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Peter Bird Martin  
Executive Director  
Institute of Current World Affairs  
Wheelock House  
4 West Wheelock Street  
Hanover, NH 03755

Dear Peter,

It is 7 a.m. and La Paz is waking up. In a narrow alley off the Plaza Alonzo de Mendoza, a small group of boys begins to gather. At first glance these poorly clothed ragamuffins might seem like bandits from Fagan's gang lost in Bolivia. The luckier ones have patches covering the holes in their trousers and a few older boys wear balaclavas to protect them against the cold that has accompanied the early arrival of the rainy season.

Though the youth are not bandits, some are orphans, and all have arisen early to make money shining shoes. These "lustra botas," or shoeshine boys, begin to inspect the tools of their trade. With practiced precision and a seriousness beyond the boys' years, their hands dive into small wooden boxes that serve as both shoeshine kits and footrests, plucking out worn tins of shoeblack to check the content. To make the expensive shoewax go farther, the "lustra botas" mix a home-brewed black dye known as "añalina" with the wax. Since the La Paz Municipality allows the "lustra botas" to charge only 20 centavos (about U.S. 8 cents) a shine, thrift is the boys' byword. The competition between these kids -- many of whom are between 8 and 12 years old -- is fierce. Anyone willing to take a headcount would note more than 120 "lustra botas" in the two blocks that separate the Plaza Alonzo de Mendoza from the Plaza Pérez Velasco.

The "lustra botas" are just one part of a burgeoning informal economy that accounts for approximately 58% of all economic activity in Bolivia. The informal economy is composed mainly of street people: men and women who spread out a blanket on the sidewalk to display cigarettes and food, or who walk the hilly avenues of La Paz holding up Swiss Army knives and shoelaces to be sold. In fact, you need never enter a store in La Paz for the ready availability of so many consumer goods on the street. Known as "ambulantes," these vendors pay little or no taxes, establish no fixed prices, and operate without receipts. This is an economy that never hits the books. The informal economy in Bolivia has also been influenced greatly by the narcotics trade, as well as a flourishing business in contraband goods that are smuggled in from Peru, Chile, Argentina, and Brazil.

At a time when every politician or bureaucrat in Bolivia is trying to figure out how to meet the World Bank's published targets of augmenting

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William L. Melvin is a Fellow of the Institute studying South American Indian societies and Andean affairs.

export volume by 20% between 1988-1995 and maintaining a stable society that will encourage a domestic savings and investment rate of 10% of gross domestic product (up from its present level of 4%) by 1995, this economy that rarely shows up in official figures deserves attention. Jeffrey Sachs, the Harvard economist who has been consultant to the Bolivian government of Victor Paz Estenssoro since 1985, was in La Paz last week and angered politicians of all stripes and spots when he urged the political parties contesting the presidential election to specifically outline just how they expect to achieve economic growth in this Andean country over the next decade. As one of the principal architects of the neo-liberal import policy and currency stabilization scheme, Sachs' point was that the New Political Economy implemented in 1985 is only now beginning to bear fruit. To restore real income levels that have fallen by 40% since 1980, Sachs' urged Bolivians to stay on the straight and narrow road of fiscal discipline for at least the next five years.

But when you consider the size of the informal economy that never makes it into the export column, you have to wonder what economy needs to stay on which road. The informal economy really took off in the early part of this decade, when General Luis García Meza Tejada negated the June, 1980, election results in a "golpe de estado." As one European diplomat confided to me, "García Meza ruled this country like it was his personal finca. No one paid attention to the economy, nor any of the warnings about commodity markets since prices for tin remained high." Bolivians still talk about "El Delinquente" with some trepidation. Human rights violations were common and the U.S. and even neighboring Andean Pact nations cut off diplomatic relations with the García Meza regime as it became clear that members of that junta were involved in the drug trade. When democracy returned to Bolivia in 1982, the Unión Democrática y Popular of Hernán Siles Suazo chose to finance the fiscal deficit it inherited by expanding the money supply (M1) rather than reforming the inefficient and bloated public sector. As I mentioned in WLM-7, inflation skyrocketed to unprecedented levels of 7,000% (at the end of 1985, the inflation rate was nearing 27,000%), and housewives had to begin forming lines for bread at 3 or 4 a.m. One Japanese diplomat told me, "The economy had ceased to function."

