



German Busch and the Era of "Military Socialism" in Bolivia

Herbert S. Klein

The Hispanic American Historical Review, Volume 47, Issue 2 (May, 1967), 166-184.

Stable URL:

<http://links.jstor.org/sici?sici=0018-2168%28196705%2947%3A2%3C166%3AGBATEO%3E2.0.CO%3B2-U>

Your use of the JSTOR archive indicates your acceptance of JSTOR's Terms and Conditions of Use, available at <http://www.jstor.org/about/terms.html>. JSTOR's Terms and Conditions of Use provides, in part, that unless you have obtained prior permission, you may not download an entire issue of a journal or multiple copies of articles, and you may use content in the JSTOR archive only for your personal, non-commercial use.

Each copy of any part of a JSTOR transmission must contain the same copyright notice that appears on the screen or printed page of such transmission.

The Hispanic American Historical Review is published by Duke University Press. Please contact the publisher for further permissions regarding the use of this work. Publisher contact information may be obtained at <http://www.jstor.org/journals/duke.html>.

The Hispanic American Historical Review
©1967 Duke University Press

JSTOR and the JSTOR logo are trademarks of JSTOR, and are Registered in the U.S. Patent and Trademark Office. For more information on JSTOR contact jstor-info@umich.edu.

©2002 JSTOR

Germán Busch and the Era of "Military Socialism" in Bolivia

HERBERT S. KLEIN*

MORE THAN ONCE during the twentieth century, radical army officers in Latin America have seized the reins of government and attempted to reform the national socio-economic structure by authoritarian rule.¹ Few such men, however, have equaled the naïveté or achieved the revolutionary mystique of Colonel Germán Busch, president and dictator of Bolivia from 1937 to 1939. Following the government of Colonel David Toro, who had attempted to establish a union of radical officers and reformist civilian parties, Busch tried to carry this "military socialist" movement to completion through the establishment of a partyless dictatorship. Though his attempt at radical change led to frustration, the political movements which flourished under his regime and the legislation which his government carried to completion created a crucial background for the rise of revolutionary parties after the defeat of the "military socialist" experiment.

The future dictator of Bolivia was born in the lowland province of Santa Cruz in March 1904 to a German physician who had married a Bolivian. Unlike his European-educated father, Germán Busch felt little inclination toward the liberal professions, and in 1922 he entered the Colegio Militar. Graduating in 1927, he was appointed to the general staff in 1929 and became a close associate of David Toro, the most brilliant and politically astute of the younger officers. Although Busch himself at this time seems to have been apathetic toward politics, his association with Toro led to his removal from the general staff in the revolution of 1930. For the next several years Busch carried out important geographical survey work in the Gran Chaco, for which he was highly honored. At the outbreak of the Chaco War he was given a front line position and greatly distin-

* The author is Assistant Professor of History at the University of Chicago.

¹ This is the second and concluding article on the period of "military socialism" in Bolivia. The first article, "David Toro and the Establishment of 'Military Socialism' in Bolivia," appeared in *HAHR*, XLV (February 1965), 25-52. Research for this article was made possible by a grant from the Henry L. and Grace Doherty Foundation.

guished himself in the difficult battle of Boquerón. Impetuous and intelligent, he was a rarity in the slack and corrupt Bolivian officer corps. He thus rose rapidly in the front line command. A full lieutenant at the opening of hostilities, he had risen to the rank of lieutenant colonel by the end of the war.

Through his prominent leadership in several important engagements and especially in the last great defensive operation at Villamontes, Busch also achieved national prominence. With few real heroes on whom to bestow their adoration, the Bolivian public especially adulated this seemingly shy but effective military commander. As was also to be expected, this previously apolitical officer began to become ever more involved in the political machinations of the army itself. Although at the beginning of the war members of the officer corps were largely subservient to civilian authority, by the time peace came again they found themselves in open conflict with their civilian superiors. Because of his prominence as a well-known field officer, Busch played a leading role in the overthrow of President Daniel Salamanca in 1934 and was rewarded by his fellow conspirators with important staff positions. By 1935 Busch was able to consolidate his growing power and popularity by capturing the top army command itself, when he became chief of the general staff and active head of the La Paz garrison. It was from this position that he began to negotiate with the new political forces of protest and reform unleashed by the war to which he felt a strong affinity.

On May 17, 1936, the younger officer veterans following Germán Busch and the moderate leftist younger civilian elements under the leadership of men such as Carlos Montenegro and Enrique Baldivieso successfully overthrew the caretaker civilian government of Tejada Sorzano and established a joint civilian-military junta to rule in its place. Despite his crucial role in the revolt, Busch still felt himself to be unsophisticated in political matters and called upon David Toro to assume the leadership of the government. Toro was not a committed revolutionary, and, according to his own account, he was unaware of the *golpe* before its occurrence. But he was a sophisticated politician, nevertheless, fully sensitive to the new tone of national political life. Therefore, he gave his government the name of "military socialism" and initiated a host of social reforms, including the establishment of Bolivia's first Ministry of Labor.

