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THE INFORMAL ECONOMY.  
Comparative Studies in Advanced and  
Third World Countries

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**COCAINE, INFORMALITY AND THE URBAN ECONOMY IN  
LA PAZ, BOLIVIA**

by

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## Introduction

Over the last few years, Bolivia has experienced important changes as a result of the transition from a "tin economy" to an economy based on the production and export of cocaine. Throughout its history, Bolivia has always been dependent upon the hazards of the international market which, over time, have given way to a highly disarticulated society where formal economic activities have been the exception rather than the rule and where the state has been weak in its attempts to organize society as well as the economy.<sup>1</sup>

Economic informality has always been widespread in Bolivia. The formal sector has been, for the most part, small, fragile, dependent upon its relationship to the world market, and restricted to the small sphere of state-manager enterprises. On the other hand, the Bolivian government has been traditionally unable to control the private sector. The shift from "the tin connection" to the "drug connection" has brought about an expansion of informality in general, and specially or urban underground economic activities aimed at subsistence.

Drug traffic did not create the urban informal sector in Bolivia. However, it has rapidly penetrated previously existing underground activities, expanding and strengthening them. Thus, the triangle composed of drug traffic, clandestine economic transactions and a vulnerable formal sector, has become a distinctive feature throughout the country. In this triple relationship, urban informality increasingly depends upon the logic of clandestinity and less so on the dynamics of the formal sector. These circumstances have accentuated as a result of the recent economic crisis.

The purpose of this chapter is to document the links between the expansion of the cocaine-based economy and the growth of urban informality in the capital city of

La Paz. The main focus is on the impact of this economic arrangement on family survival strategies as the tin economy collapses leaving in its wake unprecedented rates of unemployment. First, the development of cocaine production and marketing are considered. Second, the characteristics and configuration of the urban informal sector are outlined. Finally, the role of the state is examined.

### Cocaine Production and Marketing

The cocaine economy in Bolivia developed rapidly during the seventies due to external demand and the internal dislocation ensuing from it. Ironically, the country's comparative advantage in the production of coca leaves, and in the manufacture and marketing of sulphates attracted capital investments denied to other sectors of the domestic economy. This competitive edge also effected the incorporation of peasant families into the international economy.

In Bolivia, the cultivation of coca (*Erythroxylon Erythroxylaceae*) is generally in the hands of families with plots of land averaging six hectares of which two are dedicated to growing coca. There are larger fields but they are the exception (Blanes 1983). Coca became the most advantageous and least difficult form of cultivation for settlers in the tropical zones of Chaparé and Los Yungas since their arrival from the high lands and the valleys.<sup>2</sup> Originally, coca was grown to meet internal demand for traditional chewing and ritual purposes (Carter and Mamani 1986). However, production did not surpass an annual average of 15,000 metric tons or less than 10% of total agricultural production (Flores-Blanes 1984).

By December, 1981 (when the study on which this chapter is based was completed), approximately 15,000 families or 80,000 people were living in Chaparé. These families were growing coca and selling it locally at prices so high that they

provided excellent support for many peasants. A plot averaging 12 hectares, with two dedicated to coca, and not requiring more than family labor (Blanes 1983) yielded annual earnings which fluctuated between \$15,000 and \$20,000 in 1981 (Flores-Blanes 1984).

The differential advantage of coca production led to the reduction or elimination of other agricultural forms such as rice, banana, and citric fruit cultivation. At present, an estimated 70,000 to 80,000 families are growing coca in Chaparé. This represents a total population of about 400,000 people, that is five times as many as were involved in coca production six years before.<sup>3</sup>

Attempts at controlling drug traffic towards the end of the 1970s made it difficult to sell basic ingredients to cocaine producers who had to transport them by road to the region of Santa Cruz, 700 kilometers away from Chaparé. In the face of this disruption, peasants intensified their own elaboration of raw paste which was manufactured earlier by agents outside the zone. As a result, knowledge of chemical procedures grew widely among peasants even though most of them are illiterate. Until 1983, the cristalization of cocaine powder had been done in Colombia where loads of raw material arrived from hundreds of concealed landing fields in the intricate Bolivian jungle. At present, a large portion of cristalization is also being done in Bolivia. Also as a result of these changes, a transient population of merchants and "pisadores"<sup>4</sup> has grown. One of the latter can earn in two nights the equivalent of the monthly wages of a construction worker in the nearby city of Cochabamba.

