

Without Distinguishing Color or Profession:

*Culture, Vatican II and the Long-term Development of
Credit Institutions in Bolivia*

Brian Norris

*Criminal Justice Department at the Citadel, the Military College of South
Carolina*

Abstract

By the late 20th and early 21st century, credit institutions in Bolivia had become more complex, resilient and popular than at any time previously in its history. Traditional economic analyses emphasize incentives created by laws such as those promulgated by the Kemmerer mission in Bolivia in the 1920s and 30s, or material factors, such as transportation costs. Yet neither of these explanations offers a compelling explanation for the magnitude of the flourishing of popular and complex credit institutions in Bolivia after the 1960s. Cultural changes, however, might offer a compelling complement to legal and material explanations of credit development. Vatican II represented an important mass change in Bolivian culture, and institutions associated with these reforms ushered in a new era of credit institution development in the country.

Keywords

ayllu bank, credit, culture, Kemmerer Mission in Bolivia, Vatican II

Resumen

A finales del siglo XX y comienzos del XXI, las instituciones crediticias en Bolivia se volvieron más complejas, elásticas y populares que en cualquier otro momento de su historia. Los análisis económicos tradicionales ponen de relieve los incentivos creados por leyes como las promulgadas por la Misión Kemmerer en Bolivia en las décadas de 1920 y 1930, o factores materiales, tales como los costos de transporte. Con todo, ninguna de estas explicaciones ofrece una explicación convincente de la importancia del florecimiento de instituciones crediticias populares y complejas en Bolivia después de la década de 1960. No obstante, los cambios culturales podrían ofrecer un complemento de peso a las explicaciones legales y materiales del desarrollo del crédito. El Concilio Vaticano II representa un importante cambio en la cultura boliviana, y las instituciones asociadas con sus reformas marcan el comienzo de una nueva era en el desarrollo de la institución crediticia en el país.

Palabras claves

ayllu, banca, crédito, cultura, Misión Kemmerer en Bolivia, Vaticano II

By the late 20th and early 21st century, complex banking institutions had reached more of Bolivia than at any other historical period. Analysts began to write about a microfinance revolution in the country. “As recently as the late 1980s, the banks and financial institutions of Bolivia regarded the country’s majority low-income and indigenous people with disdain, if they thought of them at all ...[but a decade later], in cities and larger towns across the country virtually anyone with an ongoing economic activity could get a loan” (Rhyne 1). In 2005, the distinguished London newspaper *The Economist* described the newly-created microfinance institutions as vibrant, even as the larger Bolivian financial sector experienced turmoil (Easton).

Evidence supports these practitioner and journalist accounts. The *Asociación de Entidades Financieras Especializadas en Micro Finanzas de Bolivia* (ASOFIN), an association of 7 non-governmental organizations (NGOs), estimated that in 2008 up to 27% of the economically-active population (EAP) of Bolivia had a loan from a bank and up to 86% of the EAP, or about 3.4 million people, had a deposit in such an institution (See Annex 1; Norris 2011, 216). The number of Bolivians with a savings account in a formal bank grew by a factor of about 18 between 2001 and 2009, a time when the Bolivian population grew by a factor of only 1.15 (See Annex 2). Finally,

whereas banks were used only by a small and exclusive urban minority a scant 20 years ago, these institutions have expanded to new sectors of society. For instance, in 2007 Alejandro Lima, a loan officer in a Bolivian bank created in 1986, proudly described how he once took the savings of an indigent shoe-shine boy and deposited them in an interest-bearing account. After several years, the boy had enough to launch a new business by buying a cart that he used to transport goods to the market. The Villa Fatima bank office that loan officer Lima used as his home base was abuzz with activity the day I visited.¹ One today is likely to see Bolivians from varying social backgrounds entering banks or taking out money from ATMs on the country's bustling city streets (fig. 1).



Figure 1: Bolivians and Banks, Sucre
BancoSol, created in 1992, grew out of PRODEM, a philanthropy created in
1986 during the microfinance revolution
Photo by author, 2009

Broader historical analysis supports this interpretation. Bolivian credit institutions in the early 21st century were more numerous than in previous periods. By one count there were 299 bank branches in Bolivia in 2007 (ASOFIN 2007). This number was more than 10 times greater than the 27 bank branches that Ballivián counted in the country in 1920 (Ballivián, various pages) and the

¹ Author interview and observation. La Paz, August 13, 2007.

29 that Schurz counted in 1921 (Schurz, various pages). Even controlling for population growth, the number of banks per capita in 2007 was 2.4 times greater than in 1920.²

The new Bolivian credit institutions were more robust as well. Bolivian history is littered with failed attempts to establish liberal credit institutions. For instance, “El Ahorro del Hogar”, a household savings and loan founded in 1900 in La Paz, lasted only 10 years before it collapsed, even though it passed its short lifecycle during a period of exceptional political and economic stability. The institution likely served only upper middle class individuals (Norris 2011, 211-212).³ In contrast, Catholic Credit Cooperatives in the Cancha market area of Cochabamba founded in the 1960s survived the hyperinflation of the 1980s. Something clearly changed between 1900 and 2007 to make Bolivian credit institutions more robust, more popular and more complex.

What Gives Rise to Credit Institutions?

What has led to the explosion of credit institutions encompassed by the microfinance revolution of the late 20th and early 21st century in Bolivia? New credit institutions are not created from whole cloth, but rather emerge from predecessor institutions, demographic features, and changing ideas. An understanding of the new microfinance institutions must be based on an appreciation of what came before and how this status quo became dynamic.

Three broad interpretive schools have emphasized different factors giving rise to credit institutions. The first emphasizes legal codes and the incentives such codes can provide for rational, self-interested actors. The second, sometimes called the political economy approach, emphasizes material factors and power relationships. The third, highlighted in this article, emphasizes the impact of culture on the development of credit institutions.

Economic historians have explained the development of credit institutions as a function of individual incentives created by legal or other structures (Greif; Acemoglu, et al). For instance, in an influential multi-year research project, Peruvian economist Hernando de Soto argued that formal

² Pop. for 1920 interpolated from 1900 and 1950 censuses: 2,063,752. Pop. for 2007 from World Bank World Development Indicators Online, accessed 6/14/13: 9,463,497. Bank data from ASOFIN (2007) and Ballivián.

³ Klein (2004, 162) notes that there were no coup attempts from 1899 to 1920 and Drake (1989, 187) characterizes 1900-1930 as atypically stable.

property rights in Latin America can give entrepreneurs incentive to invest because these individuals know that they will be able to reap the benefits of their efforts (Soto 1989 and 2000). Bolivian analysts also emphasize the importance of institutions in spurring development by giving incentives to investors (Laserna 2011).

However, formal banking laws creating incentives have not always ensured successful outcomes in the Andean region. For instance, Richard Fetter, the Princeton economist who accompanied Edwin Kemmerer to Bolivia to provide technical advice for the re-founding of the central bank in 1929, wrote that “pledging specific revenues [i.e., in a formal legal document] is not a guarantee of repayment. Some [countries I have advised] have done this and not paid back. Others have not done this, but taxed themselves to the hilt to make good on [an external] loan.”⁴ Similarly, in 1957, George Jackson Eder, a financial consultant advising the Bolivian government on how to end hyperinflation, complained that

The Central Bank had ceased to exist. The building remained intact; the law creating the bank had not been repealed; but pressure from the government from above for forced loans, and from the union of bank employees from below, preventing any accounting controls or employee discipline, had crushed any vestige of independence of action... (46-47).

Furthermore, the last major banking law in Bolivia, a law re-founding the *Banco Central de Bolivia* (BCB), was passed in 1928, and no analyst has discovered a resulting boom in financial institutions as a result. In contrast, there were no important legal changes corresponding to the microfinance revolution that began in the 1960s. Therefore, the weight of the evidence suggests that formal laws were a weak explanation for the late 20th century advances in banking in Bolivia.