Despite the bewildering outpouring of reform legislation and the president's constant discourses on social justice, Busch began to grow discontented with Toro's methods and results. When the civilian members of the coalition began struggling for power, Busch,

in a fit of pique, decided to remove them from the government. Without the prior knowledge of Toro, he dissolved the junta and remade it into an all-military regime. This move apparently produced few results, however, and he offered his resignation to Toro as a vote of no confidence in the government. While Toro was able to prevent Busch from withdrawing, he was forced to act at once in an effort to produce results. Toro seized upon a long-standing dispute with the Standard Oil Company, terminated it abruptly, and on March 17, 1937 seized all of the company's Bolivian holdings and equipment.²

Even this radical act did not satisfy Busch for long, and he was soon calling not only for immediate revolutionary results, but for a moral rejuvenation as well. The everlasting political compromises of the pragmatic Toro seemed to him to be leading nowhere. Busch wanted a reawakened "New Bolivia," and despite the concrete if hesitant advances made by Toro, he wanted more visible change. On July 13, 1937 he announced to Toro that the president no longer had the army's support and demanded his resignation. Toro was forced into exile, and Busch announced the formation of a new government under his own direction.³

Although Busch was a major national hero and had strong ties to the veterans' movement, he was an unknown political quantity to the nation at large. The labor movement and most of the left, moderates as well as radicals, had benefited greatly under the Toro regime.⁴ They feared that Busch would destroy the experiment in military socialism and would return the government to the traditional political forces. The rightist press, for its part, reinforced this assumption by hailing the coming of Busch as a major renunciation by the army of Toro's "socialist" policies.⁵

At the start Busch did little to clarify the situation, for he seems to have been confused about his own reform plans. In his first public pronouncement to the nation he indicated that the previous regime

² A detailed discussion of the entire confiscation procedure, its causes and results, will be found in Herbert S. Klein, "American Oil Companies in Latin America: the Bolivia Experience," *Inter-American Economic Affairs*, XVIII (Autumn 1964), 47-72.

³ For the citations on the early careers of Toro and Busch and the history of the Toro regime, see Klein, "David Toro and the Establishment of 'Military Socialism' in Bolivia."

⁴ A detailed analysis of the socialist clubs and parties which went to make up the moderate reform elements of the post-Chaco War generation will be found in *ibid.*, 28-30. For the leaders and groupings of the prewar radical left see *ibid.*, 29, n. 11.

⁵ For example, *El Diario*, July 14, 1937, editorial. *El Diario* was especially hostile to Toro, since he had closed the newspaper the month before his fall.

had strayed from the principles of the May 17th Revolution, which had brought Toro to power, and that the army was therefore forced to take direct control again over the movement of "national regeneration." One of the prime aims of the May 17th movement, he declared, had been to end the class struggle between capital and labor and to replace it with harmonious national cooperation. He guaranteed that his government "would maintain public order [and] respect private property legally acquired."⁶ These vague statements gave no indication of the real attitude of the new government, and Busch's next major address to the nation did nothing to clarify the situation. In a long autobiographical discourse he talked of his own modesty and patriotism and of the need for all to work for national progress and stabilization.⁷

In contrast to the pointed and immediate discourses of the Toro regime, these declarations did so little to explain the position of the new government that on the day after taking office Busch had to deny publicly rumors that his revolt was financed by the Standard Oil Company. Despite these declarations the public was so convinced of the rightist nature of the regime that a short time later Busch and his new minister of mines and petroleum took the unusual step of promising that the new government had no intention whatsoever of returning the confiscated property to the American company.⁸

Busch's first cabinet reflected the early groping of the regime to clarify its role. This cabinet consisted of moderate socialist supporters of the Toro regime such as Enrique Baldivieso and Gabriel Gosálvez and rightists such as Federico Gutiérrez Granier, head of the association of big miners.⁹ While Baldivieso received the foreign ministry portfolio, Gutiérrez Granier was given the sensitive post of finance, a ministry which had been under heavy attack from the rightist press for its alleged revolutionary tendencies. In a special interview with the press, the new minister of finance stated that "the political economy of the new government has to develop itself within a concept of law and of respect for private property," and promised that the watchword of the Busch regime would be scrupulous management of public funds.¹⁰ This seemed a far cry indeed from the

⁶ *La Calle*, July 15, 1937, 4.

⁷ *El Diario*, July 15, 1937, 2.

⁸ *Ibid.*, July 18, 1937.

⁹ *La Calle*, July 15, 1937, 5. Gabriel Gosálvez was head of an ephemeral group of *anti-saavedrista* Republican Socialists known as the *PES-antipersonalistas*, which, like the Socialist Party of Baldivieso was a product of the late 1930s moderate leftist movement.

¹⁰ *El Diario*, July 15, 1937, 4.

pronouncements on the social value of property and the collective good which had marked the speeches of the Toro government.

In installing his new cabinet, Busch indicated that his desire was to return the country to political normalcy as rapidly as possible,¹¹ a declaration which was greeted by the traditional political parties of the prewar era as a call to re-establish the old order.¹² Almost immediately the Liberal, Genuine Republican, and Republican Socialist Parties, the three giants of prewar politics, began meetings to form a united front for the coming elections, which they believed Busch had promised them. They also formed a pressure group to see that these promises were carried out. Busch accepted support from these parties and allowed his finance minister to begin public negotiations with them.¹³ He gave initial free rein to Gutiérrez Granier to carry out a policy of economic retrenchment. The government closed down the state-subsidized food stores established by Toro to meet the inflationary situation of the postwar period and eliminated a majority of the government subsidies of consumer prices and programs of economic supports for the lower classes.¹⁴

While showing a strong conservative tendency in the economic sphere, the Busch regime began to assume the more radical attitude of the Toro government in the political area. In August the civil registers were opened to inscribe voters for the elections of the constitutional convention which Toro had been planning. The new government put into operation the Toro plans for some type of corporate representation and announced that the veteran's *Legión de Ex-Combatientes* and the national labor *Confederación Sindical de Trabajadores de Bolivia* could take part both in the registration and in all later political acts with the same status as political parties.¹⁵ Another major opening toward the left occurred when the government gave permission for Bolivia's leading leftist intellectual, Tristán Marof (Gustavo A. Navarro), to return from exile for the first time since 1927.¹⁶

¹¹ *La Calle*, July 15, 1937, 5.

