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INNOVATION

INTERNATIONAL PROPERTY RIGHTS INDEX 2023

ENDANGERED PROPERTY RIGHTS IN BOLIVIA FROM A HISTORICAL PERSPECTIVE¹

CASE STUDY BY: **LIBERA BOLIVIA**

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INTRODUCTION

It is increasingly clear that property rights are a necessary requirement for the economic and social development of any country. But this was not the case a few decades ago, especially in Latin America. The particularity of this region is that, unlike others, the large expropriations and/or limitations on property rights have not necessarily been linked to Marxist-inspired revolutions (with the exception of Cuba). The present investigation wants to highlight the Bolivian case precisely because it turns out to be a clear example of this Latin American trend, and at the time, set a (bad) precedent for the region.

This brief historical review presents, for a non-Bolivian audience, four important processes of expropriation of large properties in Bolivia. Finally, the work ends with the presentation of some general ideas about the need to provide serious constitutional guarantees to property rights.



¹The authors would like to thank the excellent research assistance provided by Daniel Heller for this case study.

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PREVIOUS HISTORICAL CONTEXT

The current Bolivia arose from the desire of the elites of the Royal Audience of Charcas to give themselves their own government after almost 15 years of the so-called Spanish-American emancipation wars. As the Audiencia had been, at two different times, part of the Viceroyalties of Peru, with its capital in Lima, and of the Viceroyalty of the Río de la Plata, with its capital in Buenos Aires, the debate on the annexation of the new provinces was open. Finally, the option of full independence triumphed and on August 6, 1825, the founding act of the Republic of Bolívar, which was its first name, was signed.

The region had historically been very prosperous, because it had the famous Potosí mountain and its enormous wealth of silver. The mining settlements of the precious metal made a large part of the South American economy spin as they integrated a large continental market. The wars left the region of the old Audiencia very impoverished due to the repeated advances and retreats of the *'independentistas'* and royalist armies who practiced the scorched-earth military tactic.

Like almost all the countries of the subcontinent, Bolivia began its independent life with serious problems of infrastructure destruction, decapitalization, and little or no local savings capacity. If we add to that the problem of *caudillismo* and the severing of trade routes connected during the previous period, the chances of economic development were very slim. Only at the end of the 19th century, after the War of the Pacific against Chile, did a liberal modernizing political project prevail in the country and lasted almost 50 years.

But as happened in other parts of the world, the crisis that followed the Crash of '29 brought with it the rise of nationalism and socialism. To the Bolivian case we must add the fact that due to an old border problem, Bolivia started the Chaco War against Paraguay. The defeat accelerated the crisis of the Bolivian liberal state and also accelerated the growth of nationalist and socialist ideas in the country.



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1937

As in other countries in the region, the crisis of the liberal state first manifested itself in a breakdown of political legality and the reappearance of the military as active political actors. In Bolivia, the succession of these soldiers in the 1930s is known as "military socialism", although the presidents of those years were not socialists in the Marxist sense. Nevertheless it does clearly reveal the political shift towards collectivist ideas.

The military presidents of that time were young commanders during the war, and their reaction to intervene in politics had everything to do with the then fashionable nationalist ideas that came from Europe. The explicit connection of many Bolivian intellectuals to the ideas of Italian fascism or German nationalism should not be surprising.

In this post Chaco War context, in a decade of global economic crisis, radical ideas were seen as coherent alternatives to get out of the situation to which liberalism and its excessive links with capital and international markets had led. The *Standard Oil Company of Bolivia* was the main oil company in the country that began its

operations in 1924 and had a total production of 774 thousand oil barrels between 1925 and 1936, which amounts to 98% of Bolivia's total production in those years. In addition, it is worth noting that the company discovered oil fields of great historical importance such as Bermejo or Camiri. The latter, for example, came to mean 76% of Bolivia's total production in 1949 (Medinaceli, 2017).

Despite the fact that Standard's investments gave rise to the oil industry in Bolivia, absurd ideas began to circulate in the press and in intellectual circles that the Chaco War had been provoked by two mutual 'enemy' companies: the *Standard Oil Co. of Bolivia* and another based in Paraguay, the *Royal Dutch Shell*. These rumors, fruits of the exalted imagination of left radicals, would not be important if they had not served as the basis for the first major expropriation in Bolivia.