A second intellectual tradition has seen credit institution success as dependent on material factors and sometimes on power relationships (Kindleberger 41; Lopez 1979, 3, 7; Lopez 1971, viii, 73; Marx 15). Some analysts have emphasized material factors in the development of Bolivian credit institutions. Herbert Klein has argued that the decline in the percentage of national revenue coming from the Indian head tax in the 1860s could explain the timing of the 1870 liberal experiments with banking institutions (105). Eric Langer has documented the collapse of economic institutions in the Sucre region as a function of the decline of the world silver market

⁴ “Bolivia Kemmerer Commission, Report on Public Credit” (La Paz, 1927), 31, folder: “Kemmerer Commission Bolivia Report 1927,” Frank W. Fetter Papers, David Rubenstein Rare Book & Manuscript Library, Duke University.

in the late 19th century (Langer 188). Similarly, low transportation costs—a subset of what economists call ‘transaction costs’— can foment economic activity, including the growth of credit institutions. For instance, proximity to a waterway or presence of a railroad can provide cheap transportation for goods (Smith 8-9). Influential economic studies of Bolivia have therefore prescribed the construction of railroads or highways with the goal of lowering transaction costs (ECLA 243-248; Zondag 7; Bohan 69, 72-73).

Ethnographic evidence exists to support such material arguments. For instance, until 1949 the town of Toro Toro in the second section of the Charcas Province of Potosí was not linked to Cochabamba, the closest and only major city it traded with, by a road that could accommodate trucks. Donkey trains could take up to 2-weeks to travel one-way through the Rio Caine Valley to Cochabamba. However, in 1949 the opening of a road between the population centers allowed a class of Cliza-based merchants to begin trading with the Laymi *ayllus* surrounding Toro Toro. One of the author’s informants, Mario, was one such Cliza merchant, and he eventually opened a dry goods store in Toro Toro after first passing several years using donkey trains to barter with Laymi in their communities in the mountains above the town. By 1997, Mario’s dry goods store had become a proto-banking institution by merit of his extending credit to the Laymis and other indigenous groups visiting Toro Toro on market days and during festivals such as that of Santiago, the town’s patron saint.⁵ Mario’s business would have been all but impossible without the construction of the physical road from Cochabamba to Toro Toro.

However, despite explanatory power in certain instances, lowered transaction costs are not a reliable indicator of the development of credit institutions. For instance, Bolivia’s growing urban areas have long had (almost by definition) low transaction costs compared with those of rural regions. In densely populated neighborhoods such as Munaypata (La Paz), Final los Andes (El Alto), Valle Hermosa (Cochabamba), or Huayani (Cochabamba / Sacaba), individuals have access to hundreds or even thousands of potential business partners within walking distance. Nevertheless, *cholos* in these urban areas are sometimes more likely to build massive and unused additions to their houses to save excess earnings rather than to trust those resources to a bank (fig. 2).⁶

⁵ Author observation 1997-1999 and interview, Toro Toro, July 25, 2007.

⁶ Using survey-based methodology Wisniwski (1996) concluded exactly the opposite: In urban areas there was pent-up demand for *loans* from banks. By contrast and supporting my analysis, professionals in the financial sector have long understood that at the worldwide level more demand exists for *deposit services*. Fernando Prado, email,



Figure 2: Bolivians and Banks, Sucre
Structures like this often double as both residences and as savings schemes
in low-trust urban areas
Photo by author, 2009

For example, in 2008 in the Final los Andes neighborhood of El Alto, María Arranibar (pseudonym), owner of a street-level *tienda* in one such overbuilt housing complex, occasionally lent money to her neighbors. One loan was for \$250 to a man whose car had been repossessed by the bank. María held the neighbor's phone landline, which was physically rerouted to her house, as collateral while the loan was outstanding.⁷ Physically retaining a borrower's collateral in this case is a sign of low trust and indicates a low level of institutional development. Transportation costs do not impede economic cooperation because Maria could simply walk across the street to interact with her debtor if need be. The impediment to institutional development lay elsewhere, perhaps in a low-trust dynamic.

By contrast, members of the Macha *ayllu* annually trek up to two weeks roundtrip through the Guadalupe River in northern Potosí to rendezvous at Kollpa, an uninhabited *entrepôt*, to barter between lowland groups and highland groups in

March 2010. Others might object that *cholos* love to display wealth to compensate for discrimination, and this, not low trust explains the construction of vacant house floors. This might be true, and if so this dynamic is not mutually exclusive with the low-trust argument. The two dynamics might independently complement each other in what social scientist call 'multiple causation.'

⁷ Author interview, La Paz, August 11, 2007.

what John Murra called the vertical economy of the Andes (fig. 3; Murra 59-115). In this case, a shared cultural tradition, or what social scientists call social capital (Coleman; Fukuyama; Putnam; Weber 2002), help *ayllu* members overcome daunting geographical impediments to cooperate with one another.



**Figure 3: Riuni unpacks leña from a llama in Cachuyo, a hamlet of 9 families outside Ocurí Chayanta Province, 4th Section, Potosí
Photo by author, 2000**

This is not to say that transaction costs are not important for the development of credit institutions in Bolivia, but such evidence suggest that the relationship between transaction costs, themselves based on material factors, and the development of credit institutions is complex and can be mediated in important ways by culture, the third of our potential explanations.

Yet while the example of the *ayllu* is important, the interactions it comprises take place on a scale of about 10,000. This sociopolitical unit therefore is too small to encompass the millions of anonymous interactions conducted in credit institutions of the microfinance revolution (Norris 2011, 216). The account of the cultural underpinnings of credit institutions in Bolivia therefore must be dynamic.

Anecdotal evidence suggests that important cultural change happened in Bolivia between the 1940s and the beginning of the 21st century, and this cultural change affected credit institutions. For instance, in 1942 after interviewing 490

families in Cochabamba and Santa Cruz over a period of 5 months, a researcher came to the conclusion that “an indolent worker could, and likely does, cost more than the farmer [a source of loans] gains from his labor...” (Leonard 1948b, 10; Leonard 1948a). By contrast, in 2010 lower-middle class employees of a microfinance organization in La Paz would explain their philosophy of lending by continually invoking the phrase “culture of payback.”⁸ Yet for these suggestive vignettes of cultural change to be compelling, they must be linked to a *mass* social phenomenon, one of sufficient scale to plausibly explain the millions of Bolivians interacting in complex credit institutions.

This article argues that culture, along with legal incentives and material factors, has affected the development of credit institutions in Bolivia. Some sociologists and economic historians have argued that culture should be considered along with legal and material factors to explain the development of credit institutions (Weber 1978, 1:582-589; Heichelheim 1:135, 254-258; 3:17-18, 245, 313). This article makes the case that culture matters for credit institution development by two separate lines of argumentation. First, a 500-year interpretive history of the development of credit institutions is given, and the case is made that both analysts and actors have at times confounded legal incentives and material factors with what were truly cultural phenomena.⁹

Second, the article focuses on the cultural changes that Vatican II represented and the effects of these changes on credit institutions, particularly credit institutions associated with or precursors for the so-called microfinance revolution starting in the 1970s and 1980s.

Two caveats should be made before proceeding. First, the definition of credit institutions used here is “any exchange of goods presently possessed against the promise of a future transfer of disposal over utilities, no matter what these future utilities may be” (Weber 1978, 1:80-83). This expansive definition of credit potentially categorizes under the same heading social interactions as disparate as the *alsa* ritual redistribution practiced within the *ayllu* written about by Nathan Wachtel (Wachtel and Ciezar, 139) as traditional formal personal savings schemes for military personnel. The reader would have to grant at least for the sake of

⁸ Author interview, La Paz, August 13, 2007.

⁹ Because this interpretive history is novel and partakes of midrange theory—i.e., it is neither fully nomothetic nor fully ideographic—it is not merely descriptive.

argument that these phenomena might be similar, whether one is a precursor of the other or a substitute for the other.¹⁰

Second, the question ‘What gives rise to credit institutions?’ guides this inquiry, but our attempts to know must necessarily be limited. Legal, material and cultural factors may cause the development of credit institutions, but the very nature of these complex social phenomena makes it impossible to argue with precision or certainty that this is the case in any given situation. So while this analysis is concerned with making judgments about causation, especially as revealed by the logic of longitudinal analysis, the argument often intentionally stops short of definitively stating that this or that factor led to the creation of credit institutions. There are not an infinite number of possibilities, and in some instances evidence suggests the prominence of cultural, legal or material factors. But as Aristotle in *Nicomachean Ethics* wrote, “It is the mark of an educated man to seek as much precision in things of a given genus as their nature allows” (1094b, 24-26).