Commercialization of cocaine attracted resources for financing operations, not only in manufacture but also in subsidiary activities. This situation offered opportunities for profit to small investors who lacked better options, particularly in recent times when economic crisis has prevailed.<sup>5</sup> Thus, the impact of the cocaine

economy affected the labor market leading resources and workers underground. Many activities involving a large number of people are indirectly related to cocaine production. However, their magnitude is difficult to appraise given their clandestine character. For example, "ant" merchants purchase raw materials in advance from relatives, friends, or acquaintances, often providing the necessary investment to cover coca production costs. The final phases involving the export of huge volumes of cristalized or un-cristalized drug is in the hands of tightly-knit groups who are guarded by sophisticated security systems.

As important as the physical infrastructure of the drug trade has been the development of a penetration strategy into government agencies and the society at large. Complicity from judges, police, and the armed forces has been necessary for the emergence of new drug empires. Without corruption, it would have been almost impossible to export more than 350 tons of cocaine and to import more than \$100 million in contraband goods, as it was done in 1985.

There is no reliable data regarding the production of coca and cocaine. Only estimates are available. Although these assessments offer vastly different pictures, they agree in one respect: the rapid rate of growth in production. Table 1 shows one of the most trustworthy calculations at present. As may be seen, the value derived from coca cultivation and cocaine production is enormous. The rate of growth of these activities has greatly accelerated over the last few years although there have been major conjunctural fluctuations. Table 2 indicates that coca growers received between 370 and close 500 million dollars for their goods in 1985. To these figures must be added another 20% of sales volume derived from domestic coca marketing for traditional chewing and ritual uses.



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tables 1 and 2 about here  
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Cocaine's value grew at an accelerated rate during the last five years. Table 3 presents estimates on the basis of two different hypotheses regarding the production of basic paste by volume of coca leaves. That proposition depends on the type of leaf and on the chemical procedures used. Using primitive "laboratories" in their family-kitchens, peasants generally obtain a highly impure paste and a lower yield per amount of raw coca.

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table 3 about here  
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Table 3 shows the rapid growth in the volume of cocaine production during the 1980s. This growth has transformed the Bolivian formal sector into a near fiction. In 1980, only 11% of the economy was based on cocaine production; five years later, that figure had expanded to 80%. Official figures do not provide an accurate portrayal of this trend because they record only the small portion of economic activity which is still legally sanctioned.

A formal economy as small as that of Bolivia cannot absorb the bulk of revenues generated by cocaine production and marketing, especially when considering the long-standing presence of free-floating capital outside state control and unable to find a profitable function in the private sector. This fluid capital has grown as a result of illegal cocaine traffic. Investments have been channelled into sectors like contraband, black market currency deals and the export of illegal revenues. All these activities have swelled, in turn, the informal economy. At the same time, earnings

from cocaine production and the expansion of the informal economy in general have fed luxury markets fostering speculation and inflation. The latter grew to 40,000% during 1985 (Nuñez del Prado 1986).

Informal and/or drug-related activities propelled a regressive income distribution giving rise to social groups with high consumption power in the midst of recession. Patterns of consumption were distorted, particularly among the affluent, and new stratification schemes -- containing middling groups as well as nouveaux riches -- emerged. Legal productive activities came to be seen with disdain and labor markets became disarticulated. Illegality came to be the rule of economic activity.

Cocaine production and other illegal sectors further encouraged traditional patterns of tax and labor code evasion as well as the import of contraband and the flight of revenues. According to some economists, the size of illegal economic transactions is comparable to the official balance of trade. The laundering of illegal earnings has pushed up the price of durable commodities and even the price of non-perishable subsistence goods (Nuñez del Prado 1986). Table 4 offers a summary of the present structure of the Bolivian economy.

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table 4 about here  
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#### The Urban Informal Sector

Bolivian cities are inhabited mostly by a poor population of former peasants whose expectations regarding full citizenship and employment have been largely frustrated. The urban informal sector in Bolivia is closely linked to material survival. This is in contrast to findings of research elsewhere (see Bryan Roberts and Lourdes

Benerfa this volume). In those case studies, productive industrial capital articulates with a wide series of informal activities. In the case of Bolivia, such connections are absent.