Thus, on March 13, 1937, the military president, Colonel David Toro announced the official confiscation of all the properties, equipment and materials of the *Standard Oil Company of Bolivia*. All property confiscated passed to be owned



by the state company 'Yacimientos Petroliferos Fiscales de Bolivia' (YPFB). The decree did not purport to recognize any right to compensation. Finally, in 1942 the Bolivian government had to acquiesce in this regard, and an indemnity of 1.7 million dollars at that time was agreed, which would be equivalent to 27.9 million dollars in 2017. According to Medinaceli (2017), this amount was equivalent to 2.7% of total Bolivian exports in 1942 and only 10% of the company's total investment during its operation in the country. The North American company tried unsuccessfully to appeal the measure, but contrary to popular perception, the U.S. government preferred to distance itself from the claims of the oil company, only getting involved in a very limited way in the negotiations (Brockmann and Medinaceli).

"This was an historic action both nationally and internationally. It was the first such confiscation of a major North American multinational company in Latin America and preceded the larger Mexican confiscations by a full year" (Klein, 2011 p. 190). A careful investigation could try to determine to what extent the Bolivian expropriations influenced future large Mexican expropriations. For now, the chronological order

allows us to affirm that Bolivia has the sad title of being the first Latin American country to have carried out a large oil expropriation.

But even with these nationalist measures, David Toro's government could not last long and was replaced by another, younger colonel, German Busch, who convened a Constituent Assembly to legalize the illiberal turn that Bolivian politics was taking. Thus, the Bolivian Constitution of 1938 "is important because it changes the orientation of some essential principles [...] These changes were due to the currents in vogue called social constitutionalism, which were inspired by the Mexican Constitution of 1917" (Mesa Gisbert et. al., 2017 p. 509).

In this way, this new Constitution sought to give a greater role to the State and generate changes in the political and social perspective. Regarding property rights, the constitutional text introduced for the first time the concept of "social function of property". Article 17 stipulated: "Private property is inviolable, *whenever it fulfills a social function; expropriation may be imposed for reasons of public utility*, qualified in accordance with the law and prior fair compensation" (author's emphasis).



When talking about the social function, Article 17 mentioned in its second part how the property expropriation regime should work. This generated a relationship between expropriation and social function and created a legal precedent for expropriations to exist whenever a political regime decided a property did not fulfill a "social function". A big problem with the 1938 Constitution was that it did not clarify how the expropriation would be carried out or who determined what the so-called social function was. The ambiguity of Article 17 opened the way for the State to interpret it arbitrarily and at its convenience.

Another important point of the 1938 Constitution is that in its Article 107, it established that, "They are under the State domain, [...], all substances of the mineral kingdom, wastelands with all their natural wealth, lake, fluvial and medicinal waters, as well as all physical forces susceptible to economic use". In conventional Bolivian historiography, the liberal model tends to stretch until 1952, when the nationalist revolution triumphed. But if it is taken into account that no liberal model would tolerate a measure such as expropriation, nor would the principle of state ownership

of natural resources become a constitutional provision, then it is possible to mark 1937/38 as the definitive closure of the 'liberal experiment' in Bolivia. The remaining fifteen years in between should be understood as a period of struggle between illiberal forces (nationalists and socialist-Marxists) for hegemony.

In this way, several left-wing political parties arose, both Trotskyist and Stalinist-inspired, in addition to many other pro-fascist parties. The principles of liberalism, among which respect for private property stands out, would disappear from the country's political and intellectual debates and would be associated with the so-called oligarchic regime that they wanted to leave behind. That is why it should not be surprising that in 1946 the most radical intellectuals raised the need to carry out more large expropriations. The so-called "Pulacayo Thesis", which takes its name from the mining settlement of Pulacayo, explicitly spoke of reverting ownership of the large tin mines to the State and of a great agrarian reform that implied a great confiscation of land.

1952

The final tiebreaker between the Bolivian illiberal forces came in 1952 with the triumph of the so-called National Revolution at the head of the “*Movimiento Nacionalista Revolucionario*” (MNR). As Siekmeier (2011) states, this party brought together in itself Bolivian political tensions, with two large, marked sides. The American researcher simplifies it by affirming that it was a tension between left and right wings, but it would be more correct to affirm that it was a tension between corporatist nationalism of the fascist type versus tensions of Marxist socialism. What was common between both poles was the idea of expropriation of large mining and agricultural properties.

The Marxist sectors were strong in the mining camps of the Bolivian highlands, heavily influenced by Trotskyist radicalism. These were the ones who had the most interest in the expropriation of the mines. In their radical nature they were opposed to any kind of compensation, and they wanted to be the ones directly to take over the administration of the expropriated companies. But the fascist wing ended up prevailing. At this point it is important to highlight the reason for using the term fascist to describe the wing that Siekmeier inappropriately calls right wing.

