

INFORMALITY AND ILLEGALITY: THE CASE OF COCA PRODUCTION IN BOLIVIA

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Introduction

This essay examines the relationship between informality and illegality, particularly as addressed from a policy-oriented perspective. It suggests some criteria for differentiating informality from illegality and, to illustrate the basic model, it considers a case in which this relationship is currently being confronted: the production of coca in Bolivia.

Informality and Illegality

In a strict sense, there is no difference between informality and illegality. In fact, if there is any agreement among those working on the informal sector, it is that the feature that unifies such a wide variety of activities is that they take place outside the institutional boundaries, regulations, and controls of the state. That means they are illegal; they do not comply with the laws established in the legal system.

The legal system is, however, a social product that requires not only a standard set of rules and sanctions to prescribe individual and collective behavior, but also a controlling authority with the political and the material capability to enforce them. In this sense, the most influential figures of modern social thought, Karl Marx (1975, 1978), Max Weber (1947), and Emile Durkheim (1960), would agree that legality is an outcome of the interplay of social forces. Although all forms of social organization develop processes of social control, these processes develop over time according to changes that affect the group as a whole and to changes within the group. One of the most significant changes in this regard, observable when societies became literate and more complex, is the formalization of their systems of social control. Customs become legal norms, sanctions are standardized, and functions of control and authority are delegated to specialized corps. In this process, it is conceivable to find historical periods in which disparities exist between the legal system and the realities of social life – i.e., situations in which novelty confronts what has been previously established. From the perspective of the authorities, new patterns of behavior, new products, new modes of action, new technologies, new social or economic actors, may all pose a threat to the viability of the legal system. But the social acceptance of the *newness* will tend to provoke adjustment of the law while providing some tolerance and even protection to those caught in the lag between existing legality and emerging reality.

That is certainly the case with most informal activities. They have social acceptance – are tolerated by the society as a whole – and the coercive apparatus, the state, finds itself functioning in an ambiguous shadow. Such ambiguity, although eroding the political legitimacy of the state, often provides governments and bureaucracies with an arbitrary power. It is a considerable but unstable power, built through networks of clientelism and patronage that replace obsolete or nonexistent legal and institutional channels between the

state and society. In this sense, the notion of informality reveals more about the state and the institutional system than about the activities to which it refers.

Thus, when large "sectors" of the society become "informal," the legal system is in the process of formation or adjustment to an emerging reality. A historical perspective reveals that law, the result of social processes, often generated conflict and dispute. Thus, informality and illegality are not synonymous. The legal system has simply not caught up with the informal sector.

In this regard, a scheme can be developed to differentiate between informal and other "illegal" activities. Considering the legal status of labor and production processes on the one hand, and the final product on the other, four categories of economic activity can be distinguished (see Table 1 below):

Table 1

*Differentiated Status of Activities Based Upon Final Product,
and Labor and Production Processes*

		LABOR AND PRODUCTION PROCESS	
		<u>Regulated</u>	<u>Unregulated</u>
FINAL PRODUCT	<u>Legal</u>	Formal	Informal
	<u>Illegal</u>	Off-the-books	Underground

(a) *Formal and legal activity.* This is characterized by a regulated process of production of a legal product, enjoying, therefore, the impersonal protection offered by the legal system and its controlling authority.

(b) *Informal activity.* Its main characteristics are the institutionally unregulated nature of its productive organization and, at the same time, the *open relationship* maintained with the users and consumers of the final product due to its legal status.

(c) *"Off-the-books" activity.* This includes those activities of legally constituted enterprises that are hidden to avoid the institutional control, regulation, or sanction of the state. The final product, whether an undeclared service or an untaxed, illicit profit, is considered illegal.

(d) *Underground activity.* These are illegal activities that take place beyond the institutional scope of the legal system both in terms of the productive organization and in terms of the final product. We reserve the term *underground* for this group because even the relationship between the producer and the consumer or user of the final product must be hidden to avoid sanctions and penalties against one or the other.

From the previous discussion it is clear that we consider neither the formal/informal nor the open/underground distinction as fixed or absolute. To the

contrary, they are subject to change from time to time and from place to place, reflecting the political, legal, and economic changes in a given society.

