

Economic ideas in the early Republic of Bolivia: notes on an anonymous manuscript of 1830

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SUMMARY

This essay examines the theoretical framework underlying an anonymous manuscript of 1830 which contains a discussion of Bolivian economic problems during the early years of the republic, and a proposal for protectionism. The manuscript is an example of the degree of refinement that had been achieved by the intellectual elite of Charcas towards the end of the colonial period. In this essay we question the hypothesis of doctrinal unity between protectionists and free-traders during the first decades of the Republic: it is shown that the anonymous author is critical and selective *vis-a-vis* the principles of classical political economy, and that his protectionist prescriptions are based, for the most part, on the notion of historical relativism as expounded in Montesquieu's *The Spirit of Laws*. We begin with a brief presentation of the contents of the manuscript, followed by an analysis of the author's theoretical framework, and concluding with a review of the set of protectionist measures adopted by the Bolivian government between 1829 and 1832.

Introduction

In 1986, while examining documents in the Rosendo Gutiérrez Collection, in the Central Library of Universidad Mayor de San Andrés (La Paz), Ana María Lema found an anonymous manuscript, consisting of 97 folios, which contains a discussion of Bolivian economic problems during the early years of the Republic. The document was entitled *Bosquejo del estado en que se halla la riqueza nacional de Bolivia con sus resultados, presentado al examen de la Nación por un Aldeano hijo de ella. Año de 1830*. Lema published it in 1994, with editorial notes, an introduction, and seven interpretive essays by members of the Coordinadora de Historia.¹

The *Bosquejo del Aldeano* is an example of the degree of refinement that had been achieved by the intellectual elite of Charcas towards the end of the colonial period. *El Aldeano*, well versed in the

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¹Ana María Lema (ed.), *Bosquejo del estado en que se halla la riqueza nacional de Bolivia con sus resultados, presentado al examen de la Nación por un Aldeano hijo de ella. Año de 1830* (La Paz: Plural, 1994), 282 pp.

art of argumentation, displays his vast learning by citing many celebrated European philosophers and economists, sometimes to support their proposals, other times in order to refute them.²

We are dealing here with a notable exemplar of that small, independence-minded minority, of *enciclopediste* background, that assumed responsibility for the formation of a Republic. In tracing the intellectual profile of the doctors of the “generation of 1809,” Charles W. Arnade notes that the students and graduates of the Universidad Pontificia y Real de San Francisco Xavier were “... extremely given to writing anonymous tracts ... Those writings were one of the students’ favorite pastimes. In Chuquisaca everyone debated about everything, whether orally or in writing, and frequently the pen was as prolific as the mouth.”³

El Aldeano’s writing is influenced by the traumatic experience of the War of Independence and the hazardous first years of the Republic. The manuscript bears witness to the perplexities experienced by the *criollos* when—for the first time—they were entrusted with defining an economic strategy for the nation. European history showed that—since the rise of modern nation-states—the two alternatives had been protectionism or free trade. The author of the *Bosquejo* was worried about the failure of the liberal reforms undertaken by President Sucre (based on an ideology that the country’s politicians had not yet adopted as their own) and the alarming signs of poverty that became ever more evident soon after political emancipation.

El Aldeano declares his interest in disseminating the manuscript (pp. 16, 19),⁴ but this—as far as we know—did not happen. Some fortuitous event, financial constraints or a change of opinion (based perhaps on political calculation), frustrated the author’s stated intention. Ana María Lema and the “Coordinadora de Historia” have performed a great service to Bolivian historiography by now publishing and helping us to better understand this fascinating document.

I will begin these notes by providing a very brief presentation of the contents of the *Bosquejo*, followed by an analysis of the author’s theoretical framework, and will conclude with a review of the set of protectionist measures adopted by the Bolivian government between 1829 and 1832.

Structure of the *Bosquejo*

The sequence of arguments contained in the *Bosquejo* is remarkable from the methodological point of view. The dissertation begins by stating the problem in the form of a question: “Why is national wealth or abundance not commensurate with the level of resources that the Nation expends to obtain it?” (p. 20); it then immediately states the principles of Political Economy as the theoretical framework for the investigation (p. 20), and verifies the existence of generalized economic decay on the basis of relevant facts (pp. 20-23). Only then does the author formulate an explanatory hypothesis:

“I ask now: Who has caused such a regrettable change of fortune [*cambiamiento*]? The answer is simple. Free foreign trade. This is what, in one fell swoop, has cut off so many arms in the Republic. This is what has taken from citizens the occupations with which they

²*El Aldeano* cites, *inter alia*, Bentham, Condorcet, Descartes, Filangieri, Malthus, Montesquieu, Say and Voltaire.

³Charles W. Arnade, *La dramática insurgencia de Bolivia* (La Paz: Juventud, 1982), p. 18.

⁴Page numbers cited in parenthesis correspond to the volume edited by Ana María Lema.

attended to the necessities and comforts of life. This is what has reduced, and may yet finish off entirely, the national wealth” (p. 24).