From its beginnings, the intellectual nucleus of the MNR had expressed its sympathies for German and, indirectly, Italian nationalism. A clear element of this influence are the effective measures that the MNR immediately imple-

mented by creating a single union under strict state control called the “*Central Obrera Boliviana*” (COB), declaring illegal unions not affiliated to the COB. “Since its establishment on 17 April 1952, the COB has developed into one of the most militant trade union confederations in the world. It has the distinction of being the only Latin American confederation that possesses authority over an entire worker’s movement [...] and plays a central and explicit role in national politics, paralleled only by that of the military” (Dunkerley, p. 43).

Negotiations between the nationalist and socialist sides of the MNR delayed the expropriation of the large tin mines until October 31, 1952, when, through Supreme Decree No. 3223, the decision was made public and effective. In the section “Considering⁴” of the aforementioned decree, the following justifications can be observed, among others:

“That, the big companies, without taking into question the superior interests of the country subordinate the national effort, to the exclusive exploitation of its mines, systematically preventing any other activity, until turning Bolivia into a simple mining camp”.

“That this constant flow of capital has determined the progressive impoverishment of the country and annulled the possibilities of creating and developing an internal market, with all the disastrous consequences for agriculture,

⁴The section *Considerando* (Considering) within the Bolivian legislation is the part in which the reason or motivation for which the different regulatory bodies are created is justified and explained. This is done mostly in Supreme Decrees.

industry, commerce and transportation”.

“That, in contrast to the excessive enrichment of the tin magnates, the Bolivian State is gradually impoverishing and dragged budget deficits growing every day because mining, the main source of national wealth, was practically exempt from tax charges, under the protection of the indisputable dominance that it exercises over public powers”. (author’s translation)

After this long section, which occupies more than half of the decree, Article 1 determined the following: “It is nationalized, for reasons of national utility, the mines and assets of the companies that form the PatinBo, Hochschild and Aramayo groups.” Later, the Decree establishes that the Bolivian Mining Corporation (COMIBOL) will be the new “company” in charge of managing the expropriated assets, i.e. 163 different mines with a workforce of 29,000 men. “From the start the corporation [...] proved to be an inefficient entity, the scene of endless political conflicts and the object of consistent mismanagement and progressive bureaucratisation [...] In four years COMIBOL’s labour force rose from 29,000 to 36,000 and \$8 million was paid out in ‘redundancy pay’ as a bonus for re-employment by the state” (Dunkerley, p. 59-60). Another interesting fact to highlight is that, according to Dunkerley, 170 of the nearly 200 engineers and technicians stopped working in the Bolivian mines.

All this brought with it macroeconomic consequences of great importance. Between 1952 and 1956, the GDP had an average *negative* growth of -1% per year. In addition, average inflation in these years was 101%. According to Morales (2017), “the expansion of credits from the Central Bank to COMIBOL [...] were an important cause of the high inflation that the country had to suffer” (p. 117). Although the expropria-

tion of the mines was justified by the nationalist government, among other reasons, on the basis of the wage demands of the miners, the harmful effects of inflation ended up harming them instead of favoring them. Furthermore, they not only affected the real income of the mining workers, but of all Bolivians.

Finally, the crisis that resulted from the nationalist measures of the MNR government explains the sustained drop in economic activity over these five years. For example, the expropriation of the mining industry –of major importance in the country– generated substantial indirect costs of adjustment to the new prevailing institutional conditions. In addition, since the Revolution placed the Bolivian state at the center of the economic scene, government spending went from 10-15% to 30-35% of GDP (Herranz-Loncán and Peres-Cajías, 2015).

It is very curious that in the face of such negative results, in Bolivia the expropriation of the mines is still seen as a positive policy. This is largely due to the fact that Bolivian historiography still maintains the narrative of the MNR itself, which, as a good fascist party knows, can be used as propaganda very effectively. Add this to the fact that most of the historians who have dedicated themselves to studying the case of the Bolivian nationalist revolution have a clear bias to the left; even international historians like Dunkerley have this left-leaning bias, which makes them very easily excuse or minimize the terrible effects of expropriations.

Finally, it is necessary to remember that this expropriation was carried out under the constitutional framework of 1938. According to Whitehead (2008), these “policies of economic nationalism [...] were in many respects just the application of principles already laid down in the Constitution of 1938” (p. 265).