¹² *El Diario*, July 15, 1937, 2.

¹³ *Ibid.*, July 25 and 28, 1937.

¹⁴ *Ibid.*, August 2 and 20, 1937. It is interesting to note that despite constant government economies, the army budget was never sacrificed. Busch never forgot that the army was his chief source of power, and while the army stayed loyal to the end, Busch kept it continually supplied with funds to guarantee that loyalty. Thus in the 1938 budget of Bs. 274.1 million, the largest single share of the budget, some Bs. 86.7 million, was devoted to the army—an army that had been reduced by the peace treaty terms to only 5,000 men. The next most important item was internal debt payments, which came to Bs. 70.7 million, while education was a poor third with only Bs. 23 million. *Ibid.*, January 18, 1938.

¹⁵ *Ibid.*, August 28, 1937.

¹⁶ *Ibid.*, September 9, 1937.

The March 1938 convention elections were the first in which the new postwar political forces were able to express their power. Endorsing Busch as their candidate for constitutional president, the labor, veterans, moderate, and even radical leftist movements temporarily banded together into an electoral alliance.¹⁷ Faced by Busch's support of this movement, most of the traditional parties withdrew from the contest, and the resulting election was a landslide for the new postwar forces.¹⁸

Thus when the constitutional convention opened in May 1938, the *generación del Chaco* found itself with a national platform for the first time. As the nation had had no legislature for three years, the convention dominated the national scene and became the debating ground for the major political ideologies which had invaded the restless generation. Reflecting these new ideas were a group of radical deputies, most of whom were new political figures and some hardened Marxist labor leaders. Opposed by the traditional political parties, these new men dominated the convention and forced the reluctant conservatives to abolish the classical Constitution of 1880. Rejecting the liberal doctrines of laissez-faire, limited government which had influenced the nation's constitutions since the founding of the Republic, the convention adopted the revolutionary concept of "social constitutionalism."¹⁹ The radical majority eliminated the safeguards which had confined the national government to a passive role of protecting property rights and individual liberties and wrote into the constitution a new "social" concept of government. The central authority was now given a positive role in providing for the social and economic welfare of all its citizens, and the thesis of the inviolability of private property was greatly modified. Property was no longer to be considered a natural right existing prior to the state, but a derivative right granted by the state only so long as it fulfilled a "social function."

The new Constitution of 1938 formally proclaimed the rights of labor and the governmental responsibility for matters such as social security, minimum wages, full employment, and social justice for all classes and races. While these provisions were revolutionary enough, the extreme left of the convention, or the "labor sector" as

¹⁷ *Ibid.*, February 18, 1938. The coalition party was known as the *Frente Único Socialista* and lasted only through the elections.

¹⁸ *Ibid.*, February 27 and March 15, 1938.

¹⁹ On the concept of social constitutionalism see: Oscar Frerking Salas, "Las cláusulas económico-sociales en la constitución política de Bolivia," in Academia de Ciencias Económicas, Buenos Aires, *Las cláusulas económico-sociales en las constituciones de América* (2 vols., Buenos Aires, 1947-1948), I, 64.

it was called, even attempted to have full-scale land reform and the abolition of peonage (*pongueaje*) written into the constitution. Under the leadership of Victor Paz Estenssoro these radicals also proposed government domination of the great tin industry through control of the companies' foreign exchange earnings. Though these proposals were defeated after bitter debates, they nevertheless had their first national hearing and provided the platform for future radical action in these areas.

Although recognized even by its writers as an ideal for future reform rather than as an explicit plan for immediate action, the Constitution of 1938 provided the crucial framework around which the reform-minded Chaco generation could reconstruct the nation. By changing constitutional philosophy, the convention seriously weakened the hold of classical liberal doctrines and helped unify the moderate and radical elements of the left behind a national plan of social reform. Spelling out this ideology in concrete programs helped prepare the base for the development of these leftist elements into national political parties.²⁰

Crucial as these innovations were, the man who promoted their development and tried to symbolize the new generation understood them but little. Busch was still philosophically and politically naïve despite his experience of governing the army and the national executive, and he never fully grasped what the reformers were trying to do. Conceiving the national regeneration in terms of a moral reawakening, he had no clear idea of the basic socio-economic realities of the nation. Thus despite the success of the convention, Busch himself never contributed one idea to it or provided any leadership. Although it voted him a four-year presidential term along with its other activities, he finally grew impatient with the intellectuals and radicals who dominated it and ordered its early adjournment.