It is true that productive activities can be found within the urban informal sector. These range from crafts to services, sold as part of a traditional strategy for family subsistence. However, the liberalization of customs regulations and the growth of contraband has eroded long-standing informal activities such as the manufacture of low-cost footwear and clothing. In this respect there is some resemblance with the account of economic informalization in Guadalajara (see Roberts this volume).

In Bolivian mining areas, informality expanded as a result of links to the formal economy, particularly to state-controlled firms. The families who extract and sell ore to COMIBOL (the state-managed mining corporation) bear striking similarities to the informal workers observed by Benerfa in Mexico City. In both cases, informality is organized as a pyramid where a large base of unskilled and semi-skilled homeworkers are joined to formal firms through a chain of intermediaries (Benerfa this volume).

In cities like La Paz, underground activities most intimately linked to the dynamics of capital are also related to the marketing of imported contraband. These activities encompass more than half of the informal sector in all larger urban centers. They have evolved in harmony with the growth in the purchasing power of those benefitting from informal and/or cocaine-related transactions.

According to the 1976 national census, and excluding domestic services, about 47% of the working urban population in Bolivia is part of the informal economy. This category includes both family enterprises and small semi-entrepreneurial establishments.<sup>6</sup> The most important group within the urban informal sector is that formed by

self-employed workers who represent approximately 66% of total informal employment (Casasnovas and Escobar de Pabón 1984).

The private formal sector is extremely small, employing only 17% of the economically active urban population. By comparison, the public sector employs 26%. Thus, the urban economy is basically shaped by government-supported activity, on the one hand, and the small productive units in the informal sector, on the other. In 1983, 152,215 economic units were identified in the larger urban centers, but only 8,340 (5.5%) employed five or more workers. These larger units provided employment to 51.6% of the working population or 414,606 individuals. By contrast, the informal sector contained 143,875 establishments (94% of the total) hiring 48.4% of this population (INE 1983).

Informal establishments are often no larger than booths or stands. All of them are highly dispersed, with the exception of certain commercial enterprises which concentrate in specialized urban areas. Three different types of informal operations can be identified: those which have an actual establishment (65,235 or 45.3%) and employ 58% of those working informally, and those which rely on mobile or fixed stands. In 1983 there were 30,059 fixed stands which provided 16.4% of informal jobs, and 48,581 mobile stands which hired 25.6% of workers in that sector (see table 5). Almost 97% of those units are dedicated to commercial activities, while the remainder is involved in manufacture, services, and non-specified activities. Of 48,581 mobile units identified, 97.2% were involved in commerce (INE 1983).

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table 5 about here  
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The importance of the urban informal sector in the capital city of La Paz stems from the concentration of about half of the economically active population in that sector. An additional 5% is employed in domestic services. As seen in table 6, the tendency during the last ten years has been toward a relative parity between the formal and informal sectors in terms of the population employed in each. Within the informal economy, almost 96% of fixed and 96.6% of ambulatory stands are dedicated to commercial activities; this is a proportion similar to that found in other cities (INE 1983).

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table 6 about here  
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Informal commercial activities have attracted a growing number of people over the last few years. Levels of capitalization vary, but there is a common denominator -- to survive and perhaps grow outside of state control. The small units composing the informal sector are grouped in unions, but participation of those at the base is fragile. Instead, organized activity is dominated by powerful groups at the top. State control over this sector is almost non-existent: most businesses are not even registered (Casanovas and Escobar de Pabón 1984). By contrast, union leaders have imposed strong hegemony and structure.

Small commercial activities employing most of those in the urban informal sector are highly heterogeneous. As observed by Donoso (1980), they are characterized by a stratification similar to that described by Benerfa for Mexico City. The pyramidal configurations found in both instances include a belt of prosperous merchants at the middle. In the case of La Paz, these individuals are directly or indirectly involved in contraband activities, marketing foreign goods through a myriad of small peddlers.

Most of these are mobile, while others have fixed establishments in busy commercial zones or in neighborhood markets (INE 1983 and Blanes 1984). Depending on the type of product and the existing demand, the base of the pyramid contracts or expands. This form of peddling provides employment to many poor people willing to invest their meager savings. The top of the pyramid also contains fractions of informal capital invested in finance, particularly in loan-sharking and smuggling.