The longest and most elaborate part of the discourse corresponds to the proof of the hypothesis (pp. 24-71). Here, *El Aldeano* weaves facts, figures and quotations from renowned European philosophers and economists in order to support his theory. He admits that other factors, in addition to free trade, have also contributed to the country’s poverty: the war of independence (pp. 54 and prior pages);⁵ bad harvests (p. 30);⁶ inadequate tax policy (p. 67);⁷ and public spending on unproductive wages (pp. 70-71).⁸

As a corollary to his hypothesis, *El Aldeano* enumerates seven “results” (or effects) of the national poverty. In his view, the nation’s poverty was an obstacle to: the peopling of the State (p. 71); the education, civilization and enlightenment of the State (p. 80); the morality of the State (p. 86); patriotism and public spirit (p. 89); the sanctity of religious worship (p. 91); the internal security of the State (p. 96); and the external security of the State (p. 98).⁹

The solution to this diagnosis? Two legislative bills with their respective justifications:

- 1) “No citizen in Bolivia may dress in foreign clothing nor drink foreign liquors, nor furnish his home with nor possess foreign objects unless he can show proof of a net yearly income v.g. of 500 P[esos]” (pp. 100-01).
- 2) “Any citizen in Bolivia can dress in gold and silver, if he likes, and can furnish his home with those same metals, eat and drink whatever he likes, as long as it is all produced in this country” (p. 101).

El Aldeano thought that this was “the easiest and least violent means of avoiding to some extent foreign trade, of providing for the consumption of the Nation’s manufactures and encouraging its industry” (p. 101). He did not favor prohibiting imports since there was no way to prevent the smuggling which this would entail (p. 101).

The moderation of *El Aldeano*’s protectionist proposal contrasts with the vehemence of his case against free trade. It did not provide for the classic instruments of trade protection (such as tariff

⁵On the one hand, he admits that the economy had not had time to recover from the devastation of the war; on the other hand, it would seem that he believed, naively, that political emancipation would bring about instant prosperity (p. 29).

⁶He notes that there were bad crop years both before and after the war (p. 30).

⁷*El Aldeano* notes that with the tax reform “trade decreased due to fear of exposing the extent of one’s capital, and there was a decline in tax accruals” (p. 67). He thought that existing taxes were excessive and, therefore, “an obstacle to abundance” (p. 69).

⁸According to *El Aldeano*, public spending on (unproductive) wages that are spent on imported cloth for the making of uniforms were “an obstacle and a cause of the national poverty” (pp. 70-71).

⁹*El Aldeano*, it seems, uses the word “State” in this context to refer to Bolivian society as a whole, organized politically in the form of a State.

barriers and the outright prohibition of certain imports). It only prescribed discriminating between potential consumers of foreign goods according to incomes: citizens with annual incomes below 500 pesos could not consume imported merchandise. The burden of *El Aldeano*'s proposal would fall most heavily upon the lowest income segments of the population, who would be forced to buy lower quality domestic products at, possibly, higher prices than similar products from abroad.¹⁰

Finally, *El Aldeano* states and refutes 22 likely objections to the proposed measures. In this section of the document, he distances himself from the principles of Political Economy and rather seeks support in the doctrines of Mercantilism (pp. 103-126). The manuscript includes an Appendix (entitled "Notas"), in which the author tries to refute a contemporary newspaper article (pp. 126-130).

***El Aldeano*'s Theoretical Framework**

Rossana Barragán has examined the theoretical and philosophical sources that may have influenced *El Aldeano*'s thought.¹¹ She points to certain ambiguities in his economic ideas, since, on the one hand, he cites and relies on the writings of Jean Baptiste Say (1767-1832)¹², a well-known defender of free trade, while proposing, on the other hand, the adoption of protectionist measures in order to stimulate the national economy. How to explain this contradiction?

Barragán suggests that classical Political Economy inspired both free-traders and protectionists in Bolivia. This notion is expressed as follows:

"... We attempt, therefore, to try to understand how the same stream of thought could at the same time inspire both protectionists and free-traders. This is what has led us to refer to *El Aldeano* as a "liberal" protectionist ... To us, one of the causes must lie with the modality of influence which economic liberalism exerted during the early decades of the 19th century, which arrived largely through an intermediary, Say, ..."13

"... But although protectionists and free-traders were inspired by the same sources, their readings were quite different."14

Barragán thinks that Say's influence on *El Aldeano* was predominantly ideological:

"We see, therefore, that *El Aldeano* adopted, on the one hand, the "principle" by which Say assigned to Political Economy the status of a science: observation; and, on the other hand,

¹⁰Seemin Qayum has interpreted *El Aldeano*'s proposal as "a kind of ethnic protectionism in response to the disruptions caused by the external market," based on the "colonial conception of the two republics, positing the necessity of a separate legal code for what appeared to be a separate people." Cf. Seemin Qayum, "Protección y nación: debatiendo un derrotero," in *Bosquejo ...*, pp. 208-09.

¹¹Rossana Barragán, "Un Aldeano ilustrado," in *Bosquejo ...*, pp. 211-36.

¹²*El Aldeano* transcribes paragraphs from Say's *Tratado de Economía Política*.

¹³Barragán, op. cit., p. 224.

¹⁴Ibid., p. 234.

the Adam Smith-Say conception that wealth consists of the exchange-value of things. Indispensable for this wealth to exist, thought *El Aldeano*, was the production of valuable commodities, since such value could only be paid for “if other men have the means to acquire them, and such means consist of other values, that is, other products” (Say, 1817: I, 142). Hence his insistence on internal trade as a vital impulse to agriculture, manufacturing and the “welfare of society” [f. 16].