In forcing the closure of the convention Busch was following the advice of Alfredo Palacios, his new finance minister. A leader of the conservative political forces hostile to the convention, Palacios helped to remove the radical-minded Captain Elías Belmonte from the cabinet when the latter attempted to muzzle the rightist press for attacking the convention.²¹ In a parallel move Busch allowed the newly appointed commander-in-chief of the army, General Carlos Quinta-

²⁰ For a detailed study of the provisions of the Constitution and the parliamentary debates which led to them, see Herbert S. Klein, "Social Constitutionalism in Latin America: the Bolivian Experience of 1938," *The Americas*, XXII (January 1966), 258-276. The Constitution itself is reprinted in Ciro Félix Trigo, *Las constituciones de Bolivia* (Madrid, 1958).

²¹ *El Diario*, May 29, May 31, and July 7, 1938.

nilla, to begin a purge of the younger radical officers. One of the older conservatives, General Quintanilla had held a high army position even before the Chaco War. During that conflict he had been removed from front line leadership for gross incompetence. He was an astute politician, however, and once appointed to command he quickly moved to oust the younger officers from their position of power. From the day of his appointment there began a public purge of all "politically minded" officers from the ranks.²²

Although Busch appeared to allow his government to drift under the direction of such men as Palacios and Quintanilla after the close of the convention, he soon changed front again and attempted to reunite himself with the forces of reform. The Quintanilla purge was stopped under pressure from the civilian left, who saw their allies being replaced by officers of prewar vintage, and Palacios was forced out of the cabinet.²³

Busch also attempted to create a government-sponsored "Socialist Party" among the more moderate elements of the left. In December 1938 the former president of the national convention, Renato Riverin, began talks with various groups about the formation of a united socialist party, proposing an organizing convention for early 1939.²⁴ Traveling throughout the country in January and February of the new year, Riverin gathered together the *Partido Socialista Independiente* group and other moderate reform forces such as the Baldívieso Socialists into a temporary Democratic Socialist Union under himself and Busch's close adviser, Gabriel Gosálvez.²⁵ It was not long before the persons and factions involved in this attempt to create a new socialist party began to express concern about the lack of firm commitment and resolution on the part of Busch. Accustomed to absolute command and the intricacies of power politics within the army, the president seemed incapable of realizing fully his need for a firm civilian political base instead of the moral support of "the people." The day of personalist politics was almost over, and that of middle-of-the-road moderates was declining, as Bolivian party alignments became increasingly polarized between right and left.

The growing radicalization of national politics was greatly speeded by the removal of two key personalities from the political scene early

²² *Ibid.*, July 31, 1938.

²³ *Ibid.*, August 2, 1938.

²⁴ *Ibid.*, December 14, 1938.

²⁵ *Ibid.*, February 12, 1939. The Partido Socialista Independiente was a group of initially moderate socialists under the leadership of Víctor Paz Estenssoro, Carlos Montenegro, and other future leaders of the still unborn MNR, of which the PSI was the direct precursor.

in March 1938. In that month Gabriel Gosálvez, Busch's chief adviser, announced his decision to leave the cabinet and become ambassador to Italy.²⁶ His departure, coming soon after Vice-President Baldovinos had abdicated leadership of the moderate leftists, encouraged them to move further left. It also meant the loss of an important restraining influence on the mercurial president.

At the same time the traditional political forces of the nation underwent a profound change when it was learned that Bautista Saavedra had died in exile.²⁷ The death of this last of the great prewar political caudillos ended the pattern of traditional political organization. An astute politician who had maintained a delicate balance between the traditional political parties and the new postwar groupings, Saavedra had even changed the name of his party to include the word "socialist." Adopting the language of Marx, he had held his party together in the postwar era through a temporary alliance with the younger military to establish the Toro government. While retaining the leadership of the prewar generations, he had appealed to the postwar youth so successfully that time and again Busch had been forced to exile him lest he overthrow the government. The only prewar leader capable of bridging the gap of generations, Saavedra was irreplaceable. His death accelerated the drift away from center on the part of the new and traditional political groupings.

A few days after Saavedra's death, news began to circulate of a unity move among the traditional forces who were attempting to create a *Concordancia*, as they called it, among the three great rivals of the past: the Liberal Party, the Genuine Republican Party, and the Republican Socialist Party.²⁸ The stated object of the front was to prepare for the coming May congressional elections, to promote the return of the army to its professional services, and to call for the dissolution of the elected congress of 1938-1939.²⁹ On March 22, 1939 the *Concordancia* issued a manifesto to the nation in the name of the three parties. Outlining its ideas of classic liberal government, the *Concordancia* called for the return of civilian rule to Bolivia and the removal of the army from politics in specific and threatening terms. The manifesto also demanded the abolition of the government's

²⁶ *El Diario*, March 10, 1939.

²⁷ *Ibid.*, March 2, 1939.

²⁸ *Ibid.*, March 9, 1939.