Finally, we should note that our discussion has been based on an abstract society whose institutional and legal system emerges from its own historical process and from the interplay of its internal social forces. In the actual world the situation becomes much more complicated, as can clearly be seen in the Third World. Post-colonial states inherit bureaucracies, political elites attempt to build new legal frameworks, and international institutions impose external goals and criteria. If these forces were not enough to create ambiguity, urban migration, industrial modernization, and cultural changes also contribute to the development of new social structures. The existence of informal and underground activities is a measure of the lags between the state, in its broadest sense, and society.

A Case of Blurring Boundaries: Coca Production in Bolivia

In the case of Bolivian coca production, we can find an interesting illustration of this discussion. For most of the Andean workers used to chewing coca, they are the "sacred leaves." They were a gift of Inti, as some say, or perhaps were found by the Virgin when the Sacred Family was escaping to Egypt, as others say, but, in any case, they are a god's gift. Closer than the legend, they can feel the tonic rewards of the bulge in their cheek, not only when the day is long or the work is hard, but also when communication must be established with their peers or beyond.¹ With effects similar to those of other mild stimulants such as tea or coffee, coca chewing is deeply embedded in the daily life of the majority of the Bolivian population. Because it has many more functions, from individual stimulation to social lubricant, from medicinal herb to magical properties in foreseeing the future, from practical uses to symbolic ones, coca is in many respects a symbol of ethnic identity. That may be also the source of some of its problems.

The native population in Bolivia has been subjugated during long periods, and we well know that the dominator attempts to justify his domination by claiming his biological or cultural superiority. Denigrating the people below is part of his game. In such a framework, prejudices about native cultures and their products reinforce each other.

In the early days of Bolivian history, the contempt of the dominant oligarchy for the native population was overshadowed by the profitability of coca in the market.² Despite the inclusion of coca and cocaine as addictive drugs in the protocols of the Hague Convention of 1912, and the classification of cocaine as a dangerous drug in the first Federal antidrug law passed in the United States in 1914, coca cultivation was one of the main activities in the lowlands of La Paz and no serious attempt was made to curb or control its production.

In 1952, a popular insurrection started a profound process of change that included a radical agrarian reform in the rural areas of the country (Malloy 1970). The land of the agricultural oligarchy was expropriated and native peasants took over, dividing the lands into small family plots. Land shortage, and the desire to diversify the economy and to expand the agricultural frontier, led the government to promote rural-rural migrations to the tropical areas of Santa Cruz and Cochabamba, in eastern Bolivia.

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The promotion consisted of opening roads and making promises, but it was nevertheless effective. By 1980, 300,000 people had moved to "colonize the tropics"; this represented almost 20 percent of the peasant population (Blanes 1983, Blanes and Flores 1983). For those migrants, everything was new and adverse: a hot and humid climate, another diet, unknown insects and illnesses, and different soils and produce for which their cultivation techniques and farming experiences were almost worthless. They missed their communities, their mountains, and their potatoes. But they were there, with land and the need to produce. They did so. They began to supply rice, corn, oranges, avocados, bananas, and coca.

Indeed, coca cultivation was at the core of this process. Typically, after clearing the forest and preparing the land, the "colonist" grew rice to feed his family and to repay favors. In a second stage, he diversified his farm with yucca, banana, and coca, and began to raise chickens and pigs. After two years, the farm would begin to stabilize with the regular crop of coca leaves. Since coca is not a seasonal plant, when sown in small parcels at different times throughout the year, coca allowed the peasant to obtain a stable weekly crop that was easy to sell in the marketplace. The plants proved resistant to plagues and insects and thus may provide three to four crops a year over thirteen years. With a regular cash flow and a highly valued product to exchange for labor and other staples from relatives in the highlands, the "colonist" was able to improve the situation of his family and his own status (Henkel 1971, Xavier 1976, Blanes 1983 and 1985). In a sense, due to its symbolic value and the economic security that it provided, coca is for the "colonist" farmer what land is to the peasant. In fact, the colonist does not have the attachment to land so typical among traditional peasants. The forest – from his perception – provides land almost without limit, but it is a savage land he cannot trust. Coca, on the contrary, represents for him the benign side of the hostile jungle.³ But the cultivation was no longer under the control of the ruling classes, and international interests had found a more open channel to the coca market.