History of Bolivian Credit Institutions

Professional banking in Bolivia originated in the state monopolies on the purchase of minerals, called rescue houses (*casas de rescate*), that began in the 16th century. Colonial authorities permitted privately operating miners to sell the silver they extracted from the Potosí’s *Cerro Rico* only to the state-sanctioned *casas de rescate*. The rescue houses would then sell the silver to the *Casa de Moneda* (the Royal Mint), which used the metal to manufacture coins. The *Casa de Moneda* would in turn use minted royal coins to pay the *casas de rescate*, which would then pay the miners. If the Mint’s delivery of coins to the rescue houses was irregular, or if miners delivered an unexpectedly large amount of silver that could not be paid for with the coin on hand, the rescue house would pay the miners with paper IOUs, which people sometimes traded in commercial activities. This activity formed the basis of the emission of paper money, and other banking activities, from extending credit to safeguarding valuables, flowed from these beginnings. *Casas de rescate* began to be called *bancos de rescate*. The *Banco de San Carlos* (1779) in Potosí was a rescue bank *par excellence*. Other examples included the *Banco de Rescate de La Paz* (1830), *Banco de Rescate Potosí* (1830), and *Banco de Rescate Tupiza* (1844).¹¹

¹⁰ Clifford Geertz gave a brilliant conceptualization of how rotating credit institutions might be an evolutionary stage in tribal societies making the transition to more complex and abstract modern institutions. See Geertz.

¹¹ This section is a synthesis based on Benavides, *Historia bancaria*; Gómez García and

Mineral wealth continued to be a basis for founding banks in Bolivia well into the 20th century. The *Banco Francisco Argandoña* (1892) was founded in Sucre to serve the needs of the eponymous family, who owned silver mines, and then expanded its banking services to other groups. After the collapse of world silver prices in the late 19th century, Simón Patiño founded the *Banco Mercantil* in 1905 in Oruro with wealth from his tin operations.

But as early as the 1860s, during the Mariano Melgarejo regime (1864-1870), institution builders attempted to create banks on purely liberal financial principles, without the crutch of mineral wealth. Most institutional histories of the Bolivian banking sector describe the private enterprise of the *Banco Boliviano*, founded in La Paz in 1867, as the first true bank in the country. Founded by Bolivian elites and the North American entrepreneur Henry Meiggs, the *Banco Boliviano* emitted paper money, accepted deposits, discounted notes (i.e., bought society's IOUs at a lower than face value to facilitate their economic dealings), and made loans. The Chilean *Banco Cobija* subsequently established the *Banco Nacional de Bolivia*, a private endeavor despite its name, in Sucre in 1872.

Mortgage banks were another important part of the institutional engineering of the 1860s. Meiggs founded the *Banco Hipotecario* in La Paz in 1869. The *Banco Hipotecario Garantizador de Valores* (Sucre, 1886) and the *Banco Hipotecario Nacional* (La Paz, 1889) quickly followed. The idea behind the mortgage banks was to let borrowers take out loans with their houses pledged as collateral. Presumably the borrowers would use the bank loans for productive purposes, particularly in the undercapitalized rural areas, and pay back the loans with interest. In this scheme, one sees the liberal emphasis on incentives created by laws or institutions. Thus, 120 years before Hernando de Soto argued in books such as *The Other Path* (1989) and *The Mystery of Capital* (2000) that dormant wealth lay in the bricks and mortar of Latin America's real estate, Henry Meiggs and liberal institutional engineers were trying to unleash the power of the capital in Bolivian houses in La Paz, Sucre and other cities.

So-called agricultural banks attempted to address the same fundamental problem of an undercapitalized rural sector. Agricultural banks included the *Banco Agrícola* (1904), a private endeavor, and the *Banco Agrícola* (1942), an institution embedded in the Bolivian central bank.

Flores, *La banca nacional*; Rojas, *Historia financiera*; Crespo G., *Bancos y sistemas bancarios*; Beltrán Caballero and Guzmán Saldaña, eds., *La creación del Banco Central*; Morales, *Historia monetaria contemporánea*; and Baptista Gumucio, *Banco Nacional de Bolivia*; See also, Klein, *Concise History*, 70, 106, 137-138, 162-163, 166, 175.

The focus on designing large-scale institutions to liberate capital and meet development goals continued in the 20th century with the founding of *Banco de la Nación Boliviana* (1911), Bolivia's first central bank. In 1914, the bank achieved a monopoly on the emission of paper currency, displacing 14 private currencies, thus fulfilling the key function of a central bank.

The Kemmerer mission from the US re-founded Bolivia's central bank in 1928 and gave it its modern name, the *Banco Central de Bolivia* (BCB). Walter Kemmerer was a Princeton economist who helped create the Federal Reserve System in the United States in the first decades of the 20th century and who helped found central banks in the 1920s in all of the countries of Latin America except Chile and Brazil. Some have argued that all of the essential elements of a central bank had been present in Bolivia since 1911 (or 1914), and that the Bolivian governing elites merely complied with Kemmerer's formal prescriptions to get US loans (Drake 17). Others have argued that the changes that the Kemmerer Mission implemented were substantive because they returned Bolivia to the gold standard and thoroughly rewrote the Bolivian legal code as it pertained to central bank lending to the government (Pacheco 48-49).

Whether one emphasizes the watershed dates of 1911, 1914 or 1928, all agree that by the early 20th century, all of the modern legal institutions for banking were in place in Bolivia.

Credit and Culture

Culture is inherited ethical habit, that is, the norms that parents or role models convey to children at an early age (Fukuyama 34). While we have knowledge of the legal milestones in the development of credit institutions in Bolivia, we have relatively little information on the effects of culture on the country's popular credit institutions. This lack of knowledge of culture is in part a function of the historically low literacy in the country, which has limited Bolivians' ability to amass ethnographic information on their society (Norris 2011, 214)¹², and in part a function of analytical norms that emphasize formal legal analysis. Such norms go back to the 19th century if not earlier in Bolivia and were also common in the US until the advent of modern anthropology by Franz Boas in the early 20th century and the 'behavioral revolution' in research in the 1950s.

¹² See also Lewis (16) for a hypothesis on the social origins of lacunae in our knowledge of lower class Mexicans.

By contrast, some ethnographical data on credit institutions exist in the US due to its higher literacy rates and exceptions to the legal analytical emphasis. For instance, in 1915 US researchers working with public funds from the Smith Lever Act interviewed 300 farmers in the rural south about their credit relations with dry goods merchants, landlords and banks. One rural farmer in Texas said to interviewers, “[I] made all payments promptly but starved myself and family to do it. For ten years I never handled any money; bought from credit merchants and rarely paid all I owed at the end of the year. Got out of debt by ‘stingy living’” (Peteeet 57-58). These types of sources do not as a general rule exist in Bolivia.

However, late 20th century anthropology has given us some valuable information, such as descriptions of the northern Potosí *rescataris*, mineral purchasers. We can, with some caution, project the cultural dynamics of the 20th century *rescatari* interactions backward to the interactions between 16th century rescue banks and miners. Examining these informal interactions can help us better understand subsequent failures to create monopoly-based formal institutions for coca in the 1840s.

In 1990 Godoy described a typical *rescatarista* and her relationship with her clients. In 1980, JV (pseudonym) was a *rescatarista* born and raised in Llallagua near the Jukumani *ayllu*. This Bolivian merchant’s relations with her clients were caring and were cemented not by laws, but by gift exchanges:

Like most *mestizos*, JV stands aloof from the common farmers, though she is bound to them by friendship and *compadrazgo* [godparenting]. With modest mineral deposits, she made a modest fortune during the bonanza years of the early 1970s. Unlike VA [a European *rescatarista* operating nearby], she only employs one *rescatari* [i.e., buying agent], a loyal Jukumani follower, EL, who receives a monthly salary rather than dividend payments.