²⁹ *Ibid.*, March 12, 1939. The right wing national socialist grouping, Estrella de Hierro, a civilian veterans' group closely associated with the army veterans' Logia Mariscal Andrés Santa Cruz, temporarily joined in founding the *Concordancia*. But both sides accused each other of being too reactionary, and the group withdrew from the coalition.

divisas system of taxing the mining industry as an archaic wartime practice. Finally the Concordancia rejected the Paraguay Peace Treaty of 1938 as a blot on national honor. In all, this was the most reactionary document yet produced by the traditional parties in the postwar period and indicated that they had completely abandoned Saavedra's policy of involvement with the moderate left.³⁰

The signing of the Concordancia pact was a major turning point in Bolivian political history, for it brought to an end the political system which had been created in the aftermath of the War of the Pacific in the 1880s and which had characterized national life ever since. This carefully constructed system was based on intraclass parties struggling over forms of liberal government and *personalismo*. Dissident leaders such as Saavedra or Siles might temporarily appeal to the middle and lower classes for support, but they usually operated within the same socio-economic class as their opponents. The Concordancia represented an abandonment of this system and its sterile debates over the issues of federalism, corruption, and personalities and substituted a comprehensive defense of the oligarchy and its power against the rising tide of radical reform. The traditional parties, their power at its nadir, now recognized their inability to command a national following. Denied access to the forum of congress and participation in cabinets, they had no concrete base from which to operate. In the years after 1936, party discipline had cracked as leading party members joined the government on an individual basis and broke their traditional party ties. Without the discipline of a continually operative congressional delegation the national committees seemed incapable of preserving their strength. Therefore, though the signers of the Concordancia pact seemed to imply that this was a temporary electoral expedient, the giant parties of prewar days were dead, and the Concordancia was to endure in various forms for a long time to come. It was the inevitable response to the need of the upper classes for a united political front to represent and defend their interests since the old system could no longer exercise the desired control over national politics.³¹

Among the fragmented groups of the left, the situation was still one of extreme flux even though their power as a whole was con-

³⁰ *Ibid.*, March 22, 1939; also see Porfirio Díaz Machicao, *Historia de Bolivia. Toro, Busch, Quintanilla, 1936-1940* (La Paz, 1957), 92.

³¹ As early as 1936, the upper class and business leaders had begun to demand an end to the traditional political system. The establishment by the tin magnate Aramayo of the *Partido Centralista* in the middle of that year had been a clear warning to the regular politicians that the big miners and landowners would set up their own party if the traditional groups would not drop their sterile debates and accept an unequivocal class defense position.

stantly rising. Parties joined and separated in attempts to form viable coalitions, but truly national parties required firm leadership from above or greater experience from below. A case in point was Busch's Socialist Party which received its death blow when Vicente Leyton, Gosálvez' replacement in the Ministry of Government, refused to join it.³² The collapse of the party came at a serious time for the government, cutting off its chief civilian support when it faced a major election. In grandiose terms Busch declared that he would support his own lists of candidates for the coming May congressional elections, though it is impossible to see how he could do this without some kind of party organization. Also the seemingly rejuvenated traditional politicians in their Concordancia announced that they would run their own slates in complete defiance of the proposed government intervention at the polls.³³

While Busch demonstrated his inability to rally support from the moderate left or to provide leadership and organization, his regime was experiencing severe internal dissension. Without warning, the cabinet dismissed Busch's first mildly reformist appointee to the Ministry of Finance post, Vicente Mendoza López, using his pro-clerical views as an excuse. In his place, a staunch conservative, Santiago Schulze, a leading banker and mine operator, was appointed, placing this key ministry back in the hands of the traditional forces.³⁴ While the cabinet was still split over the firing of Mendoza López, news also began to circulate of major frauds perpetrated against Jewish immigrants by Bolivian embassy officials in Europe and within the Foreign Ministry.

The "*affaire*" de *inmigración*, as it was quickly labeled, had its origin in June 1938, when the Busch government suddenly reversed previous government policy by announcing open immigration into Bolivia. On June 9 the minister of agriculture and immigration, Julio Salmón, announced that the government would no longer enforce special restrictions against Jewish immigration. Henceforth, he declared, the official policy would be that "the doors of Bolivia are open to all men of the world healthy in body and spirit who want to come to work the fertile lands which we give freely to them."³⁵ This reversal of policy was probably predicated on the desire to settle a Jewish population in the Chaco before Paraguay did the same thing. Nevertheless it was a courageous action, for it made

³² For the collapse of this promising venture see *El Diario*, March 12, and April 9 and 23, 1939.

³³ *Ibid.*, April 15, 1939.

³⁴ *Ibid.*, April 1, 1939.

³⁵ *Ibid.*, June 10, 1938.

Bolivia the only country in the world at this time which permitted unlimited Jewish immigration and went against the strong national socialist and pro-German sympathies of the majority of the officer corps.

A flood of applications and visas followed the announcement, and within a year 10,000 European Jews were on their way to Bolivia. Considering the desperation of the European Jews at this time and the nonprofessional quality and poor pay of the Bolivian diplomatic service, it was inevitable that abuses would occur. Critics of the government charged that the consul general in Paris had required all visas obtained by Europeans to be cleared through the Paris embassy and had been issuing about three thousand passports weekly, charging Jewish emigres between ten and twenty thousand francs for a visa.³⁶ When the affair came to light, Bolivian newspapers charged gross moral violations by the government, although by then the executive had dismissed many of the persons involved. Faced with grave charges of government misconduct on a large scale, without adequate support from the disorganized ranks of the moderate left, and believing that his "reforms" were producing few results, Busch decided that purifications and rejuvenation were needed. With elections only a few weeks away, he declared on April 24, 1939, to the surprise of the entire nation, that he was establishing a dictatorship.