Professor Troy Duster, of the Institute of the Study of Social Problems of the University of California at Berkeley, believes that even though drugs are an aspect of social life everywhere, they are banned and repressed not for their pharmacological effects or their potential harm, but because their consumption intersects with other symbolic areas in which people have strong feelings. When Chinese labor was not needed any more, the war on opium was used to justify its exclusion. A similar pattern can be observed when cocaine was associated with blacks and, later on, marijuana with Mexicans. Drug wars, suggests Duster, are basically a means to disenfranchise segments of the lower classes.⁴

"Drug scares have never been merely about drug problems, serious though they are," Levine and Reinerman (1988) similarly write. "They are about blaming drugs for all sorts of problems people fear and fret over but cannot do much about without disturbing the underlying structural features of our society that give rise to them." For these authors, it is not surprising that the Reagan Administration made the 'cocaine invasion' the focus of so much rhetoric, because the administration needed a scapegoat for the social and economic repression of its eight years of economic restructuring.⁵

This convergence of factors illustrates the dilemmas and problems posed by the question about illegality and informality. If we apply our proposed scheme of differentiation to the Bolivian case of the production of coca and its related effects, we find the situation shown in Table 2.

Table 2

Institutional and Legal Status of the Coca-Cocaine Complex

		LABOR AND PRODUCTION PROCESS	
		<u>Regulated</u>	<u>Unregulated</u>
	<u>Legal</u>	(<i>Formal</i>) Import trade Construction Local Industry	(<i>Informal</i>) Coca production Input supplies Agric. food Transportation
	FINAL PRODUCT	<u>Illegal</u>	(<i>Off-the-books</i>) Money-laundering Bribes
			(<i>Underground</i>) Cocaine production/distribution Contraband

Coca production is currently an informal activity, and of great importance, as shown above. But the illegal nature of cocaine, the most important of coca's final products, and the pressure of the American government on the Bolivian legal system, could turn it into an underground activity and transform 60,000 farmers into criminals. Coca producers are certainly concerned about the implications of their activity, but they feel that the problem is not theirs. I once asked a coca-leaf producer if he did not care about youngsters dying in solitude of overdoses of cocaine. "Yes I care," he said, "but I blame those who do not care about their solitude." Then he added, "I would rather be picking up oranges, but you can see, my oranges are rotting in the trees."

Illegality, however, is not the main problem. The market value of Bolivian cocaine has been estimated at \$40 to \$80 billion when sold in the American streets, but the amount in peasants' hands is less than 100 million (Medina 1986).⁶ Nevertheless, the impact on the Bolivian economy has been enormous, and the circulation of the money has provided for the expansion of the market in which other activities can expand. Contraband, money-laundering, bribery, corruption, and all sorts of speculative activities are creating not only economic opportunities but also a kind of social schizophrenia. The national economy found itself linked through drug trafficking to the new international economy, whose "mystique" of competition and consumption organizes the entire world.⁷ This is a process, however, that comes at a high cost. Although the transition

to democracy has enhanced the representativeness and therefore the political power of the state, the economic crisis, and the expansion of the underground economy have eroded its capabilities to the limit of impotence. Squeezed by external debt requirements, and unable to transfer the burden toward the dynamic sector that most benefitted in the past, the state has been extracting resources from the formal sector (its tax base). Therefore, the adjustment process weakens even more an already frail official economy (including the public sector), even at the risk of destroying it, and increases the relative importance of the underground economy.⁸

From another perspective in Bolivian society, the drug connection represents the strongest force behind capitalist development, so strongly advocated by developmentalist governments of the recent past. By expanding the market, this force is defining new patterns of consumption and opening new channels of social mobility. Through them, it is legitimizing the basic cultural bases of the capitalist economy, with its individualistic, profit-oriented economic rationality. Yet, the drug trade is both stigmatized and stigmatizing activities that elsewhere would be perfectly legal.