With these structural principles, *El Aldeano* could now distance himself from the “wise economists.” Even though Adam Smith himself concluded that trade and the division of labor were indispensable for the “wealth of nations,” and although Say claimed that internal trade was always more important than foreign trade, *El Aldeano* had “observed” exactly the opposite. Therefore, trade was not considered automatically benevolent. Hence, also, his case in favor of State intervention and regulatory measures that went against the advice of Smith and Say.”¹⁵

The ideas of Charles Louis de Secondat, Baron de la Brède et de Montesquieu, also found a place in the *Bosquejo del Aldeano*. Barragán observes, rightly, that the influence of *The Spirit of Laws* can be noticed in the structure of the discourse, as well as in the discussion of certain topics, such as luxury, public finance, and poverty:

“Luxury was considered by *El Aldeano* as an unwelcome consequence of foreign trade and a cause of the decline of national and individual wealth. Present among authorities and magistrates, at banquets, in beverages and in the “scandalous” attire of women, luxury was not an attribute of a few but of everyone, and almost independently of incomes. If this issue drew such attention and condemnation from *El Aldeano* it is because it expressed the existence of a highly unequal republic which eventually might lead to corruption. The “pernicious” effects of luxury justified, then, the kind of measures and sumptuary laws suggested by Montesquieu in the case of a poor State (I, Book VII, Chapter V, 230).”¹⁶

In spite of her hypothesis of the doctrinal unity of Bolivian protectionists and free-traders, Barragán intuitively that protectionist postures were supported by Mercantilism, though she neither elaborates nor confirms her suspicion:

“The historiography does not clarify, however, what politico-economic ideology inspired the protectionists and one might suppose, given their opposition to the liberals, that they found support in old, pre-physiocratic economic practices.”¹⁷

Although Barragán’s explanation of the *Aldeano*’s sources of theoretical inspiration has merit, a different reading is possible based on a reconsideration of the works mentioned in the *Bosquejo* and the inclusion of other currents of thought (not cited in the manuscript) that were in vogue in Charcas towards the end of the colonial period.

¹⁵Ibid., p. 227. It bears pointing out that in Bolivia, as in most national economies, internal trade was (and still is) greater, both in value and volume, than foreign trade.

¹⁶Ibid., p. 228.

¹⁷Ibid., p. 224.

Say's *Tratado de Economía Política*, written originally in French and published in 1803, was soon translated into the major European languages and was, according to Charles Gide, "the first truly popular treatise of Political Economy." The *Tratado*, owing to its "clarity, the beautiful layout of subject matter and classification of the main ideas ..." served as a model for all subsequent textbooks in the classical tradition.¹⁸ Say's success in this regard in Bolivia in the early years of the Republic is unquestioned. A Spanish translation of the *Tratado*, published in 1821, notes Barragán (citing Humberto Vázquez Machicado), was the basic text for the teaching of Political Economy in Cochabamba's Colegio de Ciencias de Cochabamba since 1829, and in San Simón and San Andrés universities since 1832.¹⁹ The *Tratado* was thus the official textbook of Political Economy and the main source of academic authority at the time. Understandably, then, economic writers who wished to be taken seriously felt obliged to mention Say.

The *Aldeano*'s attitude *vis-a-vis* Say's doctrines is critical and selective: he takes from Say his theory of markets, which is the part which allows him to show how to stimulate (or discourage) productive activity in an economy, but he questions the free-trade conclusions derived from the classical theory of international trade, as well as the Quantity Theory of Money.

Say's idea is based on the observation of François Quesnay (1694-1774) that exchange implies a purchase and a sale, and that owing to this interdependence between supply and demand, which shows up most clearly in a barter economy, there can be no overproduction. That is, "supply creates its own demand".²⁰ In the *Tableau Economique* (1758), Quesnay had suggested that production automatically generates the income whose expenditure allows the initiation of a new production cycle. Moreover, Quesnay thought that money was simply a medium of exchange and that commerce is essentially a form of barter.²¹

The purpose of "Say's law" was to deny the possibility of overproduction crises and it echoed the Physiocrats' objections to Mercantilism; however, *El Aldeano* took from it only the notion of sectoral interdependence within an economic system, and he used it, paradoxically, to support his critique of free trade.²² *El Aldeano* argued that free foreign trade *directly* affects domestic

¹⁸Charles Gide, *Curso de Economía Política*, 5th ed. (Buenos Aires: El Ateneo, 1969), p. 14.

¹⁹Barragán, *op. cit.*, p. 224.

²⁰In the *Tratado* (1803), Say wrote that "products are always exchanged for products"; James Mill, in *Commerce Defended* (1808), reformulated Say's statement, writing that "supply creates its own demand", and he inferred that market saturations and commercial depressions are not caused by overproduction and that money plays a secondary role in explaining the phenomenon of exchange. Later on, Say modified his original statement, which came more and more to resemble Mill's. Cf. Mark Blaug, *Great Economists before Keynes* (Cambridge: Cambridge University Press, 1986), p. 211.

²¹Mark Blaug, *Economic Theory in Retrospect*, 4th ed. (Cambridge: Cambridge University Press, 1985), p. 28.

²²The notion of sectoral interdependence is developed in Chapter XV (entitled "De los mercados") of Say's *Tratado de Economía Política* (México: Fondo de Cultura Económica, 2001), pp. 124-126. In this same chapter, Say states his support for free trade (p. 125, first paragraph and note 7) and

producers of import-competing manufactures, but it also *indirectly* affects farmers, through lower incomes and declining demand for farm products (food and raw materials) on the part of artisans displaced by foreign competition.

El Aldeano directly cites, in this regard, the passage where Say states his Law of Markets:

“In every State, he says, producers, products and outlays always move in tandem, that is, the more producers there are, and the more productions multiply, the more varied, easy and extensive the outlay.”²³

Elsewhere, “the supply is in direct proportion to the demand” (p. 25).

He then points out:

“Nature has so formed our Republic that each department, province and canton is so reciprocally dependent on every other that no part can live without the other, at least not comfortably” (pp. 25-26).

The economic decline affecting the Republic, *El Aldeano* explained, was due to the fact that free foreign trade had loosened the ties of internal trade (pp. 26 *et seq.*).