The manifesto which Busch issued in defense of his act was a curiously revealing psychological document. He began by describing the long years of selfless service he had given to the nation, including the supreme test of war. He, too, had felt along with his fellow veterans the need for a "patriotic resurgence," for a "profound renovation" and "purification of the national soul." Even the public administration reflected moral degeneration, he charged, in an obvious allusion to the immigration affair. Public and private immorality, he declared self-righteously, "had converted themselves into a chronic sickness." Alluding to the demands of the Concordancia for an end to military rule, he attacked those who wanted to divide the army from the people and accused them of waging fratricidal war. The army was still vitally needed, he said, for Bolivia was passing through a political, moral, and economic crisis.

In the face of this "crisis" Busch declared that he could not remain impassive, but must react in an energetic fashion:

With the same faith, with the same spirit of sacrifice with which I defended Bolivia in the times of battle, offering my life at each and every moment, I want to undertake a new campaign which will save this decaying nation.

³⁶ *Ibid.*, May 27, 1939.

Beginning today I am initiating an energetic and disciplined government, convinced that this is the only road which will permit the invigoration of the Republic, in the internal and the international area. The country needs order, work, and morale to fulfill its destiny.

Busch ended his manifesto by appealing to all private citizens to support a great drive of rejuvenation, which would save the nation from the extremists on the left and the oligarchy on the right. The state, he held, must act as a moderator and regulate social justice in the economic sphere—it must overcome all the extremes: “It is the economic and social pattern of the country which should inspire our program of action and not the intellectual or sentimental adhesion to fashionable political theories.” The aim of the program, he declared, was the creation of a cohesive nationality and the defense of the natural resources in order to benefit all. At the same time he called for increased military spending and a balanced budget, guarantees for the investment of capital along with positive guarantees for labor, “schools and roads, and finally an iron discipline with which to remold moral values.”³⁷

In short, this was the same moderate and unimaginative program that he had always publicly proclaimed but never carried out. Frustrated with the lack of concrete results and actually incapable of coherent, concentrated direction because of his own lack of political and intellectual training, Busch appealed to the nation to support his great crusade for morality. Enraged at the lack of progress, he now declared that a dictatorship was the “solution” to the basic problem—which was essentially due to his own lack of leadership.

A flood of decrees followed the announcement of the dictatorship. The coming congress was suspended, and the new elections were cancelled. Although the 1938 Constitution was declared to be still in effect, the government now arrogated to itself the right of legislation and proposed to rule through executive decree. A host of laws defining morality in government and business also came forth from the presidential office, as Busch tried to legislate away that moral decay which he believed was rotting the foundations of the nation. Among the many actions of the dictatorship was a new education code, which provided for major changes in the nation’s school system and increased government control.³⁸

The most important development in the field of social legislation, however, was the signing into law of the first national labor code

³⁷ Speech quoted in full in *ibid.*, April 25, 1939.

³⁸ Díaz Machicao, *Historia de Bolivia*, 96-99.

on May 24. Of prime importance as an enduring and revolutionary piece of legislation, the *Código del Trabajo*, or the *Código Busch* as it soon came to be called, was a major victory for Bolivian labor and the culmination of long years of agitation for major social legislation. One of the few successful and permanent reforms of the Busch regime, the *Código Busch* was actually the work of Waldo Álvarez, the first minister of labor. Embodying early drafts by Álvarez and later elaborations by local directors of the Ministry of Labor, this 122-article code included a wealth of concrete benefits to Bolivia's laboring classes. It provided for government protection of labor contracts, job security, annual paid vacations, accident compensation, the closed shop, and collective bargaining. Entire chapters were devoted to the problems of the cottage industries, domestic laborers, *engage* (hiring out of labor contracts for work away from homes), and apprenticeship contracts, all major problems in underdeveloped Bolivia.³⁹

Despite the profound importance of the *Código Busch*, another action of the government soon dominated the thoughts of the nation. On June 7 Busch ended a long and complicated dispute with the tin industry over the special wartime taxes and controls over foreign earnings which the government was still exercising. Taking up the rejected plank of the radical deputies in the 1938 Convention, Busch decreed that henceforth all the tin companies would be required to turn over all of their foreign gold earnings to the government.⁴⁰ Busch decided to adopt for a revolutionary slogan the issue of "economic independence," much as Toro had used his decree for the nationalization of petroleum. Accordingly he rescued from oblivion the project for divisas of one hundred percent and proclaimed it to the nation.

The terms of this potentially revolutionary decree provided that the mine owners had to turn over to the Central Bank all earnings

³⁹ The official text of the code can be found in, Germán Busch, *Código del Trabajo* (La Paz, 1946). The *Código Busch* was truly a revolutionary piece of legislation, and as one labor critic unfriendly to the regime noted: "The merit of having been the first in giving ample and generous social legislation [to the labor movement] falls to the Busch government. It is possible to find in the code a series of voids and even errors, but it represented a decisive step in regard to the betterment of the conditions of labor. . . ." Agustín Barcelli S., *Medio siglo de luchas sindicales revolucionarias en Bolivia, 1905-1955* (La Paz, 1956), 149.

⁴⁰ This action was taken under the leadership of Fernando Pou Mont, a politically unaffiliated young public administrator who had replaced Santiago Schulze at the beginning of the year and was Busch's fifth and last finance minister. Díaz Machicao, *Historia de Bolivia*, 101-102; Augusto Céspedes, *El dictador Suicida, 40 años de historia de Bolivia* (Santiago, 1956), 202.