1953

The agrarian reform was the second major expropriation package launched by the MNR government the year after the expropriation of the mines. To reinforce the idea that even the most renowned historians allow themselves to be overcome by their own ideological prejudices, Halperin Dongui, for example, mentions that: “the agrarian reform was the instrument that allowed the improvisation of an alternative focus of power that was both politically and militarily capable to put an immediate dike to the expansion of the miner” (1998, p. 489).

The rural problem in Bolivia was much more complex than the mining problem, even from a liberal perspective, such as the one that this work intends to present. First of all, it must be remembered that the Spanish administration recognized the property rights of the indigenous people. It is true that this property was not of the modern type, since it used to be a community property. But, regardless of the internal self-organization of the different communities, it was clear that the property was theirs. The communities were expected to pay tribute either in cash or in kind.

This system was very effective during the almost three centuries of Spanish administration. But by the 19th century, as in many Latin American countries with large proportions of indigenous populations, it began to be seen as rudimentary and anachronistic by liberal-inspired urban elites. Without going into details, it is necessary to admit that they did not under-

stand or recognize the local particularities and instead of encouraging a bottom-up development phenomenon –which would have been somewhat more consistent with liberalism–, they allowed themselves to be won over by the successes of the model of the European and North American farmer. The sad thing is that they tried to force it through top-down reforms.

In the Bolivian case, this process was known by the name of the law that sought to “modernize” the rural area, i.e., “*Ley de Exvinculación*” (Detaching Law) of 1874. As its name indicates, the law made communal land ownership illegal, and it sought to break the link –understood as negative– of the indigenous peasants to their community. The reasoning was somewhat simple; it assumed that with individual property, the mentality of the indigenous peasantry would change abruptly, and it was expected that they would become ‘prosperous’ local farmers. Of course, this didn’t happen.

What did happen was that the law alienated indigenous communities, who began to see the Bolivian state –and the liberal project– as an enemy of their personal and collective traditions and interests. Thus, a kind of vicious circle was created in which both sides saw their own prejudices reinforced. The mostly legitimate claims of the indigenous people and their rejection of the aforementioned law were perceived by the urban elites as confirmation of their cultural backwardness. And the attempts to force the application of the law by Bolivian state officials



were perceived by the indigenous people as confirmation that the state was not seeking to favor their personal and community interests.

What the law did achieve was the appearance and expansion of large land latifundia in the hands of urban elites who used indigenous servitude as cheap labor to try to make their large farms profitable on generally not very fertile soil. The lack of modern infrastructure and the low productivity of the land reinforced –for the elites– the idea of the need for cheap labor to develop Bolivian agriculture and condemned the indigenous people to very precarious living situations.

This brief explanation of the previous context was necessary to point out that, unlike the case of the mining property expropriated in 1952, the expropriations of the large latifundia of the 1953 agrarian reform may have some legitimacy. And it is that these latifundia had been created on the basis of a not very legitimate process that had in turn implied the expropriation of lands from the indigenous communities. The biggest mistake of the 1953 agrarian reform, which continues to have dire consequences for Bolivian agricultural development, especially in the highlands, is that it was also a top-down phenomenon that did not

take into account the people and communities it intended to help.

In its desire to preserve the possession of community lands, the decree that proclaimed the reform prohibited that the lands reverted to the indigenous communities be fungible or transferable. So, more for propaganda than reality, the reform that supposedly returned the ownership of the lands to the indigenous communities at the same time prohibited them from using them as objects of exchange, purchase, and sale. Over the decades, this legal obstacle would lead to an inverse situation –and ironically analogous– to the previous one, because it went from large properties (latifundia) to very small properties (*minifundia*); and both models turned out to be unproductive.

But ultimately, it seems important to note that this serious mistake of the MNR's agrarian reform had a lot to do with the inability of Bolivian nationalist and socialist politicians and intellectuals to understand the true function of property. Of what use is a title of property if at the same time one of the basic functions that real property gives, i.e., the possibility of exchanging it on the market, is prohibited from being exercised?



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1969

The nationalist revolution of the MNR would not have survived the terrible consequences of its bad economic policies if the United States government had not been its main ally. In those early years of the Cold War, the MNR was able to convince the Eisenhower administration of the need to prop up the 'bourgeois' revolution of the MNR to prevent radical leftist sectors from advancing. "Between 1953 and 1961 Bolivia received close to 200 million dollars in economic aid" (Siekmeier, p. 83).