Add to the chaos of the years 1980-85 (gross domestic product declined every single year) the wave of layoffs implemented by the present government in order to restore a sense of order in the public sector when tin prices collapsed, and you have created a situation in which poor men and women in Bolivia are willing to make money any way they can and sell whatever will sell. What actually makes up the informal economy? Most visible is the informal economy of the streets. Jeffrey Sachs himself must have stepped around at least one "ambulante" while in La Paz. These "ambulantes" usually have no fixed base, but depend on the good grace of house owners (in wealthy neighborhoods) or tolerant policeman to set up provisional shop on the public sidewalks and in the open plazas of La Paz. "Ambulantes" vary greatly in description and success. The newest usually start with only a blanket upon which to display their wares or food, and pick a spot that is well frequented. This can put the "ambulantes" in direct conflict with each other for sidewalk space. I have actually seen two women kicking each other and pulling hair in a tug-of-war over



PHOTO 1: "Ambulantes" selling toilet paper, detergent and towels near the La Paz Cemetery.



PHOTO 2: A young "lustra bota" awaits his next customer in the Plaza Pérez Velasco.

squatter's rights. Women actually make up 75% of the "ambulantes" in Bolivia. "Ambulantes" who have been working for some time and have established a clientele usually rent or own a metal kiosk. These kiosks may be set in cement; or more commonly, they are set on wheels to be rolled into place early in the morning and stored away late in the evening.

The case of Aurora, a young Aymara woman, is typical. Aurora became an "ambulante" last year after she was lucky enough to persuade an uncle to lend her 700 Bolivianos (US \$1 = 2.4 Bs) in start-up capital. She commutes to the city center rather than operate in the "barrio marginal" (a euphemism for a poor neighborhood) of El Alto where she lives, because as she says, "Here people pay without grumbling. In El Alto, these are difficult times and everyone expects a discount." Of the original 700 Bs with which she started, she paid approximately 360 Bs and waited more than six months to receive her vendor's license from the Mayor's office. This is not so bad when you compare the Bolivian process of legalizing a small business with that in Peru. In Hernando de Soto's definitive study of the Peruvian informal economy, El Otro Sendero, researchers are shown holding a taped trail of necessary documentation that measures 31 meters long. For many Bolivians, however, the legalization process is too expensive and lengthy to bother, and they prefer to risk the occasional ire of a police officer who might ask to see a vendor's license that cannot be produced.

Since Aurora is legally on the street, she suffers no harassment. She pays a 12 Bs tax to the Mayor's office each month for the right to occupy her part of the sidewalk and 12 Bs to rent a metal kiosk with wheels. Her tax and rent paid, Aurora estimates that she earns 10 Bs on a good day, working six days a week. But some days she may make only half that sum. Even so, if we estimate her income at 150 Bs a month, it is not too difficult to understand the attractiveness of the informal sector. According to the Central Obrera Boliviana (COB), the minimum monthly wage is only 60 Bs. Primary and secondary school professors are currently on strike demanding a 100% pay hike to augment a present basic salary of 115 Bs a month. The few miners who are still with the parastatal mining firm COMIBOL earn a starting salary of just 120 Bs; factory workers average 74 Bs a month. But the average "ambulante" is still a long way from matching the income of his/her Representative or Senator in the Bolivian Congress. Both earn 5200 Bs monthly to serve the Republic.

While data vary on the penetration of the informal sector within the economy as a whole, the table below is useful for the light it sheds on the composition of the informal sector itself:

DISTRIBUTION OF EMPLOYMENT IN LA PAZ (%)

	<u>Total</u>	<u>Formal</u> <u>Economy</u>	<u>Informal</u> <u>Economy</u>	<u>Domestic</u> <u>Service</u>
	100	40.8	53.7	5.7
Industry/Manufact.	100	25.8	74.2	
Construction	100	43.4	56.6	
Retail Commerce	100	13.8	86.2	
Transport	100	55.7	42.3	
Services	100	60.6	39.4	

Source: Encuesta Urbana de Migración y Empleo. Proyecto BOL/78/PO3, Ministerio de Trabajo y Desarrollo Laboral. UNFA/OIT, 1980.



