Andean Report by Valerie Rush

Babylonia comes to Bolivia

The regime of Paz Estenssoro has turned to tax-farming to solve its economic woes—an old Babylonian specialty.

The government of Víctor Paz Estenssoro has resorted to the ancient Babylonian practice of tax-farming by hiring the Swiss company Société Générale de Surveillance to supervise tax collection on the country's imports, and mineral and agricultural exports. Despite charges from minority forces in Congress that the move is unconstitutional, the Paz government insists that "corruption among state officials" makes the measure necessary.

Bolivia's decision to auction off control of its foreign trade to the Swiss, similar to the 1926-30 period when the City of London's Council of Foreign Bondholders ran Bolivian customs to assure that tax revenues went to service defaulted bonds, is coherent with the overall economic model adopted by the Paz government since taking office last August.

At that time a brutal "shock therapy" program, imposed on recommendation of the International Monetary Fund, triggered a national protest strike, to which the government responded by declaring a state of siege and slamming the country's trade union leadership with mass arrests. Since then, the peso has been devalued 40 times, and prices have spiraled into the stratosphere. With the collapse of the price of tin on the world market, the only thing still being produced in the country is—you guessed it!—coca for the production of cocaine. What, then, will the Swiss be taxing, one may well ask?

None of this should be too surprising in a country where former president Hugo Banzer—the man who invited in the Nazi International to organize the country's illegal narcotics trade—is openly described by President Paz Estenssoro as his co-ruler. In what the President termed a "pact for democracy" last December, Banzer's ADN party was handed control over a full 25% of the country's state sector companies and public institutions—including airports, railroads, banks, customs, and the crucial state mining corporation—in a word, everything one might need to run an efficient drug-trafficking business.

All of this could not have taken place without the approval of the International Monetary Fund, which has direct and total oversight over Bolivia. The IMF's man on the ground is one Guillermo Bedregal, a self-described "Marxist" and universally dubbed "superminister." Bedregal is the acknowledged mover and pusher behind Bolivia's economic program known as the National Economic Policy, or NEP. (Vladimir Lenin's 1920s economic known as the National Economic Policy, or NEP. (Vladimir Lenin's 1920s economic program was also known as the NEP.)

Bedregal, formerly planning minister and head of the Bolivian economic cabinet, maneuvered himself into a cozy place at the helm earlier this month when he submitted his resignation to President Paz, protesting that his economic program was being inadequately implemented. A charade of mutual recriminations between Bedregal and then-Senate head Gonzalo Sánchez de Lozada—an advocate of strict IMF austerity enforcement—led to a presidential "compromise": a cabinet shakeup in which Bedregal was handed the powerful foreign relations ministry and Sánchez de Lozada, one of Bolivia's leading mining "industrialists," took the vacated planning ministry.

A series of central bank maneuvers ensued to bring the dollar, spinning out of control by flight capital and wild speculation, back to earth—maneuvers financially supported by a series of friendly IMF loans. Then, on Jan. 26, a number of cosmetic price reductions were decreed, including a much-touted 2% decline in the cost of gasoline.

The upshot of all this? Planning Minister Sánchez de Lozada announced to the nation that "the cost of living will fall in the upcoming weeks," thereby strengthening workers' buying power and obviating the need for any new wage increases.

The nation's organized labor movement—which mobilized a church-endorsed shutdown of the economy Jan. 23 in opposition to the regime's murderous policies—remains unconvinced, especially since the government's announced method of maintaining a "stable dollar" will be drastic reductions in the availability of government credit to the private sector. Cutting credit will drive up domestic interest rates, and may thereby convince flight capitalists to speculate in pesos instead of dollars; but the effect on what little remains of the country's productive apparatus will be bankruptcies, new waves of layoffs, and more starvation.

Bolivia, like the ancient Babylonians it would imitate, is about to reap what it has sown. Reports of dozens of cases of bubonic plague in Bolivia's northwest have been confirmed by health ministry sources.