The commercial sector, constituted mostly by informal establishments, involves a large number of people. In 1980, there were 51,381 commercial establishments, restaurants, and hotels in La Paz.<sup>7</sup> There were 719,780 individuals living in the city in the same year. In other words, there was a business for every 14 persons. In addition, there were 27,606 stands for retail distribution selling mostly agricultural products, that is, a stand for every 26 urban dwellers (Blanes 1984).

During the last five years, the commercialization of contraband has also expanded in border areas. This has been stimulated by the rise in relative prices of these goods and by stagnation in other sectors. Government policies aimed at encouraging free competition and opening-up the economy to the exterior, as well as the pressure of free-floating capital, have exacerbated the tendency toward informalization. However, the most powerful factor in the growth of contraband has been the drug-traffic boom.

#### Cocaine and the Urban Informal Sector

What are the connections between the cocaine economy and the urban informal sector? The articulation of the two is rather complex. A first nexus can be found in the growth of revenues derived from cocaine production which foster demand for consumer durables. A different link is formed by the very activity of contraband which

acquires an independent dynamism given the volumes exchanged, the Bolivian industrial underdevelopment, and the weaknesses of state regulation. In sum, informal activities have promoted the insertion of revenues derived from cocaine production into the national economy.

Field research and direct observation in the zone of Chaparé point to a differentiation of agents involved in the cocaine economy. All of these agents -- coca producers and families manufacturing cocaine paste, buyers and intermediaries, those who process drug in pure form, the exporters, and the corrupt state functionaries -- move large sums of money. However, the behavior of each of these participants regarding the allocation of revenues derived from cocaine-related transactions varies. Some channel investments into the national economy; others export earnings.

A numerically important group in this respect is that of families involved in the growing, harvesting, and processing of coca. As part of our study, producers were probed in 1981 regarding the allocation of coca earnings. Most families spent those revenues in trucks and other types of transportation, domestic electrical appliances, land, homes and education for their children. In addition, direct observation showed that conspicuous consumption of foreign-made commodities of all kinds was widespread in this group.

Another important cluster of agents involved in this process is formed by intermediaries and merchants. The social origin and economic composition of coca buyers and stockers differs from those found among coca producers in that they are preponderantly urban and knowledgeable about the mechanisms for circulating cocaine. This group has been joined by middle-class elements deeply affected by the economic crisis. Such is the case of school teachers and other professionals. No research has been conducted among the members of this group. However, it is likely that their

spending patterns are similar to those found among small producers, that is, closely linked to consumerism and/or social rites of passage.

However, an important difference is that they are more familiar with informal and formal practices than peasants. Thus they often act as the agents of capital, introducing money into the finance system and feeding contraband as well as other illegal and legal activities. This group has substantial savings in banks, its members form the most important market for real estate, automobiles, and other high-cost goods. In sum, this is a new social class which has used the drug and informal economies as channels for integration and upward social mobility. Alternative paths such as higher education, public employment, and professional careers, had been exhausted by the end of the seventies.

Among cocaine exporters are those who prefer to move their profits to foreign banks which are then used as direct connections to the international market. Doria Medina (1986, 72) notes that capital flight is a widespread phenomenon among the Bolivian bourgeoisie. He estimates that of the \$2,446 million dollars produced by cocaine in 1985, only \$500 million remained in the country. However, it is also probable that a sizable portion of cocaine revenues is moved within the state-managed and private financial structure in Bolivia, where functionaries accept deposits or investments in dollars without inquiring about their origin.

Large but difficult-to-estimate amounts of money enter the Bolivian economy through corrupt officialdom. Among them are members of the police, the armed forces, the legislature, the judicial system, and the state agencies. Their illegal earnings move through the familiar paths described above. The only difference resides in their point of entry, at the level of official government. Some functionaries involved in this process have chosen to invest in Bolivia, particularly in the purchase of real estate



and the import of contraband goods. In a manner similar to direct producers and intermediaries, this sector has also greatly expanded demand for conspicuous consumption items, particularly of foreign-made goods.