(divisas) resulting from the total gross sale of their tin exportations before they could receive a customhouse permit allowing them to export their minerals. Article 38 of the decree provided that

all passive resistance to the fulfillment of the present decree law: sabotage, lock out, restriction of labors and any direct or indirect measures which try to disturb the progress of the mines in their normal operation, will be considered as a crime of high treason against the Nation [i.e., subject to the death penalty] and its administrators, directors, and counselors will be judged summarily, . . . [with the possible penalty as well] of an intervention on the part of the State in the management of the guilty enterprise or enterprises.

In short, Busch threatened death and confiscation to all those who should attempt to impede the operation of the law by stopping production of minerals.⁴¹

In a national radio address on June 10 Busch explained the full implications of the decree. He stated that its basic aim was to ensure the nation's economic independence and to promote cooperatives and small and medium-sized producers in the mining industry, then dominated by the "Big Three" giants: Patiño, Hochschild, and Aramayo. Proudly he proclaimed that this law, "for the first time in Bolivia, established a system of defense of the national wealth." He justified it by reference to the 1938 Constitution, which permitted state intervention in the national economic processes. He claimed that this type of intervention was now practiced by nearly every nation in the world, including the United States under the New Deal of Franklin D. Roosevelt, and he denied that it would destroy private property or confiscate the mining utilities. The decree, he insisted, did not prevent private exploitation of minerals, but only maintained the rights of the state to intervene and "avoid the flight of capital and the impoverishment of the nation." By the terms of the decree, the state promised to pay the miners at the legal rate of exchange in bolivianos for half of their gold earnings and to allow them the full use of the other half under certain controls. As for profits, the state would permit mining companies to export five percent in gold certificates to pay interest on stock to foreign investors. Finally, the Central Bank was handling the whole affair, and Busch promised that representatives from the mining industry itself would sit on its board of directors.

Busch ended this broadcast to the nation by shifting from the defensive to the offensive. For too long, he said, the state had been

⁴¹ The decree is reprinted in Banco Minero de Bolivia, Sección Estadística y Estudios Económicos, *Tasas e impuestos sobre la industria minera en Bolivia* (La Paz, 1946), 121-137.

poor, despite the wealth of the mining industry, and now this imbalance would be corrected. The nation's sacrifices in the Chaco, he declared, demanded a new era which would make Bolivia a wealthy nation. He appealed to his fellow military men and his fellow veterans to remember that the Great Marshal of Ayacucho had charged his successors "to defend Bolivia regardless of all the dangers."⁴²

This was a moderate and well organized speech for Busch and one which was designed to win popular support for his government against the expected counterthrust of the mining oligarchy. Busch was not content, however, with merely obtaining support for this action from the public. Nor did he have any really clear idea of how to back it up with legislation on all socio-economic fronts. (In fact, the law was never even put into execution.) Rather, he saw this proposed act as a great rallying point for the nation in his own peculiarly conceived drive toward national moral rejuvenation. In his speech to a great public rally on June 14, sponsored by the left, the students, labor, and veterans, he fully revealed the true meaning of this decree:⁴³

The tragedy of the war has not been sterile nor the martyrdom of our soldiers useless. From the disaster has surged this new patriotic conscience, this new profoundly Bolivianist faith, which is expressed in the fervor of the thousands of men who listen to me. Before this audacious gesture, before this definitive attitude, I can affirm: Bolivia is on the march and nobody and nothing will detain it in its decision of being, at last, a true nation, for the present generations, for those which are coming and for all men of the world who want to share our destiny.

But one government-sponsored popular demonstration without political organization or coherent ideology did not make a revolutionary wave, and Busch's almost painful longing for such a wave of regeneration was doomed to failure.

Before the decree could be put into effect, Busch learned that Hochschild proposed to circumvent its stipulations. In a fit of rage, according to several eyewitnesses, he ordered the arrest and execution of the magnate. Once Hochschild had been seized, Busch held a stormy cabinet meeting in which he demanded the death penalty for the tin baron. By force of will and through pre-arrangement with some of his more loyal cabinet ministers, Busch cowed the others into signing the execution warrant. Almost immediately, however, they repented their decision and not only put pressure on Busch themselves, but aroused the foreign legations to make appeals to the gov-

⁴² Speech quoted in full in *El Diario*, June 11, 1939.

⁴³ *Ibid.*, June 16, 1939.

ernment in behalf of Hochschild. Under this intense opposition Busch finally relented. He dropped the whole affair and released the imprisoned mine owner.⁴⁴ What was important in this crisis was Busch's almost insane desire for action and vindication of his own worth. According to one witness at a banquet a few weeks prior to this event, Busch had promised: "I, Germán Busch, will demonstrate to those Patiños, Aramayos, Hochschilds . . . that here there is a president who will make his country respected."⁴⁵ And his wholly illegal action against Hochschild indicated his impassioned desire to achieve dramatic results.