In contrast to VA’s major [buying agents], who are sedentary townfolk, EL scoured the countryside regularly, visiting hamlets, rivers, and mines where [JV’s] informants told her [that] peasants had stockpiled ore ready for sale. Because EL knew most Jukumanis from his service as a high-ranking [military] officer, he had the confidence to advance small credits to his countrymen, who pledged their finest textiles as a guarantee... At the end of each month, when JV came to pick up the mineral [from EL or the Jukumani], she offered hot coffee and bread to her customers and sold them coca cheaply (73-74).¹³

¹³ On the importance of gift exchanges, see also Marcel Mauss, *The Gift: The Form and Reason for Exchange in Archaic Societies*. New York: W.W. Norton, 1990.

The informal 20th century interactions described by Godoy are evocative of the interactions between miners and state-mandated monopolies in the 19th century. For instance, General John Miller visited Potosí in 1829. He observed the operation of government rescue banks staffed by an *administrador*, a comptroller, a treasurer and nine clerks. Miller described interactions among the rescue banks, master miners, “labourers”, merchants and “Indian families”. The last group “took up their abodes in huts or caves near the mines of the *Cerro*, and descended to town only on Saturday night to receive their wages” and to celebrate afterward (278-281). Similar social dynamics were likely observable in the 16th century state-monopoly rescue banks.

Despite the similarities between Godoy’s case and that of General Miller, the 20th century interactions described by Godoy took place in the absence of a binding law granting a state monopoly. In fact, in the area of northern Potosí described by Godoy, the Bolivian state was largely absent at the time of the study and was therefore unable to enforce formal laws, whatever their content. The Bolivian state had relatively little effect on the lives of rural northern Potosians until Gonzalo Sanchez de Lozada’s Law of Popular Participation (1994) created a link between the central government and rural hinterlands through resource transfers to municipal governments. For instance, one *campesino* in Toro Toro, near the site of the Godoy study, told this researcher in 1997, “Before Popular Participation, we did not exist for the state.” Social programs, such as the redistributive *Impuesto Directo de Hidrocarburos* (IDH) of Evo Morales, have deepened these links in subsequent years, but this only serves to emphasize the point that these links by and large had not existed before.

In this case, the mineral rescue house operated by JV functioned based on two principles, neither of which corresponded to a formal law. First, the rescue house acted as a link between the Jukumani producers of ore and larger outside groups that had items that the Jukumani wanted, but could not produce themselves because of the limited division of labor within their 8,000 person population. The ubiquitous transistor radios that this researcher has seen in even the remotest corners of Northern Potosí, such as Chicopocosuco in Charcas II, are an example of valuable trading items described by Godoy elsewhere in his narrative. Second, though the commercial transactions were carried out by relatively cosmopolitan individuals such as JV and EL, these individuals nonetheless could operate within the cultural norms of the Jukumani.

To summarize, culture and other factors, rather than laws, governed the Jukumani interactions. Such cultural norms were also likely important in underpin-

ning Bolivia's historic rescue banks, although the coincidence of formal monopolies made it difficult to disentangle the relative contributions of laws versus culture in the functioning of the older rescue banks.

Government Attempts to Create Credit Institutions by Fiat

Given the historical existence of a government monopoly on the purchase of minerals and the relative success of the large rescue banks such as the *Banco de San Carlos*, Bolivian leaders at times arrived at the flawed belief that state laws were more effective than they actually were. In social science terms, they tended to confuse correlation with causation.

Such flawed interpretations are likely what led Bolivian leaders to try to emulate the success of the mineral rescue banks with coca by focusing on formal institutions such as state-declared monopolies. Benavides observed, "Inspired by the methods of fiscal monopoly established with success in the mineral sector, [similar schemes] were tried in the Yungas for coca" (23; see also, Rojas 161). In 1848, the government created the *Banco de Coca* by declaring a monopoly on the purchase of the commodity. The coca bank was to have seed capital of 250,000 Bolivianos, and in addition to being the sole purchaser of coca, would carry out lending and discounting functions, similar to the mineral rescue banks (Rojas 160-261, 201-203; Crespo 8). However, the initiative failed. The probable reason was that formal monopoly rules alone were not sufficient to overcome the more powerful impediments to institutional formation, such as lack of an external market of sufficient scale for coca or a low radius of trust among participants.

In another example, culture may have played an important role in the relative success of an 1844 military savings program compared with the low performance of its civilian analogue. Both the *Caja de Ahorro Militar* and its would-be emulator, the *Caja de Ahorro Civil* had virtually identical formal laws, but had different organizational outcomes. In 1844 the Bolivian military founded the *Caja de Ahorro Militar* (Military Savings and Loan) to promote thrift among its soldiers and provide assistance to widows and wounded soldiers. The fund began with 1,000 *reales* in 1844 and had grown to 200,000 *reales* by 1847. At its peak, the *Caja* enrolled about 3,000 soldiers (Rojas 157-158; Benavides 20-21).

Documents in the Bolivian National Archives provide information on how the *Caja de Ahorro Militar* actually functioned. Program administrators automatically deducted a percentage of the wages of enrolled soldiers. Common soldiers paid 2

reales per month, and captains paid 4 reales, or about 11% of their salary. Higher officials paid up to 19% of their salary.¹⁴ Contributors earned 6% annual interest on their deposits. To put the size of the program in context in financial terms, in 1847 Colonel José Gabriel Tellez, a military officer and the program director, made 240 reales per month and his administrative assistant, José M. Valda, the *Oficial auxiliar*, his enlisted office assistant, made 44 reales per month.¹⁵ Another source estimated an average minimum expenditure of a city worker to be 27 reales per month in 1845:

Food.....	15 reales	
Clothes and laundry.....	6 reales	
Rent for a room.....	<u>6 reales</u>	
Total.....	27 reales	(Arguedas 126).

Thus, the *Caja de Ahorro Militar* at its highest known value equaled about 800 monthly officers’ salaries, about 4,500 monthly soldiers’ salaries, or about 7,400 monthly salaries of a worker. This was a substantive institution for its time.

The success of the *Caja de Ahorro Militar* led civilian leaders to attempt to emulate it by creating a *Caja de Ahorros Civil* in 1844. However, the civilians’ savings scheme failed almost immediately because of “poor administration” (Benavides 25-6). While ultimately both endeavors failed, the *Caja Militar* was the more successful.

‘Military culture’ is the most likely explanation for this relative success. Military culture and discipline can, in very specific and often limited circumstances, make the organization useful in traditionally civilian functions. For instance, the military was used for municipal trash pick-up near Mizque in the late 1990s because of its greater organizational effectiveness compared with that of the local government.¹⁶ The relatively high levels of interpersonal trust among the military personnel participating in the *Caja de Ahorros Militar* led to the organization’s modest success, as evidenced by the amount of time it operated and its superior record keeping. The organizers of the more fractious *Caja de Ahorros Civil* emulated

¹⁴ Chart, MG 1847, No. 3, Ministerio de Guerra (MG) Guía Preliminar, “Fondo militar”, Archivo y Biblioteca Nacionales de Bolivia (hereafter cited as ABNB), Sucre; See also Rojas (158).

¹⁵ Chart, MG 1847, No. 3, Ministerio de Guerra (MG) Guía Preliminar, ABNB.

¹⁶ Author observation, Mizque, 1998.

the formal structure of the military savings scheme, but could not repeat its success, and probably failed to recognize how important the military's preexisting culture of discipline and trust were to the endeavor. Ultimately, the complexities of running a financial institution outstripped the capabilities of the military institution, but for a brief period its culture and discipline gave it an advantage.¹⁷

Agricultural Banks

Creating an agricultural bank after the Revolt of 1898-1899 was an important liberal initiative. Aside from its exceptional mining activity, Bolivia has historically been an agricultural society. For instance, despite its clear importance for the Bolivian economy, mining directly touched relatively few Bolivians, even in its most influential periods. As late as 1955, only about 1.2% of the Bolivian population worked in the mining sector, even with inflated employment in the government-owned COMIBOL mining company.¹⁸

The Revolt of 1898-1899 brought to power a new government and new commercial leaders, many of whom were committed to liberal principles. For these leaders, the deficiency in the rural production was self-evident, and they founded an agricultural bank in 1904 to channel investment into the sector. The bank would function as a private entity until about 1914, when its foundering operations were transferred to the newly-created *Banco de la Nación Boliviana*. According to one financial historian, the fact that the agricultural bank lasted 11 years illustrated that it was a relatively successful entity (Benavides 79-80).