In Bolivia, where extreme poverty restricts large-scale industrial projects, where credit is costly, and where there is a tradition of speculation even within government, contraband trade has become a relatively safe and profitable activity. According to official sources, imports have diminished over the last five years. In fact, there has been a shift of imports to contraband. Trading in smuggled goods yields profits which allow capital great velocity in circulation, making this type of investment more advantageous and less risky than industry. This trade also permits the expansion of capital, as shown by the increment in the number of business start-ups and shopping centers in neighborhoods specializing in the selling of contraband.

Smuggled commodities are of different kinds. It is necessary to differentiate among those catering to high-income groups and those which are favored by the poor. Luxury automobile and real estate consumption have grown over the last few years as a response to the formation of new social groups where earnings are concentrated. This also explains the emergence of specialized grocery stores in La Paz where U.S.- and Brazilian-made foods are sold to the affluent.

However, there are other products sold to the poor in retail stands and small stores. It is at this level that the majority of ambulatory peddlers participate in the urban economy. They form a "reserve army of distribution" vis-a-vis large importers and wealthy intermediaries. In addition, there is demand for new products which are not manufactured in Bolivia. Goods of every kind and for every possible group can be found in the "Little Miami" of La Paz.

The preceding description shows the articulation of several levels of economic activity: illegal transactions join the criminal and drug-related sectors in circuits which eventually feed into a small legitimate sphere. Ironically, this triple connection has ameliorated the impact of the economic crisis by expanding employment and the circulation of resources.

In addition, the cocaine boom has contributed to the "dollarization" of the Bolivian economy swelling the currency black market. This has reinforced the informal market for credit. Demand for dollars had diverse origins. However, all of them converge in the growing informalization of the financial sector.

Inflationary pressures during the period 1982-1985 produced demand for large amounts of circulating currency. Coca production and basic paste started to be paid in dollars. At the same time, peasant families saw dollars as a good means for protection savings in the midst of galloping inflation (Nuñez del Prado 1986). Dollars became common currency in Bolivia, allowing the state to save in the manufacture of paper money. The same process slowed down the excessive circulation of Bolivian pesos at a time when attempts were being made at containing inflation.<sup>8</sup> Obsolescence followed the emission of paper money: in 1982 the top nomenclature was one hundred pesos; by 1985, it was ten million.

With such high levels of inflation, the circulation of dollars allowed the Bolivian economy to function. According to Doria Medina (1986, 59) 80% of the supply of dollars needed by the Bolivian economy between 1984 and 1985 came from drug-related activities. With the legalization of the currency black market in 1985, access to dollars became even easier. There are approximately 450 registered ambulatory currency traders, and a similar number of un-registered peddlers in the streets of La Paz. Together, they respond to the demand of small buyers, but many are contracted

by "commercial enterprises" when the demand for dollars grows. Today any Bolivian bank can offer savings plans in dollars at an annual interest rate of 16%.

### The State and Economic Informalization

The shift toward informality in Bolivia cannot be fully understood without giving attention to the role that the state has played over the last few years. The state's central participation in this process does not stem from its regulatory capability, as in the case of Uruguay (Fortuna and Prates this volume) or from its ability to control the economy. Instead, it flows from its complicity and its weakness. Government agencies and public officials were affected from the beginning by the rise of the cocaine economy. One of the main negative outcomes was escalating inflation which demolished the formal sector, allowing the informal to emerge as a solution to many serious problems. In the same vein, drug-related transactions fanned by corruption have eroded the legitimacy of the state. Thus, the Bolivian informal economy is less linked to normal capitalist firms, as it happens elsewhere, and more related to the wayward behavior of government agencies.

Drug-trafficking was originally made possible by the paternalistic government of General Hugo Banzer during the 1970s. This period was followed by a stage of rapid accumulation during which drug-traffic became consolidated. Finally, a third phase was characterized by the further extension of the drug connection, as the tin economy collapsed. During this last period, the state has lost all power vis-a-vis drug traffickers while simultaneously becoming the main focus of economic, social and political mobilization.