More and more the president was dealing in phantoms rather than reality. Without a hard core of doctrinaire leftist intellectuals to form a strong political party and occupy places of power, his "revolutionary" dictatorship could not go anywhere. In fact, the Busch government was dominated by the very same men who had helped to run all the previous governments in Bolivia. Although Busch had nationalized the new Banco Minero⁴⁶ and brought into its management such leftists as Víctor Paz Estenssoro and Walter Guevara Arce, he turned over its direction to his old oligarchic minister of finance, Alberto Palacios.⁴⁷ What was true of the Banco Minero was true as well of the Banco Central and all the ministries and departments of government.⁴⁸ Not only did Busch lack committed reformers in his administration; he also had to get along without a cohesive national political party behind him. Although the left was disorganized during these years, there existed tremendous potential for national organization both among the moderate and radical reform elements, as developments after 1940 clearly showed. On the far left there were various radical groups and intellectuals in exile, such as José Antonio Arze, who were willing to cooperate. In Bolivia there were strong local groups, such as the Frente Popular of Potosí, which dominated that city's politics from 1935 onward. But Busch could not and would not organize a government party from these radical leftist groups or the even more numerous moderate reform elements left over from the Toro period. As a result he found him-

⁴⁴ Céspedes, *El dictador*, 205-206.

⁴⁵ *Ibid.*, 204.

⁴⁶ The Banco Minero had been created as a wholly government-owned institution in 1936. Julio Benavides M., *Historia bancaria de Bolivia* (La Paz, 1955), 123-126.

⁴⁷ Céspedes, *El dictador*, 203-204.

⁴⁸ Though it should be noted that one of Busch's last acts was to nationalize the Banco Central on August 3, 1939, by making the government the sole stockholder and owner of the institution through forced purchase of all outstanding private stock. Benavides, *Historia*, 129-131.

self isolated from political realities and unable to translate his reform desires into concrete action.

Although decrees spouted from the presidential palace, they produced few reactions and fewer results. Even Busch eventually had to realize that he was neither solving problems nor changing the moral climate. He had mistaken a single popular manifestation for a great emotional resurgence in his favor. A lonely figure without organized political or military support or a fixed ideology of his own, and completely dependent on the old oligarchy even to carry on routine administration, Busch sensed the utter folly of his own quixotic and romantic dreams. On the evening of August 23 he committed suicide.

With the death of Busch the experiment in radical military government was at an end. General Quintanilla as head of the army had little difficulty in creating a conservative military regime with the backing of the Concordancia. This rapid overthrow of the military socialist regime gave the radical left an opening to charge the oligarchy with assassinating Busch. These charges are unfounded. Not only does the testimony of witnesses prove the thesis of suicide, but a careful reading of the public utterances of Busch will lead to the same conclusion. More than anything else his speeches reveal the psychological destruction of his driving personality in the last months of his government. His impassioned, rambling, and self-defensive public declarations reveal his distorted, romanticized view of public affairs and his growing awareness of this distortion, which finally overpowered him.⁴⁹

While the death of Busch brought a temporary halt in the army's experiment with political reform, the period of military socialism had lasting effects. It was the source of inspiration for the Villarroel regime of 1944, and, even more important, it marked the dramatic

⁴⁹ Probably the best discussion on the great debate which has raged over whether Busch committed suicide or was murdered, is given by Augusto Céspedes, *El dictador*, 207ff. A loyal Busch supporter, Céspedes had first-hand information about the event. After giving every possible reason for assassination, he finally concludes that Busch took his own life. Rather than seeing it as a useless act of a temporarily deranged individual, however, he sees the suicide as a great romantic political gesture, much like Vargas' action in Brazil. It came as the culmination of his political career, and, according to Céspedes, Busch did more for the revolutionary movement in Bolivia with this one vital and bloody gesture than any single idea or theory. Céspedes claims that, "given his ideological incipience, his lack of program and of revolutionary parties, Busch died when the cycle of his possibilities of ruling was closed. The crisis provoked by the Decree of June 7 demonstrates that the dictator was incapable of overcoming it, however much passion he had. . . . He was the representative of utopian nationalism, who marched with the counter-revolution at his side, like an ominous shadow, at times [even] misrepresenting the revolution." *Ibid.*, 216-217.

end of a major era in Bolivian political history. With the creation of the Concordancia in 1939 came the formal recognition that the great period of the traditional political party system had ended. From 1880 to the Chaco War this party system had dominated the nation, and until the formation of the Concordancia, the traditional political leaders refused to believe in its destruction. At that time, however, the oligarchy finally brought home to them their weakness and forced them to forget their historic differences and unite self-consciously to defend their class interests.

The era of military socialism also stimulated the postwar moderate reform movement which produced the Partido Socialista under Toro, various factions of the Republican Socialists, and Independent Socialist groups. But the attempts of these civilian reformers had failed, largely because of the hostility of Busch. In the resulting collapse of the moderates, prewar radicals such as José Antonio Arze, Tristán Marof, Fernando Siñani, and others captured the student and previously apolitical labor movement, and in the last days of the Busch regime came the first tentative steps in the organization of the powerful Partido Izquierda Revolucionaria.⁵⁰

With the traditional parties forced to renounce compromise and the extreme left gaining powerful student and working class support for the first time, the collapse of the experiment of military socialism marked the end of national consensus and the beginning of uncompromising class conflict in Bolivia. This new type of political warfare would ultimately lead to the Bolivian National Revolution of April 1952.

⁵⁰ For the background of the organization of the powerful PIR, see Frente de Izquierda Boliviano, *¡Hacia la unidad de las izquierdas bolivianas!* (Santiago, 1939). For the rise of the other giant radical party of the 1940s, the MNR, see Luis Peñaloza, *Historia del movimiento nacionalista revolucionario, 1941-1952* (La Paz, 1963).