El Aldeano also questioned the validity of the Quantity Theory of Money for the case of Bolivia (p. 109), even though this theory was widely accepted by Say and the classical economists. According to the latter, fluctuations in the money supply would be corrected (or compensated) by automatic adjustments in the price level, and the money supply would have no effects on the real economy. In *El Aldeano*'s view, these price adjustments did not occur, and outward movements of metallic currency only increased the problems of internal trade.²⁴

In refuting the monetary theory contained in Say's *Tratado*, *El Aldeano* aligned himself (albeit not explicitly) with certain analyses and proposals that had been advanced in the 18th century in order to save Spain from ruin. Among influential Spanish authors in this tradition we must mention

reiterates his position, affirming that “whether we pay for our purchases from abroad with commodities or with money, they provide the same markets for our national industry” (p. 127).

²³The original citation can be found in Say's *Tratado de Economía Política*, p. 123.

²⁴Regarding the money supply, Adam Smith in *The Wealth of Nations* (Book 4, Chapter 1) noted that no complaint “... is more common than that of a scarcity of money. Money, like wine, must always be scarce with those who have neither the wherewithal to buy it, nor credit to borrow it” (quoted by John K. Galbraith, *Historia de la Economía* [Barcelona: Ariel, 1989], p. 83). Following Smith, Say wrote: “There is always enough money to satisfy the circulation and mutual exchange of other valuables, when such valuables exist in fact. When there is not enough money for business, it is easily provided for, and the need for such provision is an indication of a very favorable circumstance: it is proof that there is a great quantity of produced value which wishes to be supplied with a great quantity of other valuables. The intermediary commodity, which facilitates all the exchanges (money), can be easily replaced in these cases by means known to merchants, and soon the money will flow because money is a commodity, and every commodity flows to where it is most needed” (Cf. Say, *op. cit.*, p. 122).

Jerónimo de Uztáriz y Hermiaga (1670-1732) and Pedro Rodríguez, Conde de Campomanes (1723-1802).²⁵

The paradox that these 18th century economists observed was that of Spanish decline, in spite of the abundance of precious metals and raw materials, and wealth in other countries that had no such advantages.²⁶ The resemblance between this situation and the one posed by *El Aldeano* for the Bolivian case is remarkable.

The Spanish authors agreed that the main problem was that Spaniards had disregarded productive occupations, whereas foreigners had made great advances in that respect. They wanted to find solutions to three basic problems derived from Spain's economic decline: a) depopulation; b) the outflow of metallic currency; and c) the bankruptcy of the public finances. Note that *El Aldeano*, in the context of Bolivian affairs, was concerned with the same problems.

Uztáriz proposed the encouragement of manufacturing, since by transforming raw materials a larger share of value-added would be retained in the country. Campomanes, however, favored encouraging all sectors equally.

With regard to trade policy, Campomanes defended free trade within Spain, and between Spain and its colonies, but recommended restrictions on trade with other countries. Note that on this point there is also concordance with *El Aldeano*'s views.

These points of agreement suggest that *El Aldeano*'s diagnosis of early Bolivia's main economic problems, as well as his policy proposals, might have also been inspired by the 18th century Spanish tradition as expounded in the works of Uztáriz and Campomanes. This suspicion is strengthened by the fact that this intellectual tradition had a notable adherent in Charcas in the late colonial period: Pedro Vicente Cañete y Domínguez (1754-1816).²⁷ Cañete, who wrote his *Guía de Potosí* between 1786 and 1796, cites both Uztáriz and Campomanes. This work remained unpublished until 1952, and there is no way to prove that *El Aldeano* had access to Cañete's manuscript. What seems clear, however, is that the ideas of these Spanish writers were well-known and influential in Charcas in the late colonial period. Also, there are some remarkable coincidences in Cañete's and *El Aldeano*'s protectionist notions.

²⁵Jerónimo de Uztáriz, *Theórica y práctica de comercio y marina* [1724] (Madrid: Aguilar, 1968), Pedro Rodríguez de Campomanes, *Discurso sobre el fomento de la industria popular* [1774] and *Discurso sobre la educación popular de los artesanos y su fomento* [1775] (Madrid: Instituto de Estudios Fiscales, 1975), cited by Luis Perdices Blas, "Entre el feudalismo y el liberalismo: diversidad de doctrinas políticas 'mercantilistas' en Europa", in Jesús de la Iglesia (ed.), *Ensayos sobre pensamiento económico* (Madrid: McGraw-Hill, 1994), pp. 13-35. Campomanes also wrote *Reflexiones sobre el comercio exterior de Indias* (1762). Cf. www.geocities.com.

²⁶For Uztáriz's and Campomanes' views we have drawn upon the paper by Perdices Blas (*supra*).

²⁷Pedro Vicente Cañete y Domínguez was born in Asunción (1754) and died in Potosí (1816). He studied Philosophy and Theology in Córdoba (1765-70), and received his law degree in Santiago de Chile (1776). He served successively as advisor to the Viceroy of La Plata, P. de Cevallos (1777); to the Governor of Paraguay, P. Melo de Portugal (1781); and to the *Intendentes* of Potosí, J. del Pino Manrique (1785) and Francisco de Paula Sanz. Cf. Josep M. Barnadas, *et al.*, *Diccionario Histórico de Bolivia* (Sucre, 2002), vol. 1, p. 430.