The shift begun during the seventies was marked by the dismantling of the welfare state instituted in 1952 and by the growing power of wealthy groups in the

western part of the country dedicated to agriculture, industry, commerce, and drug-traffic. Contraband and other forms of informal economic activity were implicitly accepted by the state and even used as part of patron-client exchanges. The shift of investments from agriculture to drug-related production, as well as the allocation of large expanses of land to cocaine factories, made possible the emergence of a totally new economic configuration (Delpirou and Labrusse 1986, 132-133). Capital increases surpassing the capacity of the formal sector further encouraged the transition toward the cocaine economy.<sup>9</sup>

In the early 1980s, the state actually intervened to strengthen cocaine-related production and marketing. General García Meza's coup d'etat was correctly portrayed as a drug-related move. Few governments have been as notoriously corrupt as the one headed by García Meza. During that period, the Ministry of the Interior became the main regulator of trade in coca. With that administration, the break-down of state legitimacy accelerated. Moreover, during the same period, members of the armed forces became directly involved in the manufacture and export of cocaine while, at the same time, smuggling precious stones out of the country. Under these circumstances, the press coined the term "narcocracy" to designate a situation where public officials not only benefited from drug-related transactions, but also constituted a new national power capable of articulating different levels of formal and informal economic activity.

A state imprisoned by drug-traffic and its own weakness characterizes Bolivia at present. On the one hand, cocaine-related capital has consolidated new social and political structures. On the other, the state has lost large revenues originally provided by its formal economic base. Finally, the external debt has further shown the inability of traditional structures to move the country forward. In spite of the relative autonomy of criminal capital, a central role is still being played by the state as it

launderers or legalizes revenues derived from cocaine production, tolerates the advance of the informal sector, and oversees the dismantling of formerly viable sectors such as government-managed mining.

What are the consequences of this new relationship between the Bolivian state and the economy? As seen from the previous recount, the state has forfeited its relationship with the popular sectors, as defined during the 1952 Revolution. It now emerges as a class-specific mechanism rather than as an arbiter among the interests of various social groups. Within this new state there are clusters able to wield great power, but more importantly, capable of directing the economy to their own advantage.

Under these conditions, the state is incapable of imposing discipline upon the vested interests of cocaine production. Furthermore, it cannot influence the links joining illegal activity to the international market. Government is now restricted by new banking and commercial interests, and particularly, by the international "narcocracy". In the absence of a viable economic base, it is witnessing its own demise as a socio-political actor.

At the same time, the drug connection represents a new form of dependence which deepens economic informalization and accelerates the disappearance of other socially significant organizations. Because informality has greatly expanded employment, it is becoming a mechanism for legitimizing drug-related activities. Thus, an economy known to be illegal and even criminal is becoming the principal source of income for large numbers of poverty-stricken Bolivian families.

Great ambiguity characterizes Bolivia at present. On the one hand, drug-traffic accounts for the largest percentage of criminal activities -- including murder, corruption, and prostitution. On the other, the informal economy has expanded employment and the circulation of resources during times made difficult by the collapse

of formal structures. Contraband takes place in plain day-light because it is seen as an activity which generates employment. It is morally impossible to legitimize the cocaine economy. However, over the last three years, Bolivia has witnessed the destruction of its alternative bases for national development. The drug connection has simultaneously created a booming economy, at least for some sectors, and degraded social and political life to a point where recovery and the adoption of a different national course are questionable.

### Footnotes

1. The weakness of the Bolivian state is demonstrated by the following facts: over the last 25 years there have been 323 registered political parties and more than 20 administrations. Between 1925 and 1983 there have been 170 coups d'états. During 1985 alone there were more than 600 strikes and 7 major government crises (Calderón 1986, 127).
2. Chaparé is a large territorial expanse containing both mountains and sub-tropical valleys in the Department of Cochabamba. Yungas are deep valleys extending from the high plateaus into the tropical portion of the Department of La Paz.
3. Total population in Bolivia in 1986 was 6 million.
4. "Pisadores" are young, generally unemployed individuals whose job is to step on bunches of coca leaf drenched in sulfuric acid and immersed in large pits covered with plastic.
5. Between 1980 and 1985, there was a steady drop of the gross internal product in Bolivia. Rates when from -6.6% to -11.7% in the case of industry. In 1985, consumer prices reached an average annual growth rate of 11,749.6%.
6. Under the category "informal sector" are included: the owners and workers in shops hiring fewer than five persons; self-employed workers; and finally, non-remunerated family helpers or apprentices.
7. This figure includes: 11,025 fixed and 24,800 mobile stands as well as 15,556 small, medium-size, and large establishments including restaurants and hotels.
8. At the end of 1986, dismissed miners demanded that severance payments be made in dollars. The Bolivian government had no objection.
9. Bolivia enjoyed a privileged status as an oil exporter at the time when the price of that product reached its peak. This situation coincided with rising tin prices in the international market. Government took advantage of the "petro-dollar" supply and

acquired simultaneously a sizable debt amounting to more than \$2,000 million dollars.