We know little about the private Agricultural Bank founded in 1904, other than its very existence was a testament to the ideas of the Liberal Revolt. According to the bank's first report from July 1904, it had about 250 individual shareholders. The president of the shareholders' board apologized for the slow start to the endeavor, and made reference to the "disturbances of April 8." He also mentioned that the

¹⁷ Huntington notes that after a brief period in which the military successfully engages in traditionally civilian functions, "the more advanced [i.e., complex] a society becomes, the more conservative and reactionary becomes the role of the military" (221).

¹⁸ Eder estimates 35,000 COMIBOL employees in 1955. Estimated Bolivia population of 2,900,000 in 1955 based on interpolation between INE census counts for 1950 (2,704,170) and 1976 (4,613,420) (172).

organization had bought office furniture.¹⁹ One source gives figures for its deposits over nine years (Benavides 80):

<u>Year</u>	<u>Deposits</u>
1904	227,805
1905	402,091
1906	456,054
1907	733,154
1909	1,386,353
1910	2,496,725
1911	764,682
1912	770,100
1913	500,000

But by 1912 the bank only had 101 shareholders.²⁰ The rise and fall of deposits over the 1904-1914 period and the decrease from 250 shareholders in 1904 to 101 in 1912 suggests that confidence in the bank declined as time passed. A review of the meeting minutes of the *Banco de la Nación Boliviana* shows that as early as 1911, the *Banco Agrícola* approached the central bank about the possibility of its acquiring the failing *Banco Agrícola*.²¹ This acquisition took place in 1914, effectively ending the agricultural bank's life as a private entity.

In 1940, government elites and international consultants re-founded the *Banco Agrícola*, this time as a government entity embedded in the BCB (Benavides, 135-138).²² Due to superior record-keeping, we know more about the BCB, including

¹⁹ "Banco Agrícola: Primera memoria semestral, presentada a la junta general ordinaria de accionistas de 22 de julio de 1904, La Paz," 1904, DTS 204, ABNB.

²⁰ "Primer semestre de 1912, decima séptima memoria del Banco Agrícola, La Paz, Imp Artística Socobaya 20, 1912," DTS 220, ABNB.

²¹ "ACTAS Banco de la Nación Boliviana, Junta General de Accionistas, ACTAS 1-105, 10-Feb-1911 [al] 14-Dic-1911," No. 25, letter from director of Banco Agrícola to Banco de la Nación Boliviana, [no date, but letter is between 5 and 8 of April, 1911], Archivo del Banco Central de Bolivia (hereafter cited as ABC), La Paz.

²² Eder describes similar agricultural loan programs administered by Servicio Agrícola Interamericano (SAI, 1948) and later by the United States Operating Mission (USOM). Both SAI and USOM advised the BCB's *Banco Agrícola* on providing rural credit (80-83).

the 1940 agricultural bank, than we do about the private *Banco Agrícola* of 1904-1914. The same institutional weaknesses of previous credit schemes afflicted the BCB's programs.

Banco Central de Bolivia

There are many divisions in society, and for a banking institution to achieve the complexity found in the institutions of the late 20th century microfinance revolution, it must bridge these fundamental divisions. The divisions include those of class, of clan and the rural/urban divide. By contrast, if only a small, urban-based, upper-class group participates in an institution, its scope is limited (Huntington 12, 72). Evidence suggests that the BCB and its agricultural banks were institutions of limited scope by this definition.

Reviewing the meeting minutes from BCB²³ in 1911, one sees that loans were too large to be considered microfinance by any reasonable definition. For instance, the credit committee agreed to give a loan of \$60,000 to Don Donato Lavla for six months, using his various houses, which the bank's lawyer had examined and verified their titles, as guarantees for the loan.²⁴ The BCB approved another loan to Juana N. de Alborta for \$300,000. The title to her house in La Paz, No. 88 on Mercado Street, and a hacienda called "Naranjani" in the Yungas were pledged as collateral. She would use her loan to pay a debt owed to the *Banco Francisco Argandoña* in Sucre and the remaining \$200,000 she would invest in the same bank.²⁵

As context, the lead accountant in the BCB Cochabamba office, Sr. Joaquín Soruco, made \$350/mo., and the lead clerk, Sr. Julio Cámara, made \$275/mo. Two other low-level functionaries made \$200-\$250/mo.²⁶ Therefore Doña Juana Alborta's loan was about 1,000 times greater than the monthly salary of a bank functionary. The bank's ledgers are filled with similar loans. Clearly the BCB did not serve small borrowers, and thus failed to bridge the class divide.

²³ I use the generic acronym BCB to refer to the *Banco de la Nación Boliviana* (1911) and its successor *Banco Central de Bolivia* (1928) in the narrative that follows.

²⁴ "ACTAS Banco de la Nación Boliviana, Junta general de accionistas, ACTAS 1-105, 10-Feb-1911 [al] 14-Dic-1911," 76-7, ABC.

²⁵ "ACTAS Banco de la Nación Boliviana, Junta general de accionistas, ACTAS 1-105, 10-Feb-1911 [al] 14-Dic-1911 (No call #)," 95, ABC.

²⁶ "ACTAS Banco de la Nación Boliviana, Junta general de accionistas, ACTAS 1-105, 10-Feb-1911 [al] 14-Dic-1911 (No call #)," 84-85, ABC.

The loans of the *Banco Agrícola* (the one re-founded in the BCB in 1940) had been similarly large and limited to the upper class. For instance, in November of 1941 the bank approved a loan for 80,000 Bs. to Luis and Raúl Patiño in La Paz for the purchase of cattle. The two brothers in turn provided a lien on a property they owned in the lower and more fertile regions of the La Paz Valley. The term of the loan was for 30 days, until their brother Julio could return from Argentina.²⁷ José Pinto Hernández of Trinidad in Eastern Bolivia also received a loan of 18,000 bolivianos with the collateral of a property on the outskirts of the city, a house in the city and 100 head of cattle.²⁸ These were not examples of proto-microfinance, but rather examples of intra-elite resource transfers. Thus the agricultural bank also failed to bridge the class divide.

Similarly, kinship or clan-based allegiances impeded broader cooperation. For instance, by 1942 the BCB committee on rural credit had received reports of abuses with loan funds. In one meeting, a committee member named Pereira read an editorial that the newspaper *Última Hora* had published about fraudulent use of funds loaned from the bank:

[B]ank credit for increased agricultural production in the east [ern lowlands] is largely redirected toward other ends that yield more profit for the borrowers. This fraudulent activity deprives the country of the hope of being self-sufficient in agriculture. This editorial recommends modifying the modus operandi of the agricultural credit program that the BCB runs, proposing for example that the borrowers repay their loans in agricultural products, not in cash, in order to assure that the loan funds are used to increase agricultural production.²⁹

Pereira located these failures in the bank's inability to overcome family-based loyalties. He read from another article from the La Paz newspaper, *El Diario*, that said, "the new Minister of Agriculture about to be appointed should be [someone] with technical capacity and without outside interests. He should put an end to the disgraceful practice of distributing agricultural credit only to family members and intimate friends..."³⁰ So in addition to serving only the upper classes, the BCB also functioned in accordance with clan loyalties.

²⁷ "Actas 1233-1309, 27-MAY-1941 [to] 13-FEB-1942," 247, ABC.

²⁸ "Actas 1233-1309, 27-MAY-1941 [to] 13-FEB-1942," 261, ABC.

²⁹ "Actas 1233-1309, 27-MAY-1941 [to] 13-FEB-1942," 336-337, ABC. Author translation.

³⁰ "Actas 1233-1309, 27-MAY-1941 [to] 13-FEB-1942," 336-337, ABC.

Finally, the BCB was too weak to address the urban/rural divide. For instance, a loan to Jorge M. Solares Camarona of Trinidad, Beni Department was considered but rejected because of the location of part of his pledged collateral in rural areas. The loan was to be for 25,000 Bs. with a house, a piece of land, and 1,010 cattle pledged as collateral. It was turned down because the land was too far from the nearest urban area, suggesting that urban-based bankers did not have substantive connections in rural areas.³¹

The forgoing begs the question whether any society with such poor transportation, sparse population and backward banking laws could be expected to bridge a fundamental divide such as the rural/urban divide. The answer is yes. As early as the 1900s, the highly agricultural regions of the US South, which were plagued by the 'white scourge' of monoculture cotton production, nonetheless had vibrant correspondence partnerships between urban banks and rural 'community' banks (*Economic Survey*, 228-232). Subsistence farmers and cotton farmers would trek miles into town to deposit money in a bank. One study estimated that by 1914, only 4% of farmers in a still rural Texas had never received a loan from a modern bank (Norris forthcoming).