PHOTO 3: Women, like this Aymara Indian dressed in the regional garb of Viacha, make up the clear majority of street vendors.

PHOTO 4: A man hawking brooms and feather dusters works his way through a Saturday crowd in the El Alto section of La Paz.



Significantly, 86% of those working in retail commerce are employed in the informal sector. Women usually enter into selling because it is the easiest way to turn over money and requires few learned skills other than an eye for a good location and a sense of supply and demand to keep customers happy. Traditionally, however, retail sales are quickly affected by downturns in the economy. But more than one Bolivian businessman in La Paz has pointed out to me that this is the sector where growth is strongest today, hinting that the economy is not so bad off as critics would have you believe. Indeed, the fastest growing industries in the last three years have been the packaging and brewing industries. The owner of the Cerveceria Nacional, Max Fernandez, has done so well that he has taken to sponsoring public events in the style of Budweiser, and will even run for the presidency in the 1989 election. The soft drink industry has not fared too badly either. Carlos Barrero, head of the Bolivian-American Chamber of Commerce, told me that the Santa Cruz Coca-Cola bottling experienced the highest growth in retail sales of any distributor in the world-wide Coca-Cola network last year. Since soft drinks and beer are often sold through "ambulantes", the argument goes that the "ambulantes" benefit as well. It also illustrates the difficulty of defining exactly where the formal economy ends and the informal economy begins.

It is worth noting the real, though unplanned, boost that the 1952 Revolution provided the informal economy. Not only did the attendant 1953 Agrarian Reform free up land, but it freed up time as well. Instead of the campesino being tied to the land in "pongeauje," or obligatory service to his landlord, the Aymara and Quechua campesino became responsible for his daily welfare. The result has been a stream of steady, if unspectacular, migration to urban centers such as La Paz and Cochabamba since the 1950's as campesinos have found it necessary to integrate themselves into a money economy in order to survive. In 1950, only 23.3% of Bolivia's population inhabited the cities. By 1976, the cities of Bolivia were home to 42% of the population. Current estimates put the flow of immigrants arriving in La Paz at around 15,000 a year. By the standards of migration experienced by other Latin American cities, this could hardly be called a "wave" of immigrants. For example, Mexico City is thought to absorb nearly a million new immigrants each year. But the migration will continue, and as it does, more pressure will be put on the urban economies to create employment. According to a recent survey conducted by the Instituto Nacional de Estadisticas (INE), the number of Bolivians living in cities should top 7 million person in 2010, a figure that is 58% of the projected national population.

In a 1977 study conducted by the Centro de Investigación y Promoción Campesina (CIPCA), 23% of the adult male Aymaras surveyed responded that they came to La Paz in search of a better future. That hope is bound to the disappointment they leave behind in the countryside. The 1953 Agrarian Reform principally affected the Altiplano and Cochabamba valley, transforming the vast fincas of the "terratenientes" into tiny landholdings to satisfy the immediate desire for land expressed by campesinos. Thus, in the last three decades, the problem has been reversed from one of latifundia to one of minifundia. Though there is some scholarly debate over the actual inheritance practices among the Aymara of the Altiplano, my own experience tells me there simply is not enough land to hand down to all the children (women can inherit land also). So children who do not inherit land find themselves with no base of wealth, and migrate. In migrating, they take financial pressure off the family in the countryside, and open up



PHOTO 5: With the circulation of "coca-dollars" and contraband profits, luxury autos have become a favorite form of investment for those who can afford them.

PHOTO 6: This Quechua Indian from Potosi begs to support herself and her child. Potosinos flocked to urban centers in search of economic relief when drought plagued that southern department from 1982-84.



familial links to the urban cash economy. The same CIPCA survey found that these immigrants return on average at least once a year to their community of origin. When they do return, they often share their earnings with the family in the countryside to help pay for fiestas, fertilizer, or even the university education of younger siblings.