It is estimated that up to \$8,000 million dollars may have entered Bolivia during the 1970s as a result.



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Table 1

Coca and Cocaine Production in Bolivia  
(In Metric Tons)

Year	Coca <sup>1</sup>	Cocaine <sup>2</sup>	Cocaine <sup>3</sup>
1980	20,000	68.67	58.86
1981	26,844	89.48	76.70
1982	37,992	126.41	108.55
1983	41,542	138.47	118.69
1984	86,400	288.00	246.86
1985	122,342	407.81	349.55

1. Based on estimates from the Ministry of Peasant Affairs. Figures take into account a 20% subtraction of coca used for traditional chewing in Bolivia.

2. Figures in this column assume that 300 kilograms of coca are needed to elaborate 1 kilogram of cocaine.

3. Figures in this column assume that 350 kilograms of coca are needed to elaborate 1 kilogram of cocaine.

Source: Figures abstracted by the author from Doria Medina 1986, 67.

Table 2

Value of Coca Production by Year  
(In Millions of Dollars)

<u>Year</u>	<u>(A)</u>	<u>(B)</u>
1980	82,18	61,80
1981	107,38	80,53
1982	151,97	113,98
1983	166,17	124,63
1984	345,60	259,20
1985	489,37	367,03

A: \$4,000 per metric ton.

B: \$3,000 per metric ton.

Source: Figures abstracted by the author from Daria Medina 1986, 71.

Table 3

Value of Cocaine Production by Year  
(In Millions of Dollars)

<u>Year</u>	<u>(A)</u>	<u>(B)</u>
1980	412,02	353,16
1981	536,68	460,20
1982	158,46	651,30
1983	830,82	712,14
1984	1,728,00	1,481,16
1985	2,446,86	2,097,30

Source: Figures abstracted by the author from Doria Medina 1986, 70. This information takes into consideration prices stipulated by the Drug Enforcement Administration. Columns A and B are based on the same assumptions made for Table 1.

Table 4

Gross Domestic Production in Market  
 Values by Sector, 1985  
 (In Millions of Dollars)

<u>Sector</u>	<u>Value</u>
1. Coca and Cocaine	2,447
2. Informal: a) Commerce	400
b) Mining	100
c) Other Production	150
d) Financial	<u>50</u>
Total:	700
3. 1 + 2	3,147
4. Formal Sector	3,055
5. $(3 \div 4) \times 100$	103

Source: Doria Medina 1986, 172-173.

Table 5

The Urban Informal Sector by Type of Economic Unit:  
Principal Cities

<u>Type of Unit</u>	<u>Number of Units</u>	<u>%</u>	<u>Occupation</u>	<u>%</u>
establishments hiring up to 5 workers	65,235	45.3	117,159	58.0
fixed stands	30,059	20.9	33,142	16.4
mobile stands	48,581	33.8	51,657	25.6
<b>Total informal sector</b>	<b>143,875</b>	<b>100.0</b>	<b>201,958</b>	<b>100.0</b>

Source: INE 1983.

Table 6

Distribution of the Urban Economically Active  
Population by Sectors in La Paz  
1976-1983

Sectors	1976 <sup>1</sup>	1980 <sup>2</sup>	1983 <sup>3</sup>
<u>Total</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
<u>Formal</u>	<u>44.0</u>	<u>42.0</u>	<u>44.0</u>
State-related	21.0	24.0	20.0
Private sector	23.0	18.0	24.0
<u>Informal</u>	<u>47.0</u>	<u>53.0</u>	<u>51.0</u>
Small enterprises	18.0	17.0	19.0
Family-centered units	29.0	36.0	32.0
<u>Domestic service</u>	<u>9.0</u>	<u>5.0</u>	<u>5.0</u>

Sources: 1. National Census of Population and Housing 1976.  
2. Urban Survey on Migration and Employment 1980.  
3. Continuing Survey of Households 1983.