In the first place, Cañete is worried about an acute shortage of currency for internal circulation, and notes the difficulties that this shortage creates for the regional market. To alleviate this problem, he demands enforcement of the Royal Order of 1773, prohibiting the export of small-denomination coins, which he justifies with the argument that without small coin it would be impossible “to pay exact wages, or conclude transactions, causing delays and inconvenience to the Royal Treasury and to the public”.²⁸

The problem of currency shortage for internal trade originated in the disequilibrium of the foreign trade accounts. According to Cañete:

“Since everything we sell amounts to less than one tenth of what we purchase, this great difference per force contributes to the outflow of all the silver from America, which is the same argument used by our wise politician Uztáriz to prove that Spain is despoiled of its currency by foreign nations, being the main reason, that she has bought from them more goods that she has sold to them.”²⁹

Cañete’s analysis allows us to focus on the issue of illiquidity—pointed out by *El Aldeano* and other 19th century writers—within a broader temporal framework: the “currency shortage” was a structural problem that worsened during the war period, and became even worse after the trade liberalization implemented during President Sucre’s administration. The Royal Order of 1773—mentioned by Cañete—seems to be the clearest colonial precedent for the decree of October 10, 1829, which ordered the reduction of the silver content of small-denomination Bolivian coins.³⁰

Secondly, Cañete stressed the importance of agricultural “surplus” because he thought it was the foundation for internal trade, expansion of industry, and the reorganization of mining. He expressed concern about the reduction of internal trade, which he thought was caused by agricultural contraction. In Cañete’s view (as in *El Aldeano*’s), an increase of agricultural output is obviously the basis for an expansion of the internal market.³¹ Consequently, Cañete stressed (as later would *El Aldeano*, almost word for word) the need to “encourage the internal trade between provinces [within Alto Perú], since it is the basis for that which extends beyond the Kingdom and is the main source of the State’s prosperity”.³²

Finally, Cañete assigns a rather modest role to silver mining (similarly *El Aldeano*): that of providing the raw material for the coinage that is needed to facilitate transactions under the new model of growth based on agriculture and manufacturing. Silver mining—perhaps owing to its noticeable secular decline—was no longer perceived as a potentially dynamic activity.

²⁸Cf. Tibor Wittman, *Estudios históricos sobre Bolivia* (La Paz: El Siglo, 1975), pp. 30-31.

²⁹Pedro Vicente Cañete y Domínguez, *Guía histórica, geográfica, física, política, civil y legal del Gobierno e Intendencia de la Provincia de Potosí [1787]* (La Paz, 1952), p. 464.

³⁰Cf. Gustavo A. Prado Robles, “Efectos económicos de la adulteración monetaria en Bolivia, 1830-1870,” *Revista de Humanidades y Ciencias Sociales*, N° 1 (Jan–June 1995), pp. 35-76.

³¹Wittman notes that Cañete was influenced by Spanish physiocracy through the works of Campomanes. Cf. Wittman, op. cit., pp. 28-29. I am indebted to Napoleón Pacheco for pointing out to me the importance of this linkage.

³²Cañete, op. cit., p. 464.

In short, as suggested by Tibor Wittman (1923-1972), there seems to have been a certain intellectual continuity regarding protectionist economic thought from the late colonial period to the early Republican era. Wittman noted this linkage based on Cañete's *Guía de Potosí*³³ and Dalence's *Bosquejo estadístico*.³⁴ Now, with the *Bosquejo del Aldeano*, we have an additional link which reinforces the hypothesis proposed by Wittman in 1967.³⁵ In the Republican period, in addition to the two *Bosquejos*, the group of intellectuals working on a protectionist policy for Bolivia produced at least two noteworthy essays (as well as a series of articles dealing with specific aspects of that project): *Principios de Economía Política aplicados al estado actual y circunstancias de Bolivia* (Sucre, 1845), by Julián Prudencio, and *Tratado sobre los medios de proteger [sic] la industria en Bolivia* (Potosí, 1854-1855), by Benedicto Trifón Medinaceli.

Assuming, hypothetically, that *El Aldeano* was familiar with the works of Uztáriz and Campomanes, why does he not cite them? One might conjecture that he had theoretical and political reasons for omitting any reference to those authors. In theory, Say—at least according to his Spanish translator, don José Queypo—had disqualified the Spanish *arbitristas*:

“In Spain, Álvarez Osorio and Martínez de Mata wrote economic discourses whose publication is due to the enlightened patriotism of Campomanes. Moncada, Navarrete, Ustariz, Ward and Ulloa wrote on the same subject. These esteemed writers, as well as those in Italy, formulated solid ideas, established important facts and made elaborate calculations; but since they were not grounded in the fundamental principles of the science, these being still unknown, often they erred both in ends and means, producing much that was useless, and shedding only a tenuous and uncertain light.”³⁶

Since the principles of Political Economy had been established by Adam Smith, in 1776, Uztáriz and Campomanes were not considered scientific.

Politically, since the Spanish *arbitristas* were monarchists, in the early years of the Republic—marked by the results of war and patriotic euphoria—it was only natural to omit any reference that might be interpreted as an expression of sympathy or adhesion to the Spanish crown. Say's credentials, on the other hand, were impeccable. He was a renowned political economist and an outstanding French revolutionary, who had remained faithful to his republican ideals. To cite Say was “scientifically and politically correct”; to mention the Spanish writers would have detracted from the *Aldeano*'s scientific credibility as well as his political viability.

³³Cañete, op. cit.

³⁴José María Dalence, *Bosquejo estadístico de Bolivia* (Sucre, 1851). Dalence (who was born in Oruro in 1782 and died in Sucre in 1852) directed the *Junta Estadística* created in 1845 by President José Ballivián.