The serious economic situation that Bolivia was going through led to the United States putting into practice a new model of bilateral cooperation in 1956 to stabilize high inflation and product shortages. For now, it is only worth highlighting the promulgation of the so-called "Davenport Code" or Petroleum Code of 1955, which once again allowed foreign direct investment. This code, formally called the Hydrocarbons Code by Decree Law No. 4210, establishes that deposits

of all types of hydrocarbons are the property of the nation. However, the same code allows the concession or the execution of contracts between private parties with the State to natural or legal persons of spaces with hydrocarbons. As a consequence of the Davenport Code, concessions to new private companies corresponded to over 32 million acres, which represented 49% of the total area under concession in the country.

The Code granted the possibility to private parties to obtain a concession to be able to explore, exploit, refine, store and transport by oil pipelines. But the concessionaires would bear the risk and responsibility of any activity they carried out, in addition to the fact that to start any type of activity in Bolivia, they had to have a legal domicile in the country and have a representative at the seat of government in La Paz city, to resolve any matter related to the principal.



One of the companies that arrived in Bolivia under the new rules of the Davenport Code was the Bolivian Gulf Company, which began its exploratory activities in 1958. According to Dunkerley (1984), of 14 oil companies that arrived in Bolivia, only the Gulf Oil Company managed to discover productive wells. For 1967, the production of this company was 11.8 million barrels of oil, that is, more than 80% of the national production. So, Bolivian Gulf Oil “appears as a company that wanted a medium- and long-term partnership with the country, given the magnitude of the investment made” (Medinaceli, p. 114).

As a result of the large fields discovered in the country, the Gulf Oil Company began proceedings to export its oil and natural gas production. Regarding the first commodity, the construction of an export pipeline through Chile was carried out, which was inaugurated in October 1966 and the company’s exports began. In the same way, in 1967 the first negotiations were carried out between Gulf and “Gas del Estado de Argentina” to export natural gas to the neighboring country for a 20-year period. Although Bolivian Gulf Oil did not participate directly in the benefits of

the sale of gas to Argentina, the opening of this market translated into ever-increasing natural gas export volumes for Bolivia; between 1982 and 1985, natural gas represented more than 50% of total Bolivian exports (Medinaceli, 2017).

All of this is important because the next great expropriation carried out by the Bolivian government was precisely against the Gulf Oil Company on October 17, 1969, baptized by the then military president Alfredo Ovando as “National Dignity Day”. The compensation that Bolivia had to pay for this new expropriation was 79 million dollars. Of the total, 61 million dollars were paid with income from the export of natural gas to Argentina between 1973 and 1979. Then, the compensation accounted for more than 15% of the total value exported in these seven years, which represented “a heavy burden in the early years from export [to Argentina]” (Medinaceli, p. 113). Finally, if it is taken into account that the investment of the Gulf Oil Company in Bolivia was more than 100 million dollars, it is clear that the company ended up losing more than 20% of its investment as a result of the expropriation of the Bolivian state in 1969.

NEW LEGISLATION ON PROPERTY RIGHTS IN BOLIVIA

Bolivia underwent a fundamental change in its legal structure from the constitutional reform of 1938, entering an era where there were no firm guarantees on private property. And, as of today, Bolivia could not take another course. The reforms carried out from 1938, even within the specific laws, were aimed at reinforcing social constitutionalism. As Hayek comments in *The Fatal Conceit* (1991), this term has poisoned Bolivian politics from 1938 to the present. It is for this reason that the present investigation tries to analyze the way in which Bolivian legislation makes private property positive, demonstrating that the reforms regarding property, and large expropriations find their base, foundation, and origin in the 1938 Constitution and its successors.

An alarming fact in Bolivian history shows how, in the country, the derogatory treatment of private property did not allow the emergence of large industries, much less the attraction of foreign capital that is beneficial and necessary for the country. Thus one of the main hindrances for Bolivian development is the lack of willingness to generate laws and regulations that guarantee a true protection of private property and the implementation of policies that allow the country to further develop.

In the current 2009 Constitution, the criterion regarding private property is the same as that used in the 1938 and 1967 Constitutions. The

constitutional text states in its Article 56 that: "Everyone has the right to individual or collective private property, *provided that it fulfills a social function* [...] Private property is guaranteed as long as the use made of it is not detrimental to the collective interest" (author's emphasis).

In addition, in Article 311, while it is recognized that the ownership of natural resources belongs to the Bolivian people, it also states that they are administered by the State. This clearly poses a principal-agent problem where the Bolivian government acts as an agent of citizens through the state-owned oil company, YPFB. However, is it the case –given the previous historical account of expropriations– that the administrators of natural resources act in the best interests of citizens from a long-run perspective?