Therefore the failures in Bolivian banking lead to the question of what factors eventually allowed Bolivians to bridge the deep and previously insurmountable divisions of class, clan and the rural/urban divide. No singular event or development offers a complete explanation, but cultural characteristics of the cooperating members of a financial institution must be included in the answer. The Catholic Church was one of the Bolivian institutions that best united classes, families, and the rural versus urban populations. In the rest of this article, I take one of the most striking cultural developments of the second half of the 20th century, Vatican II, and explain how it helped spur the development of credit cooperatives, themselves important forerunners of the microfinance revolution, in Bolivia.

Turning the Corner: Vatican II

Because credit institutions often deal with asymmetrical power relationships, Bolivian leaders have tended to invoke ethical principles when considering credit. For instance, the private Aramayo & Hermanos *quina* rescue bank was taken over in 1851 by the government and recreated as the *Banco de Rescate del Dominio Privado del Estado*. One analyst argued that this was done out of charity because

³¹ "Actas 1233-1309, 27-MAY-1941 [to] 13-FEB-1942," 261, ABC.

the government often favored debtors, in this case the poor *quina* producers. “The government, always inclined to favor debtors, demonstrated its magnanimity by permitting the cancellation of the borrowers’ debts by accepting deliveries of *quina*, a product that due to its overabundance, was of little or no value” (Crespo 10, author trans.). Similarly, the word ‘usury’ implies an abusive relationship. One technical manual for banking from 1961 under the entry word “Usury” states that a 1961 Bolivian law named the “Repression of Usury” defined the term as any loan of money or other goods in which the interest exceeds 4% per month (Fernández and Flores, 266).³²

Ethical principles affecting credit institutions can be either secular or religious in origin. For instance, proponents of free-market principles were critical of Christian doctrines in Bolivia. Jorje Mallo in 1858 argued that Christian attitudes came from a time when “laws gave creditors the ability to reduce their debtors to the fearful [tr?] and unnatural state of SLAVERY [original emphasis maintained]” and thus could be excessive in their protections of debtors. He further argued that this religious skepticism of credit institutions did not serve the needs of Bolivian society to have increasingly complex credit institutions.³³

And yet, viewing Christian doctrine in Bolivia as economically irrational was not correct in any simple way. For instance, it was arguably Vatican II that initiated Bolivia’s microfinance revolution. The Catholic credit cooperative movement began in Bolivia in the late 1950s and early 1960s. These cooperatives grew rapidly, survived economic turmoil in the 1980s, and still operate today in a complex microfinance sector (Rhyne 56).

There are four truths about the Catholic cooperative movement: doctrines associated with Vatican II were essential to the movement; the institutions spawned were both local and durable, that is, they were not created by outsiders; these institutions were middle-class and urban, suggesting inclusiveness not previously found in popular credit institutions in Bolivia; and finally, no important legal changes coincided with their creation.

First, the credit cooperative movement grew out of the CELAM, the Latin American Council of Bishops, which met in the 1950s. Church leaders created CELAM to develop policies to respond to the growth of Protestantism in Latin America, the increasing influence of Marxism, the perception of an increase of secularism, and the perception of increased poverty as urbanization spread. The

³² Consulted in the ABC.

³³ See Jorje Mallo, *La usura, administración fiscal relativa al capital extranjero, i el empréstito...* (1858), preserved at the Biblioteca “Casto Rojas” del Banco Central de Bolivia, La Paz.

influential Vatican II conclave of 1962-1965 followed, and many credit cooperatives in Bolivia were founded as a direct result. Parish priests, such as Roberto Valda Palma, René Poveda Nova, and Alberto Rizzoli were elected to important positions such as treasurer and executive committees in small cooperatives. Father José Beauseleil helped found FENACRE (National Federation of Savings and Loan Cooperatives of Bolivia), in Cochabamba in 1963. Credit cooperatives such as San Carlos Borromeo (1964, Cochabamba) and San Roque (1964, Sucre) were founded as a direct result of Vatican II (Norris 2011, 217-218; Téllez).

Second, the cooperatives were local and highly institutionalized. At their founding in the 1960s, some cooperatives did benefit from subsidies from USAID. However, when the hyperinflation of 1985 drastically reduced the number of cooperatives, the entities that remained recovered with virtually no outside help. One consultant for the World Council of Credit Unions argued that both NGOs (non-governmental organizations) and banks received government and/or international aid to recover after the hyperinflation, while the credit cooperatives in Bolivia were left on their own to recover or fail (Superintendencia de Bancos 5; Rhyne, 57).

For instance, the San Roque Credit Cooperative in Sucre began with thirty founding members in Sucre in 1963. By 2010 it had approximately 10,000 members, five locations and had passed through 10-12 leaders, all indicators of a high level of institutionalization.³⁴ Its members did receive technical training from the Supervised Credit and Agricultural Extension office within the Bolivian Central Bank and from the regional professional organization of the credit cooperatives, but it had no external subsidy upon founding and virtually none throughout its institutional life. San Roque also received funds from FONDESIF, a government entity, and from an international donor, but cooperative organizers were quick to point out that these funds were themselves loans, not donations. The cooperative lent out the funds, compelled borrowers to repay, and subsequently repaid the loan to the lending entities.³⁵ Similarly, San Carlos Borromeo began with 86 founding members who provided their own capital. By 2010, San Carlos had 5,800 members and had had four leaders over its institutional life.³⁶

³⁴ "Cooperativa 'San Roque Ltda.' Acta de Constitución" (1963). I viewed this document in the San Roque Credit Cooperative in its Sucre headquarters, November 19, 2009. My thanks go to sub-director Julio Peyrera and archivist Daniel Barahona for allowing me to review these documents; Additional information provided by Carlos Zelada, general manager of San Roque, author phone conversation, April 2, 2010.

³⁵ Author interview, Sucre, November 20, 2009.

³⁶ "Acta de la asamblea de constitución" (1964). I viewed this document in the San Carlos

Third, members tended to be middle class or lower middle class: they were neither elites nor peasants. This suggests that these institutions bridged important social divides in Bolivian society. The middle and lower middle class nature of San Roque is seen in the modest sums that the institution managed initially. Upon its founding, San Roque sold 126 shares at 25 Bolivianos per share to 30 members for a total of 3,150 Bs. of starting capital (2,670 Bs. paid-in, i.e., paid in cash vs. owed to the cooperative). To put these amounts in perspective, the average monthly expenditure of the members was 470 Bs. with expenses allocated in the following manner:

food	265
clothes	35
education	35
medical care	30
entertainment	30
rent	50

The relatively low average number of children per family (three), and the fact that 20 of the 30 had a regular source of income are other indicators of the middle class nature of these organizations.

Similarly, the founding 86 members of San Carlos Borromeo bought shares of 25 Bs. per share and had a total paid in capital of 9,250 Bs. (average 4.3 shares per member). For context, in 1968-1969 a lorry (commercial truck) cost 20,000-25,000 Bs., a taxi cost 12,000 Bs., a bicycle cost 700-800 Bs., and a refrigerator cost 800 Bs. San Carlos also directly addressed issues of special relevance to a growing urban class of *cholo* in ad hoc neighborhoods surrounding Bolivia's cities. For example, founding members of the cooperative mentioned "the poor street lighting" in the urban neighborhood that precluded meetings at night, forcing them to have meetings immediately after midday mass on Sunday.³⁷

Furthermore, inclusive credit cooperatives as a general rule did not distinguish among class, clan or status in making loan decisions. The director of San Roque in

Borromeo Cooperative (hereafter SCB) in its Cochabamba headquarters, November 19, 2009. My thanks go to sub-director Edit Antezana for allowing me to review these documents; Edit Antezana, phone interview, April, 2010.

³⁷ "Acta de la Asamblea de Constitución" (1964), SCB.

2007 said, "We don't distinguish among different [political] colors, professions, etc. [in determining who gets to be a member.]"³⁸ Within the Bolivian context, the cooperatives' success at bridging traditional social divisions was exceptional.