³⁵“La riqueza empobrece: problemas de crisis del Alto Perú colonial en la ‘Guía’ de P. V. Cañete y Domínguez” [1967], and “Reflexiones sobre las ideas económicas de José María Dalence” [1967]. Both papers were reprinted in Tibor Wittman, *Estudios históricos sobre Bolivia*, pp. 17-52, 177-93.

³⁶Say, *Tratado de economía política*, p. 22.

Since Say was a fervent supporter of free trade, *El Aldeano* had to base his protectionist proposal on the intellectual authority of Montesquieu (1689-1755), even though the latter had also been discredited by Say, for ignoring the principles of Political Economy. In the “Preliminary Discourse” to the *Tratado*, Say had written:

“Montesquieu, who wanted to consider law from every perspective, inquired as to its influence on the wealth of states. One had to start by knowing the nature and sources of such wealth, and Montesquieu in this regard was clueless. But we have a debt of gratitude to that great writer for having inserted philosophy into legislation; and, from that point of view he is perhaps the master of the English writers, who are our own teachers, just as Voltaire was the master of their good historians, who today are worthy models for us.”³⁷

El Aldeano’s intellectual debt to Montesquieu is noteworthy. He takes from Montesquieu the notion of love-of-country as a political virtue, the notion of historical relativism (i.e., the idea that laws should be adapted to the specific conditions in which peoples develop), his concerns about luxury, his notions concerning public finance, the identification of the main cause of national impoverishment, and the principles of trade restriction. Here we will only document the influence of Montesquieu’s ideas regarding the regulation of import trade and its justification.

Montesquieu thought that trade was a civilizing agent. In a memorable section of his *magnum opus* we find:

“It is almost a general rule that where there are peaceful customs there is trade, and where there is trade there are peaceful customs ... Commerce corrupts pure customs ..., but it polishes and softens barbarous customs ... The natural effect of commerce is peace”.³⁸

Nonetheless, in interpreting the character of the commercial policy of England, Montesquieu gave 19th century protectionists an argument that would be used increasingly to support policies of state regulation.³⁹ Consider the following:

“England has no fixed tariffs with other nations. Every Parliament changes them, so to speak, suppressing or adding to specific duties ... Other nations have subordinated the

³⁷Ibid., p. 23. Joseph A. Schumpeter—in his *Historia del análisis económico* (Barcelona: Ariel, 1971, p. 176)—considered Montesquieu one of the most influential thinkers of all time, though admitting that his economic theory is insignificant. John M. Keynes—perhaps in reaction to Say—had declared that Montesquieu was the greatest French economist (cited by Emile James, *Historia del pensamiento económico* [Madrid: Aguilar, 1974], p. 18).

³⁸Montesquieu, *Del espíritu de las leyes* [1748] (Buenos Aires: Orbis, 1984), p. 274.

³⁹The tradition continues vigorously in the 21st century. In the article “Las bondades del librecambio: una superchería histórica”, published in *Le Monde Diplomatique* (La Paz, junio de 2003, pp. 22-23), Ha-Joon Chang writes: “The supporters of free trade think that history is on their side. According to them, that is the policy that produced the wealth of the developed countries. Hence their critique of developing countries that refuse to adopt the recipe. However, nothing is further from the truth. The historical facts are undeniable: when the currently developed countries were not yet developed, they never applied any of the policies they now recommend. Great Britain and the United States are the ones with the greatest distance between myth and reality.”

interests of commerce to political interests, but England always subordinated its political interests to those of its commerce.”⁴⁰

“Free trade is not a concession to merchants allowing them to do as they please; that would enslave them instead. Whatever obstructs the merchant does not thereby obstruct trade ... England prohibits the export of its wool; it requires coal to be shipped by sea to the capital; does not allow the export of its horses if they have not been castrated; vessels from its colonies that trade with Europe must dock in England. All of this annoys the merchant, but favors trade.”⁴¹

El Aldeano, following Montesquieu, justified Bolivia’s right to adopt protectionist trade policies thusly:

“Whatever motives for gratitude Bolivia might have towards foreigners, she cannot, under international law, disregard her own interests in favor of those of others. Once the national interest has been taken care of, others may be invited to share in her riches. Foreigners, more enlightened than ourselves, know these truths, and will not resent that fact that we arrange our conduct in this fashion” (p. 120).

Nineteenth century supporters of state intervention and trade protection—such as Dalence, Prudencio and Medinaceli—argued that the older Mercantilist practices of European countries were better suited “to the current state and circumstances of Bolivia” than the free trade prescriptions emanating from modern Political Economy. In his *Tratado sobre los medios de proteger [sic] la industria en Bolivia* (Potosí, 1854-1855, p. 31), Benedicto Trifón Medinaceli noted:

“Allow us now a quick historical glance at the trade of those civilized powers of the Globe, whose conduct should serve as models and whose practical lessons we should prefer over and above any seductive theory.”

Finally, *El Aldeano*’s main thesis—which blamed the country’s impoverishment on the trade deficit—is clearly stated in the work of Montesquieu. Consider:

“A country that always sells less goods or products than what it purchases, becomes unbalanced and impoverished: it will receive less and less, until finally, reduced to utter poverty, it will receive nothing.

In trading countries, the money that suddenly disappears, will reappear, since it is owed by the States that have received it. In the States we spoke of previously, the money never returns, since those that received it owed nothing”.⁴²

It seems clear that the dominant intellectual influence in *El Aldeano*’s discourse is that of Montesquieu. In liturgical jargon, we might say that *El Aldeano* prays to Say, but lights candles to Montesquieu.

⁴⁰Montesquieu, op. cit., p. 277.

⁴¹Ibid., p. 279.

⁴²Ibid., p. 283.