The 2009 Constitution is explicit about oil and other hydrocarbons. Article 359 establishes that hydrocarbons are "the inalienable and imprescriptible property of the Bolivian people. The State, in the name and representation of the Bolivian people, exercises ownership of all hydrocarbon production in the country and is the only one authorized to sell it. All the income received from the commercialization of hydrocarbons will be property of the State".

Bolivia needs a transcendental change in its legal tradition, after one hundred years since

the first expropriation and the social constitutionalism that endorsed all the expropriations described. As is common knowledge, a constitution represents, in any State, the foundation and cornerstone of all its legislation: hence the need for Bolivia to change its constitutional system in terms of property rights to lay the foundations for sustained and truly fair economic growth for its citizens, but also for foreigners who want to invest and generate wealth in the country. A

change is needed where the legislation aims to protect property, guarantee its due existence, and limit any arbitrary act –especially by the State– that intends to violate this right. The objective of a new property legislation must clarify that the function of private property is social by itself. If people are sure that their property will be respected, they have the right incentives for an efficient allocation of natural and human resources.



FINAL THOUGHTS

This brief historical account of the different large expropriations of property in Bolivia had, as its first objective, to publicize the serious problem that the South American country has to effectively attract significant foreign direct investment in strategic areas of its economy. Local politicians, intellectuals and economists continue to lament that the country “has not been able to overcome its dependence on the extractivism of raw materials”, but this investigation has not been able to find a single one of them that identifies this serious problem of the lack of legal security regarding property rights as one of the main causes of the Bolivian economic backwardness.

Not only because Bolivia has systematically expelled foreign or even local capital, but in addition, it has created state administration agencies – wrongly called companies– that have not only been inefficient but have also been opportunities for political clientelism and large-scale corruption. The extinction of liberal thought in Bolivia is evident precisely in this absence of voices that point out, based on the available data, that each and every one of these nationalist measures have been much more harmful than beneficial for Bolivians then and now.

Beyond the rhetoric of Bolivian nationalism, which has not in vain called these expropriations “nationalizations”, the data should be eloquent enough to show the perverse effect they had in the short term. But in this research we wanted

to highlight its effects in the medium and long term as well. No country in the world could get out of poverty and underdevelopment on its own. The need to reach international markets for sustained growth should be evident in the 21st century. And for this, foreign and local investments are essential.

If a country systematically dedicates itself to cut off these processes, as is the Bolivian case, it should not be at all surprising that it has never managed to overcome its dependence on the extraction and export of almost raw natural resources within its territory. It is worth noting that two of the expropriations described were made against large North American companies. But the other two processes were against local capitals. We then have a scenario where the implicit message in the country is that anyone –national or foreign– who accumulates “too much” wealth will be punished for their success. Who determines what “too much wealth” means will always be the political power in charge in an arbitrary and discretionary manner.

Until now, no mention has been made of the fact that Simón I. Patiño, the world's leading tin miner, was a Bolivian mestizo of humble origins and that he was able to make his fortune in the brief historical period that Bolivia opened to international trade. Moritz Hochschild was a Jewish immigrant and engineer who arrived in Bolivia without great resources and also knew how to create considerable wealth. In the case of the Aramayo family, also affected by the expropri-

ation of the mines in 1952, —although it is true that by then the third generation of owners was being affected— it should be remembered that the person who made the family fortune was also a mestizo of humble origin.

It is also important to comment on the expropriation of agricultural land from large estates formed by the Detaching Law. Taking into account that this 1874 law implied an abuse by the Bolivian State of the property rights of indigenous communities, it is possible to affirm that a reversal of them was a necessary act of justice. What cannot be excused in any way is the lack of understanding of what property implies and the economic function it has. Declaring that property rights are granted and at the same time prohibiting their commercial use demonstrates little understanding of what true property means. That is why the Bolivian agricultural sector, in the Andean zone especially, has not been able to develop —until today— modern production mechanisms.

Finally, this research wants to be a first advance that LIBERA offers to the debate on the need for Bolivia to understand the true bases of economic and social development. As long as Bolivian laws —which are a consequence of the popular ideas of the local political and academic debate— fail to understand how essential entrepreneurs are for economic growth, Bolivians will be condemned to continue experiencing variations of the same errors described in this study. And while it is true that legal changes — even constitutional ones— are necessary, it will also be necessary, as Margaret Thatcher said: that these legal changes “have to be written on hearts, not just paper”.



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