Finally, a fourth observation must be added. No significant legal changes, like those under the Melgarejo Regime of the 1870s or the Kemmerer mission of the 1920s, occurred during the development of the Catholic credit cooperatives.

Conclusion

This article has presented an interpretive outline of the development of credit institutions in Bolivia during its 500-year history, one which highlights the role of culture in sustaining credit institutions. I argue that culture, along with material and legal factors, must be taken into account to explain the development of credit institutions at specific times in Bolivian history. To illustrate the dynamic nature of culture and its potential impact on credit institutions, I have given the example of Vatican II and its direct impact on the Catholic credit cooperative movement, an important forerunner of the celebrated micro-finance revolution of the 1970s and 1980s in Bolivia. Further research needs to be done:

1) to better understand the evolution of two competing models of microfinance, that of the "microfinance" or "financial systems approach" versus that of the "microcredit" or "Grameen Bank philosophy" from about 1980 to today (Rhyne 5-7);

2) to understand the impact of evangelical Protestantism on the development of credit institutions and economic activity more generally;

3) to understand the complex relationship between value changes –whether religious or secular in nature– and urbanization in Bolivia; and

4) to understand the impact of the massive linguistic homogenization Bolivia has experienced in the last 50 years, another form of cultural change, on a variety of institutions.

³⁸ Carlos Zelada, author interview, Sucre, August 25, 2007.

ANNEX 1:

Number of Bolivians Participating in the Financial Sector, 2008

	Ind. with outstanding loans 2008	%	Ind. with deposits 2008	%
ASOFIN	505,057	47%	1,398,339	41%
Other NGOs and non- traditional small lenders	325,144	30%	336,445	10%
Traditional Banks	157,271	15%	987,701	29%
Catholic Credit Cooperatives	<u>81,618</u>	<u>8%</u>	<u>674,202</u>	<u>20%</u>
Total borrowers / depositors	1,069,090	100%	3,396,687	100%
Economically active population (EAP) 2008:	3,952,112		3,952,112	
Borrowers / depositors as % of EAP:	27%*		86%**	
Total Bolivian Population in 2008:	9,618,466		9,618,466	

*Could be as low as 25% because ASOFIN has seven constituent members, and it does not guard against double-counting individuals who have loans from multiple associates or deposits in multiple associates. ASOFIN estimates that up to 6% of borrowers might be shared among members. Email correspondence, Fernando Prado, ASOFIN, April 8, 2010.

**Could be as low as 84%. ASOFIN estimated that up to 15% of depositors might be shared among members. See above note.

Data source: Fernando Prado, ASOFIN, phone conversation with author, July 17, 2009.

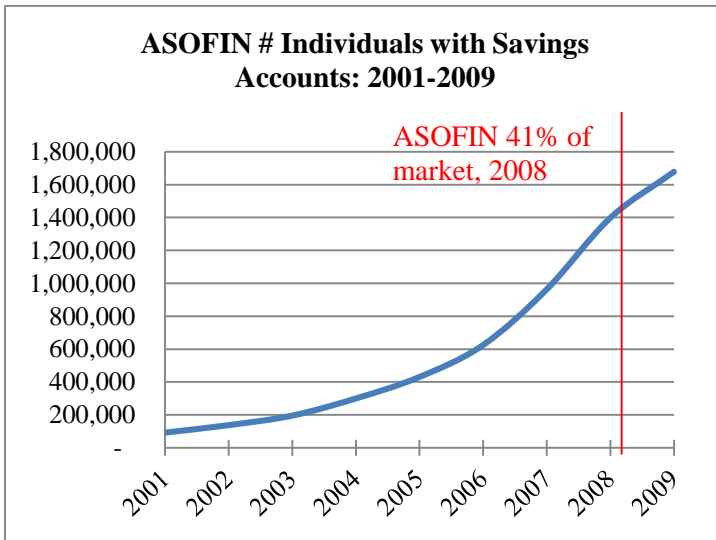
These data are a more updated version of the data that ASOFIN reports in Fernando

Prado, *Resumen institucional - Diciembre 2008* (La Paz: ASOFIN, 2008), 14-15 [<http://www.asofinbolivia.com/archivos/AsofinResumen2008.pdf>];

EAP estimation comes from the Bolivian National Institute of Statistics (INE), [www.ine.gov.bo], accessed April 2, 2010. Total Bolivian population from World Bank, World Development Indicators Online, accessed June 12, 2013.

ANNEX 2:

Growth of Number of Individuals with ASOFIN Savings Accounts: 2001-2009



Data Source: Chart "Número de clientes con depósitos en las entidades de ASOFIN (Cuentas de ahorro y DPF)"

[<http://www.asofinbolivia.com/archivos/91%20INDICADORES%20DEL%20PASIVO.pdf>], accessed April 4, 2010.

It is assumed that ASOFIN's growth is representative of the growth of the Bolivian credit institutions generally. There are two methodological problems with this analysis. First, ASOFIN might have captured a greater or lesser percentage of the

market during the 2001-2009 period, in which case the overall Bolivian market growth curve would look different. Second, there is a potential double counting of ASOFIN depositors and borrowers (mentioned above). Despite these deficiencies, the ASOFIN data offer the most methodologically consistent time series data set for growth of credit institutions in Bolivia, and ASOFIN's growth is probably highly representative of the sector as a whole.

2001	2002	2003	2004	2005	2006	2007	2008	2009
91,450	136,959	194,992	299,334	430,085	624,624	963,252	1,398,339	1,678,580

Works Cited

Archives Consulted

- Archivo del Banco Central de Bolivia (ABC), La Paz
 Archivo y Biblioteca Nacionales de Bolivia (ABNB), Sucre
 Biblioteca "Casto Rojas" del Banco Central de Bolivia, La Paz
 David Rubenstein Rare Book & Manuscript Library, Duke University, Durham
 San Carlos Borromeo Credit Cooperative (SCB), Cochabamba
 San Roque Credit Cooperative (SRCC), Sucre

Secondary sources

- ACEMOGLU, Daron and James A. Robinson. 2012. *Why Nations Fail: The Origins of Power, Prosperity and Poverty*. New York: Crown Publishing.
- ARGUEDAS, Alcides. 1922. *Historia general de Bolivia (El proceso de la nacionalidad) 1809-1921*. La Paz: Arnó Hermanos.
- ARISTOTLE. 1984. *Nicomachean Ethics*. Translated with commentaries and glossary by Hippocrates G. Apostle. Grinnell, IA.: The Peripatetic Press.
- ASOFIN. 2007. "ASOFIN, Institutional Presentation, October 2007." [<http://www.asofinbolivia.com/archivos/English%20Oct07.pdf>] downloaded December 7, 2015.
- . 2010. "Número de clientes con depósitos en las entidades de ASOFIN (Cuentas de ahorro y DPF)."

- [<http://www.asofinbolivia.com/archivos/91%20INDICADORES%20DEL%20PA SIVO.pdf>] downloaded December 7, 2015.
- BALLIVIÁN, Adolfo. 1920. *Bolivia: Her Resources and Future*. London: E. Stanford.
- BAPTISTA GUMUCIO, Mariano. 2003. *Banco Nacional de Bolivia, S.A.: 130 años, 1872-2002*. La Paz: Banco Nacional de Bolivia.
- BELTRÁN CABALLERO, Arturo and Jean Paul Guzmán Saldaña, eds. 2001. *La creación del Banco Central de Bolivia: explorando en el espejo del pasado, 1928-1930*. La Paz: BCB.
- BENAVIDES M., Julio. 1955. *Historia bancaria de Bolivia*. La Paz: Editorial Kollasuyo.
- BOHAN, Merwin L. 1988. *Plan Bohan: Bolivia*. La Paz: Editorial Carmach.
- COLEMAN, James S. 1988. "Social Capital in the Creation of Human Capital." *The American Journal of Sociology* 94. S95-S120.
- CRESPO G., José. 1922. *Bancos y sistemas bancarios en Bolivia*. La Paz: Litografías e Imprentas Unidas.
- DRAKE, Paul W. 1989. *The Money Doctor in the Andes: The Kemmerer Missions, 1923-1933*. Durham, NC.: Duke University Press.
- EASTON, Tom. 2005. "The Hidden Wealth of the Poor." *The Economist*. Nov. 3. [<http://www.economist.com/node/5079324>] downloaded December 7, 2015.
- ECLA (Naciones Unidas, Comisión Económica para América Latina). 1958. *Análisis y proyecciones del desarrollo económico, IV: El desarrollo económico de Bolivia*. Mexico City: United Nations.
- ECONOMIC SURVEY OF TEXAS. 1928. St. Louis, MO.: Southwestern Bell Telephone Co.
- EDER, George Jackson. 1968. *Inflation and Development in Latin America: A Case History of Inflation and Stabilization in Bolivia*. Ann Arbor, MI.: U of Michigan.
- FERNÁNDEZ, Pablo and Rubén Darío Flores. 1961. *Manual y compilación bancaria*. La Paz: Superintendencia de Bancos.
- FUKUYAMA, Francis. 1995. *Trust: The Social Virtues and the Creation of Prosperity*. New York: Free Press.
- GEERTZ, Clifford. 1962. "The Rotating Credit Association: The Middle Rung in Development." *Economic Development and Cultural Change* 10 (3): 241-263.
- GODOY, Ricardo A. 1990. *Mining and Agriculture in Highland Bolivia: Ecology, History, and Commerce among the Jukumanis*. Tucson, AZ.: U of Arizona Press.