Early Application of Protectionist Doctrines to Trade with Neighboring Countries

As suggested by Seemin Qayum, the spatial scope of *El Aldeano*'s concerns, in spite of the Republican "childhood", was the national territory.⁴³ The economic problem that worried him the most was the overseas trade unbalance, derived, in large measure, from the considerable volume of imported European textiles. *El Aldeano* did not think—at least not explicitly—that Bolivia's trade with neighboring countries was a major problem, even though the statistics of the time, collected by Pentland in 1826, also showed a deficit of some magnitude, mainly with Peru and Argentina.⁴⁴

El Aldeano was probably aware of these regional unbalances, but perhaps he thought they were a minor problem for the Bolivian economy. What had most impressed his contemporaries was the "flood" of European merchandise during Sucre's presidency.⁴⁵ The fact remains, however, that in 1831 and 1832 several of the protectionist arguments developed in the *Bosquejo del Aldeano* were used in the media to question the preferences that Peru was trying to obtain in its trade relations with Bolivia.⁴⁶

The protectionist and "nationalist" faction, which included *El Aldeano*, was strengthened after 1828, when the negative effects of the first trade liberalization, promoted by President Sucre, became apparent. This adverse turn of events brought together a group of intellectuals, public officials and politicians that favored the adoption of protectionist policies to attain national enrichment. Protectionist policies prevailed over the next two decades.⁴⁷

Trade protectionism in Bolivia became entrenched at a time of serious geo-political disagreements between the brand-new republics formed in the wake of the Spanish American emancipation process. These tensions were linked to discrepancies between the new territorial parceling and the regional commercial spaces that had been structured during the colonial era. Such threats had been present in all the important border zones of the former Audiencia de Charcas, the territorial basis for the new republic; but, owing to economic and administrative realities that dated from colonial times, the disputes with Peru and Argentina were much the most important.⁴⁸

⁴³Seemin Qayum, "Protección y nación: debatiendo un derrotero", pp. 197-210.

⁴⁴Joseph B. Pentland, *Informe sobre Bolivia, 1826* (Potosí, 1975).

⁴⁵William Lee Lofstrom, *El mariscal Sucre en Bolivia* (La Paz: Alenkar, 1983).

⁴⁶Barragán (op. cit.), does not mention the debate that took place in the Bolivian press in the early 1830's; she only considers that which took place in the 1840's.

⁴⁷See the discussion of the tug-of-war between protectionists and free-traders in Gustavo A. Prado Robles, "¿Crecimiento hacia adentro o crecimiento hacia afuera? Notas sobre el debate boliviano en el siglo XIX," *Revista de Humanidades y Ciencias Sociales*, vol. 1, Nº 2 (Dec 1995), pp. 99-113.

⁴⁸Charcas, the territorial basis for Bolivia, formed part of the Viceroyalty of Peru until 1778, when the Spanish Crown ordered its incorporation into the Viceroyalty of La Plata. Cf. Arnade, *La dramática insurgencia de Bolivia*, p. 15.

Newly independent Bolivia lacked an adequate Pacific port. Its rulers tried to solve the problem by occasionally negotiating the cession of the Peruvian port of Arica, and sometimes by promoting development of Bolivia's own port of Cobija. The first Bolivian tariff, enacted on December 23, 1825, already shows signs of the tensions generated by the port problem and the special treatment favoring Peru. Goods imported from Peru paid a duty of only 6 % *ad valorem*, whereas goods from other countries paid 8 %, and goods imported through Cobija 2 %.⁴⁹ Then came a period of mutual suspicion, political instability and reciprocal attempts at invasion, accompanied by frequent tariff changes and disruptions in commercial traffic.

In Bolivia a lengthy journalistic campaign, promoted by the government, attempted to predispose public opinion against Peruvian commercial pretensions as disclosed in successive rounds of negotiations. This campaign lasted almost two years, from mid-December 1830 (coinciding with the Desaguadero summit meeting between Gamarra and Santa Cruz) until October 1832 (when the national congress approved the Commercial Treaty signed in Arequipa on November 8, 1831).

Bolivian polemicists mainly concentrated on Article 2 of the Commercial Treaty of 1831, which provided for a tariff equalization of 6 % for goods from one country consumed in the other; and on Article 3, which imposed on Bolivian imports in transit through Peru a duty equivalent to that charged in Peru on its own imports, with a maximum of 30 %.⁵⁰

The complaint against Article 2 was based on two main arguments. For one thing, the trade deficit with Peru was regarded as an undeniable fact. Hence, tariff equalization as per Article 2 was fiscally detrimental to Bolivia. For the same reason, it was argued that the Bolivian government could not set low import duties, since it needed revenues to compensate for Cobija's preferential tariff treatment. Secondly, it was noted that several Peruvian products traded advantageously in the Bolivian market, owing to the relative backwardness of local industry. Consequently, in order to avoid the extinction of the fragile national "infant" industry, it had to be protected via higher tariffs.⁵¹

A sample of the arguments published in the national press in defense of Bolivian "infant" industry (which supposedly would be ruined if Peru's requests were accepted) vividly calls to mind *El Aldeano's* claims:

"No doubt some of those who have read (without having studied) Say, Ricardo, Sismondi, Ganihl [sic], Storch, or Malthus, will tell us that what is good for the people is whatever is cheapest, whether local or foreign. If someone would give the people whatever they need for free, it would be even better; but since trade is not charity, one only gets something for what he can give in exchange, and we can only give from what we ourselves produce. Insure the national output, and wealth will be assured: abandon the former, and the latter will never exist. Some say, casually, that the labor that is withdrawn from agriculture and crafts will be employed in more useful occupations. What will be those occupations in our case? Mining, perhaps? The study of political economy?"⁵²

⁴⁹Casto Rojas, *Historia financiera de Bolivia*, 2nd ed. (La Paz: UMSA, 1977), p. 83.