Conclusions

Acknowledging the relationship between informality and illegality is clearly important to the future of countries such as Bolivia. Unfortunately, there do not seem to be clear-cut means of doing so. This could only come as the result of an open debate in which the political and economic stands could be explicitly considered instead of being left to short-run passions. At stake are the fates of many people whose lives (and deaths) evolve along the moving boundaries of informality and illegality.

[Editor's note: The assessment of the political situation in Bolivia has not been updated to 1992. The situation described here is current as of when this paper was written in 1990.]

NOTES

¹There are several studies about legends, traditions, and functions of coca leaves and coca-chewing in the Andean societies. See, for instance, Carter and Mamani, 1978 and 1980.

²By 1860, German chemists isolated one of the stimulant elements in coca leaves, and pretty soon the magic of cocaine was applauded by notables such as Pope Leo XIII and Sigmund Freud. See Ashley, 1976.

³See Ray Henkel, "The Chapare of Bolivia: a study of tropical agriculture in transition," Ph.D. Dissertation in Geography, University of Wisconsin, Madison, 1971; Albo Xavier, "Coripata: Tierra y cocales", CIPCA, La Paz, 1976; Blanes Jose, op. cit., and "Migraciones, colonizacion y narcotrafico en Bolivia. Requiem para la insercion de la Amazonia a la economia nacional"; paper submitted to the Seminar on Amazonian Problems, Lima, May 1985.

⁴Presentation at the Conference on "Legalization of Illicit Drugs"; School of Public Health, Department of Sociology, Institute for the Study of Social Problems and Extension Division of the University of California, Berkeley, 18-19 March 1989 (personal notes). In his presentation, Prof. Duster claimed that, as drug consumption is a cultural feature, different groups tend to use different drugs, and their legalization responds to the relative power of the group in the society. The obvious comparison are the fate of

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those two dangerous addictive drugs whose producers enjoy so much economic and political power: alcohol and tobacco.

⁵The relative harm of illegal drugs has been evaluated by the Surgeon General in his Report on Tobacco. It is estimated that while tobacco is directly associated with 350,000 deaths annually in the United States, and alcohol with 100,000, all the illegal drugs combined kill each year between 5,000 and 6,000 people. Quoted in ABC News, September 13, 1988, "The Koppel Report."

⁶In this book, Medina, whose objective is to develop a macroeconomic perspective of the problem, estimates almost 6 billion dollars in capital flight from Bolivia between 1980 and 1985 from financial flows related to cocaine. This capital, as well as that generated in the upper levels of this illegal market, receive privileged treatment in the banks, as was revealed during the Kerry Hearings in April 1987.

⁷For a broader discussion of this issue see Manuel Castells and Roberto Laserna, "The New Dependency. Technological Change and Socio-Economic Restructuring in Latin America," Berkeley, 1989 (forthcoming).

⁸In order to reduce the public budget, the current democratic government has been reducing its large bureaucracy and closing public enterprises. With the tin market crash and the shrinkage of commodity prices, most mines became unprofitable and were closed. It is estimated that between 60 and 70 percent of the labor force in the mining sector lost jobs between 1986 and 1988. Some of them formed collectives to work old mines, assuming horrendous conditions of labor; others received retirement benefits and moved to small trade in cities; and some of them went to dare the jungle and produce coca. The situation of those former mineworkers is not much different from the situation of the Bolivian government itself. On the one hand, it acknowledges the harshness of the international transformation and the overwhelming technological gap that is going to delay and postpone even more the national development, but it has been unable to shift its focus away from the financial burden. Within its limited capabilities, there is no room for concerns other than the debt, in the belief that paying the debt under renegotiated terms will imply the permanence of Bolivia in the international system and, thus, a share in the brighter world of the 21st century. For such a project it is required to repress and to combat drug trafficking, at least with the rigor and efficiency used in the consumer countries. However, on the other hand, it is trying to "formalize" capital accumulated in the underground economy, stimulating investments in the besieged formal sector, while tolerating their operations since the underground economy is also the main source of hard currency and the only sector that seems able to absorb the increasing mass of unemployed.

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