- GÓMEZ GARCÍA, René and Rubén Darío Flores. 1962. *La banca nacional*. La Paz: Empresa Editora Universo.
- GREIF, AVNER. 2006. *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade*. Cambridge, UK.: Cambridge University Press.
- HEICHELHEIM, Fritz. 1958. *An Ancient Economic History, from the Paleolithic Age to the Migrations of the Germanic, Slavic and Arabic Nations*. Leiden: A.W. Sijthoff.
- HUNTINGTON, Samuel P. 1968. *Political Order in Changing Societies*. New Haven: Yale University Press.
- KINDLEBERGER, Charles P. 1984. *A Financial History of Western Europe*. London: George Allen and Unwin.
- KLEIN, Herbert. 2004. *A Concise History of Bolivia*. New York: Cambridge University Press.
- LANGER, Erick. 1989. *Economic Change and Rural Resistance in Southern Bolivia, 1880-1930*. Stanford: Stanford University Press.
- LASERNA, Roberto. 2011. "Falling into the Rentier Trap: Or How Evo Morales is Missing an Opportunity." *ReVista: Harvard Review of Latin America*. Fall. [<http://revista.drclas.harvard.edu/book/falling-rentier-trap>] downloaded December 7, 2015.
- LEONARD, Olen E. 1948a. *Canton Chullpas: A Socioeconomic Study in the Cochabamba Valley of Bolivia*. Washington, DC.: Office of Foreign Agricultural Relations.
- . 1948b. *Santa Cruz: A Socioeconomic Study of an Area in Bolivia*. Washington, DC.: Office of Foreign Agricultural Relations.
- LEWIS, Oscar. 1959. *Five Families*. New York: Basic Books.
- LOPEZ, Robert S. 1979. "The Dawn of Medieval Banking." *The Dawn of Modern Banking*. Center for Medieval and Renaissance Studies, UCLA, ed. New Haven: Yale University Press. 1-23.
- . 1971. *The Commercial Revolution of the Middle Ages, 950-1350*. Englewood Cliffs: Prentice-Hall.
- MALLO, Jorje. 1858. *La Usura, administración fiscal relativa al capital extranjero, i al empréstito, escrito por el Ciudadano Jorje Mallo*. Sucre: Tipografía del Progreso. Biblioteca "Casto Rojas" del Banco Central de Bolivia, La Paz.
- MARX, Karl. 1915. *Capital: A Critique of Political Economy*. Chicago: Charles H. Kerr and Company.

- MAUSS, Marcel. 1990. *The Gift: The Form and Reason for Exchange in Archaic Societies*. New York: WW Norton.
- MILLER, John. 1929. *Memoirs of General Miller, in the Service of the Republic of Peru*. London: Longman, Rees, Orme, Brown, and Green.
- MORALES, Juan Antonio, et al. 2005. *Historia monetaria contemporánea de Bolivia. Siete momentos capitales en los 77 años de historia del Banco Central de Bolivia*. La Paz: BCB.
- MURRA, John. 1975. *Formaciones económicas y políticas del mundo andino*. Lima: Instituto de Estudios Peruanos.
- NORRIS, Brian. Forthcoming. "A Lordly Air of Independence: Culture and the Coming of Modern Banking to Texas, ca. 1880 to 1920." *East Texas Historical Journal*.
- . 2011. "Ideology and Social Improvement in Bolivia during the 20th Century." *Bolivian Studies Journal* 18. 198-228.
- PACHECO, Mario Napoleón. 2005. "La fundación del Banco Central de Bolivia (1929-1932)." *Historia monetaria contemporánea de Bolivia. Siete momentos capitales en los 77 años de historia del Banco Central de Bolivia*. Juan Antonio Morales et al., eds. La Paz: BCB. 33-79.
- PETEET, Walton. 1917. "What Texas Farmers Pay for Credit." *Farming Credit in Texas*. Clarence Ousley, ed. *Bulletin of the Agricultural and Mechanical College of Texas* B-34 (February): 5-79.
- PRADO, Fernando. 2008. *Resumen institucional - Diciembre 2008*. La Paz: ASOFIN. [<http://www.asofinbolivia.com/archivos/AsofinResumen2008.pdf>] downloaded December 7, 2015.
- PUTNAM, Robert D. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon & Schuster.
- RHYNE, Elisabeth. 2001. *Mainstreaming Microfinance: How Lending to the Poor Began, Grew, and Came of Age in Bolivia*. Bloomfield, CT.: Kumarian.
- ROJAS, Casto. 1916. *Historia financiera de Bolivia*. La Paz: Talleres gráficos Marinoni de A. Chiocchetti.
- SCHURZ, William Lytle. 1921. *Bolivia: A Commercial and Industrial Handbook*. Washington, DC.: US Government Printing Office.
- SMITH, Adam. 1852. *An Inquiry into the Nature and Causes of the Wealth of Nations*. London: T. Nelson and Sons.

- SOTO, Hernando de. 2000. *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Basic Books.
- . 1989. *The Other Path*. New York: Harper and Row.
- SUPERINTENDENCIA DE BANCOS Y ENTIDADES FINANCIERAS BOLIVIA. 2004. *Características de las tasas de interés en las microfinanzas: el caso de Bolivia*. La Paz: Superintendencia de Bancos y Entidades Financieras Bolivia. [http://www.microfinancegateway.org/sites/default/files/mfg-es-documento-caracteristicas-de-las-tasas-de-interes-en-las-microfinanzas-el-caso-de-bolivia-7-2004.pdf] downloaded December 7, 2015.
- TÉLLEZ, Marco Antonio. 1976. *Las cooperativas de ahorro y crédito de Bolivia*. La Paz: Universidad Católica Boliviana.
- WACHTEL, Nathan. 2001 [1990]. *El regreso de los antepasados: los indios urus de Bolivia, del siglo XX al XVI: ensayo de historia regresiva*. Trad. Laura Ciezar. Mexico City: El Colegio de Mexico, Fondo de Cultura Económico.
- WEBER, Max. 2002. "Churches' and 'Sects' in North America." *The Protestant Ethic and the 'Spirit' of Capitalism and Other Writings*. Peter Baehr and Gordon C. Wells, eds. New York: Penguin Books. 203-220.
- . 1978. *Economy and Society: An Outline of Interpretive Sociology*. Berkeley: University of California Press.
- WISNIWSKI, Sylvia. 1996. *Demanda potencial para servicios financieros*. La Paz: Fondo de Desarrollo Campesino. Gerencia de Crédito.
- ZONDAG, Cornelius H. 1956. *Problems in the Economic Development of Bolivia*. La Paz: US Operations Mission to Bolivia.



New articles in this journal are licensed under a Creative Commons Attribution 4.0 United States License.



This journal is published by the [University Library System](#) of the [University of Pittsburgh](#) as part of its [D-Scribe Digital Publishing Program](#), and is cosponsored by the [University of Pittsburgh Press](#).