⁵⁰*Iris* (September 16, 1832).

⁵¹*Iris* (December 26, 1830).

On November 17, 1832, a new, more equitable commercial treaty was signed. Bolivia was free to establish its own tariffs, and duties were lowered for goods in transit through Peru.

Protectionist measures implemented in those years included not only the classic instruments of trade protection, such as tariff barriers, prohibitions on the importation of specific goods, and the encouragement of certain productive activities, but also the less common method of currency debasement to obtain the same effects.

On October 10, 1829, Andrés de Santa Cruz enacted a decree ordering the reduction of the silver content of small-denomination Bolivian coins. Though the objective was to alleviate the shortage of such coins, it strengthened the protectionist policy that was being implemented via tariff policy. Though it was not intended as a permanent measure, and in principle would only affect a small proportion of the total coinage, the practice of currency debasement would last four decades, and in time came to affect almost all the silver that was coined each year at the Casa Nacional de Moneda.

The coinage of this so-called *moneda feble* (“weak coins”) also had an (undeclared) fiscal purpose. During 1830-59 and 1865-70 Bolivian governments resorted to currency debasement as a source of additional revenue to finance current expenditures, especially military spending. The available data show a reasonable coincidence between periods of relatively higher coinage of *moneda feble* and moments of great and urgent requirements for military finance. This conduct, under successive governments, can be explained if we observe that, among all the different sources of fiscal revenue, the one over which the Executive branch had most control and leverage was doubtless the coinage.

Recapitulation

The *Bosquejo* is an impressive document, both for the logical sequence of the discourse and the author’s encyclopedic knowledge. Nonetheless, the conclusion that free trade was to blame for the country’s poverty during the early Republic is unconvincing. The suggested remedy—i.e., legal exclusion of the lower-income population from the market for foreign goods—might have perhaps reduced pressure on the trade balance, but would not have been an efficient means to combat poverty. In *El Aldeano*’s defense, it is only fair to admit that 17 decades later there is still no general agreement—neither theoretical nor political—on the main problem he was concerned with, namely: Why are some nations rich and others poor?⁵³

Barragán’s hypothesis regarding the doctrinal unity of protectionists and free-traders in the early decades of the Republic is debatable. *El Aldeano* is critical and selective *vis-a-vis* the principles of political economy: from Say he takes the notion of sectoral interdependence—associated with the “law of markets”—to show the alleged negative chain-reaction of free trade upon the national economy, but he rejects the classical theory of monetary adjustments via international trade and, of course, the postulates of free trade. *El Aldeano*’s protectionism is based, mostly, upon the doctrines of Montesquieu. It is likely that he was also aware of the work of well-known Spanish writers, such

⁵²*Iris* (August 12, 1832). Note, from this quotation, the suggestion that mining was an insufficiently dynamic sector. This was, it seems, a common perception during the late colonial period and the early republic.

⁵³See, for instance, Rondo Cameron’s reflections in the introductory chapter of his *Historia económica mundial desde el paleolítico hasta el presente*, 2nd ed. (Madrid: Alianza Editorial, 1995), pp. 25-41.

as Uztáriz and Campomanes. Pedro Vicente Cañete y Domínguez was one of the most notable local exponents of this intellectual tradition in Charcas, though *El Aldeano* does not mention it. Other 19th century Bolivian protectionists, such as Julián Prudencio, were inspired by the writings of Charles Ganilh (1758-1836), a French politician and economist who was an ardent defender of Mercantilist doctrines; but almost all of them relied on the notion of historical relativism—which they learned from *El espíritu de las leyes*—in order to propose policies “attuned to this country’s particularities”.

Protectionist policies prevailed after the failure of the liberal economic reforms implemented by President Sucre.⁵⁴ The protectionist option was supported by a diagnosis that pointed to the following main problems of the national economy: a) lack of an adequate port on the Pacific coast; b) the backward state of national manufacturing, and c) an unbalanced foreign trade. The set of measures adopted during 1829-1832, at the time that *El Aldeano* reflected and wrote about these topics, combined conventional protectionist instruments (such as tariffs, import prohibitions and direct encouragement of productive activities) with currency debasement. In closing, we should also stress the *national character* of the protectionist policies adopted by republican governments in Bolivia during the 19th century, since some interpretations suggest that they only make sense if viewed from a supra-national perspective.⁵⁵

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⁵⁴Protectionists—from *El Aldeano* (1830) to Medinaceli (1855)—complained about the free trade policy implemented since independence; however, there is every indication that protectionist policies prevailed since the presidency of Santa Cruz (1829-1839) until the presidency of Córdova (1855-1857), and that Linares (1857-1861) began a process of trade liberalization that culminated in the Assembly of 1871. Trade protectionism, currency debasement, and fiscal monopsony over silver mining hampered the growth of the Bolivian economy, and especially that of the mining sector. After the institutional changes enacted by the Assembly of 1871, the mining sector expanded rapidly. This opening up process was not without internal social costs.

⁵⁵This interpretation was proposed by Antonio Mitre, “Espacio regional andino y política en el siglo XIX”, in *Historia Boliviana* II/2 (1982), pp. 165-77. Mitre’s view has been questioned by Gustavo A. Prado Robles, “Efectos económicos de la adulteración monetaria en Bolivia, 1830-1870,” *Revista de Humanidades y Ciencias Sociales* N° 1 (Second series, Jan–June 1995), pp. 35-76.

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