons.⁵³ In a different sort of redistributive fight, as YPFB was being reconstituted, the government was forced to divide the state-owned company into a series of vice-presidencies, so that each producing department (Tarija, Santa Cruz, Chuquisaca and Cochabamba) would host an office in addition to La Paz.

Generally, hydrocarbon rents have been used to foster inclusion through redistributive spending. Up to the mid-1950s, rents were fairly modest, and so did not draw much attention nor give rise to major social mobilisation. However, the political significance of rents changed as the scale of production grew and royalty and tax payments increased. The National Hydrocarbons Law of 2005 established the parameters for the central government to distribute hydrocarbon taxes to regional and municipal governments (as well as to universities, the police and a special development fund for indigenous groups). Within regions, the distribution of rent-funded expenditure has also become central to political dynamics.

MAS/Morales have also used the distribution of oil and gas rents to shape the settlement in new ways. Until recently, rent distribution usually took place in one of two ways: territorially or sectorally. With the introduction of social programmes⁵⁴ targeted at individuals, a new dynamic has been introduced. Through such transfers,

⁵³ Interview with former YPFB official, 2013.

⁵⁴ *Juancito Pinto*, *Juana Azurduy* and *Renta Dignidad* are the primary examples of such programmes, and offer school vouchers to children (*Juancito Pinto*) and cash transfers directly to pregnant mothers and infants (*Juana Azurduy*) and old adults (*Renta Dignidad*).

new entitlements (and relationships) between the central government and citizens are formed that in turn have long-term implications for Bolivia's future economic development path. In the near-to-medium term, the government must produce more hydrocarbons in order to pay for these programmes and, indeed, the government uses this argument as a way to validate its preferential treatment of the hydrocarbons industry. This stands in some tension with the government's other need to invest in the industrialisation of minerals, oil and gas, as well as in other sectors of the economy, in order to move beyond the extraction-export model.

In the case of the mining sector, which historically provided opportunities for participation either through labour (as a mine worker), or, to a lesser extent through direct control of the means of production (a mine owner), the government increasingly appears to privilege the mining cooperatives. Mining cooperatives resolve employment issues for many more rural families in the highlands (an important segment of MAS' political base) than do large-scale mines – even if such a resolution is only partial and combined with other livelihood activities. More importantly, the new Mining Law allows rural families the possibility to control the means of production (or to do so at least jointly with the state) as a means of receiving greater benefits. However, larger-scale investment in exploration cannot be pursued under conditions characterised by uncertainty and social conflict, two significant problems affecting mining areas today, partly as a consequence of the increased strength of cooperatives. Furthermore, the imposition of cooperative mining in some agro-pastoral communities constrains the possibilities for pursuing other productive (and less environmentally damaging) economic activities. In the most recent political settlement, we see increasing social conflict over the negative impacts of uncontrolled mining activity and the inability of the government to address longstanding sites of environmental contamination, raising the question as to the role that environment and contamination will play in a new settlement.

Natural resources have long been at the centre of Bolivian political economy and political bargaining. Not since colonial times, however, have they been a sufficient basis of power for any one settlement to become consolidated to the point that it could begin to view these resources as part of a medium- to long-term developmental project, and manage those resources accordingly. The combined effect of changes in global markets (both in terms of prices and shifting patterns of demand), the distinct regional geographies of different resources within Bolivia, and the country's substantial and often powerful subaltern populations, have meant that efforts to build alliances between the centre and regions, across regions, and across classes have never succeeded for long. As a consequence, the incentive for elites has consistently been to control revenue streams from resources in order to spend on managing political alliances, rather than to invest in economic and social development.

c. Implications for theory

This work began with three postulates: 1) Prior political settlements and coalitions structure the forms taken by an expanding extractive economy, but are subsequently

shaped by this expansion. 2) This interaction is especially affected by the extent to which conflict and coalitional change drives institutional innovation on the basis of prior learning. 3) There are important interactions among actors operating at different scales in these processes. These postulates are each amply borne out by the analysis of mining and hydrocarbons in Bolivia.

