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Bolivia's rentier republic

Evo Morales is popular but not invulnerable

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BOLIVIANS are good at protesting. Between 2000 and 2005, against the background of a weak economy, a discredited party system and pressure from the United States to eradicate coca, waves of marches and roadblocks prompted the fall of two governments and the election as president of Evo Morales, a socialist cocagrowers' leader of Aymara descent. He pledged to "refund" Bolivia as a "plurinational" republic and end what he saw as five centuries of colonialism against Bolivia's Amerindian peoples.



This week Bolivia has again seen daily protests. Imitating the radical tin miners of the 1960s and 1970s, demonstrators marched in three neat files through the streets of the capital, La Paz, blocking traffic and hurling firecrackers as they went. This time they were wearing uniforms: they were sergeants and non-commissioned officers (NCOs) angry at what they claim is racial and class-based discrimination in the armed forces. And this time Mr Morales is on the other side of the political barricade. Himself a former conscript, he thundered that to leave the barracks without permission is "treason", tacitly endorsing the military commanders' cashiering of 700 of the protesters.

The soldiers have a point. Mr Morales has showered cash on the armed forces, which have built new social clubs and bought new aircraft, but not better boots and uniforms for the lower ranks, who complain that they are barred from entry to the officer corps. Many of the NCOs are Aymara. Their cause has attracted sympathy from the social movements—of peasant farmers, trade unions and urban migrants—who make up the president's political base.

In the end Mr Morales may retreat, at least partially, over the sergeants' revolt, as he has with other protests (over a fuel-price rise, for example, or a controversial road through a national park). That is

because his rule is a balancing act between the social movements and state power.

Much more than the other members of South America's awkward squad—the late Hugo Chávez in Venezuela and Ecuador's Rafael Correa—he can claim to lead a genuine social revolution. Bolivia, which was the poorest country in South America a decade ago, has a strong collectivist tradition. Although Mr Morales exaggerated when he once compared Bolivia to apartheid South Africa, he is a powerful symbol of social inclusion.

Mr Morales has taken some leaves out of Chávez's book. He pushed through a new constitution, put his own supporters in the judiciary, and has been ruthless in neutralising opponents (sometimes with the help of the army). He reveres Fidel Castro and has thrown out several American diplomats. But on the economy he is much less irresponsible than Chávez was.

Álvaro García Linera, a white Marxist intellectual who is the vice-president, argues that creating socialism in a country like Bolivia first requires the state to build capitalism—echoing the Russian Mensheviks of a century ago, rather than Mr Castro's Bolshevism. The government nationalised part of the oil and gas industry and reversed earlier privatisations, but went no further.

An easier option lies in rising gas exports to Brazil and now Argentina, worth 20% of GDP last year. Gas revenues have financed an increase in public employment and credit, a consumer boom, and the building of schools, hospitals and roads in the Altiplano, the bleak Andean plateau. Poverty has fallen from 53.6% in 2005 to 29.5% in 2012—a similar rate of decline as in free-market Peru, points out George Gray Molina, a Bolivian economist at the United Nations Development Programme. After growing by 6.8% last year, the economy will expand by around 5% this year and next, forecasts the IMF.

No wonder Mr Morales is popular. With the opposition divided, he is likely to cruise to a third term in an election in October. But most of the decline in poverty has come from service-sector jobs and higher wages, according to Mr Gray. These are uncomfortably dependent on recycling the rents from natural gas.

Brazil and Argentina have gas of their own, which they are starting to develop. Relations with Chile, a potential market, are frozen by Mr Morales's quixotic demand that the International Court of Justice should order talks over Bolivia's access to the sea, lost in a 19th-century war.

Eventually the gas boom will fade. And then? Peru invests much more than Bolivia, where an overvalued currency and wage rises have priced out local production. The rentier foundations of the plurinational republic will one day cave in, upsetting Mr Morales's balancing act and prompting the

return of mass protest. That day is a while off, but it will come.

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