The case of Bolivia also suggests that relative 'settlement' in political relationships may be more the exception than the norm. Certainly, the last 120 years in the country have been characterised by great instability, deriving largely from the inability of elites to act collectively across spatial and social differences and agree on models of development that offer broad inclusion in benefits and opportunities. The relative exceptions to this instability have been the periods of liberal rule in the 1900s and 1920s, the decade or so of MNR rule from 1952-64, and the period of MAS hegemony since 2005. One might argue that the period from 1985 to 2003 was also characterised by sustained elite agreement that Bolivian political economy should be governed through electoral democracy and neoliberal modes of management.

Interestingly, these more settled periods of relative party dominance have also been characterised by significant policy roll-out: policies that supported the rapid growth of the tin economy in the liberal period, and socio-economic reform policies that dramatically changed forms of natural resource governance and benefit distribution in both the MNR and MAS periods. While this pattern is consistent with the claim that periods of dominant party rule can be associated with more transformational and developmental policies, the very significant exception is the institutionalisation of neoliberal government between 1985 and 2003, which occurred under conditions of competitive clientelism. This suggests that analytical distinctions regarding the developmental implications of competitive clientelism and dominant party rule need to be made with care. One implication, perhaps, is that regardless of the domestic mode of rule, transnational pressures from financial and commodity markets, rolled out through networks of technocrats and traders, can discipline settlements regardless of their form, and can determine the models of development that flow from these settlements. This disciplining effect can be just as strong as any disciplining coming from excluded factions, and certainly helps explain why neoliberal commitments became taken for granted among political and economic elites after 1985. Furthermore, in Bolivia this external disciplining has come not only from historical imperial powers (the USA) but also powers such as Brazil and Argentina as they seek to consolidate their regional hegemony.

This does not imply that the emphasis of political settlements literature on bargains among elites, the influence of excluded and lower-level factions, and domestic political drivers is not relevant. These factors are clearly important to understand how natural resources have been governed over the *longue durée* in Bolivia. Pressure from excluded labour in the 1930s and 1940s, excluded social movement constituencies during the 1980s and 1990s, and excluded eastern lowland elites under MAS rule have all ultimately shifted prevailing bargains and driven important, and in some cases profound, changes in mining and hydrocarbon governance. In

some instances, the holding power of excluded groups has ultimately driven reversals in the overall political settlement – as reflected in the emergence and coming-to-power of both the MNR and MAS.

The Bolivian experience suggests elements of a framework for explaining the emergence of actors with the political power necessary to shift settlements. In broad terms, actors who have challenged settlements have emerged either on the basis of geographically dependent subnational power or changes in economic organisation. Examples of the first include eastern lowland elites (powered by economic resources and a sense of regional identities) and highland elites linked to the particular geographies of mining (this is the case as much for tin miners in the 1900s as for the mining cooperatives today). Social movements defined by territorial identifiers also fall into this category, and have become more powerful either because they have been threatened by particular economic activities or because other actors (perhaps especially transnational activists) have given greater cultural and political value to their geographical origins (e.g. by recognising the value of indigenous territory). In the second instance, examples include the miners' unions of the 1940s onwards or the mining cooperative movement today. Thus, the emergence of actors with holding power can be endogenous to the prevailing political economy (e.g. miners' unions, authorities receiving benefit transfers, etc.) and also aided by transnational support.

Finally, both in the processes underlying the emergence of new actors, and in those through which ruling elites consolidate their authority, the mobilisation of ideas (especially those related to natural resources) has been of critical importance. These ideas serve to catalyse collective action of both elites and excluded groups, and also to persuade others, domestically and internationally, of the legitimacy of their claims. Many of these ideas have been derived from Bolivia's own historical experience, such as the failure of tin to catalyse development or the fortunes taken out of the country by international mining companies in the past. In addition, they have been derived from the country's geographies, such as through the coupling of nature and nation (c.f. Perreault, 2013) and the territorial bases of racial, regional and ethnic identity. Other ideas have been more international in origin, such as international labour organising and socialist principles.

Making sense of the relationships between political power and natural resource governance in Bolivia therefore requires attention to the nature of political settlements (including their relative stability or not), the particular history and geography of natural resource governance, and the relationships among actors operating at different geographical scales.

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