Not long after arriving in La Paz, I had the good fortune to meet Fernando Baptista Gumucio, an economist and arm-chair historian who also served as the Minister of Finance to the Siles Suazo government in 1984. When I asked ex-Minister Baptista if he thought continued migration from the country to the city would have the same consequences for Bolivia as it has had in Peru -- where an ambiance of discontent and social unrest prevails in the pueblos juvenes -- Baptista was quick to point out the big difference between Peruvian and Bolivian migration. "In Peru," argues Baptista, "the migration from country to city has been accompanied by a different phenomenon: the campesino who undergoes culture shock as he leaves behind his ancient traditions in the sierra and encounters the hectic lifestyle of Lima on the coast. You should not forget that Lima was an artificial creation of the Conquistadores who were afraid to settle in the capital of the Incas, Cuzco, or the sierra in general for fear of being overrun by a still hostile, though repressed, indigenous population." In Baptista's mind, the campesino who comes to La Paz, even from as far away as Potosí, is merely changing the rural scenery of the sierra for the urban scenery of the sierra. In fact, La Paz was already inhabited by Aymaras at the time of the Conquest. The Aymara settlement was known as Chukiyapumarka. The Aymara scholar and Jesuit priest Xavier Albó puts it a bit differently than Baptista, but would seem to agree when he writes, "La Paz and Chukiyapu are not only two parallel cities, but two faces of one dialectical reality."

#### COCAINE AND THE CONTRABAND TRADE

Though less visible than the "ambulantes", the cocaine and contraband trade greatly influence the lives of Bolivians. It has been estimated that the cocaine trade alone supplies jobs to approximately 500,000 persons in one form or another. And while the contraband trade cannot claim such a large impact, it does deprive Bolivia of needed customs revenues and threatens domestic industries that cannot compete with the illegal flood of goods that cross the borders almost at will.

Conclusive data on the place coca cultivation and processing has in the economy are fairly difficult to lay your hands on, and what data there are rarely agree. Nevertheless, the work of Samuel Doria Medina strikes me as the best I have seen to date. Doria, who was educated first at the Catholic University of La Paz before going on to complete his Master's Degree at the London School of Economics, worked in the Ministry of Finance during the Siles Suazo government. Then Doria wrote La Economía Informal en Bolivia in 1986. His estimate on the value of cocaine production as a proportion of formal gross domestic product is at odds with the figures that came out in last week's issue of The Economist, but I have chosen to use Doria's data because the following table gives you a better idea of how the value of cocaine production leaped while formal GDP declined:



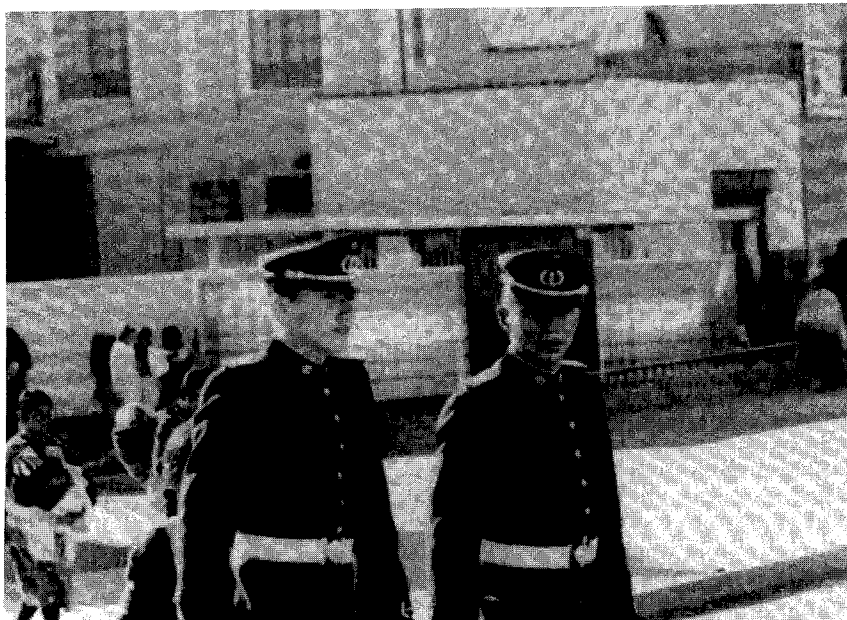


PHOTO 7: Bolivian Army cadets on weekend leave. Besides offering cadets the opportunity to serve their "patria," the armed services also provide financial security.

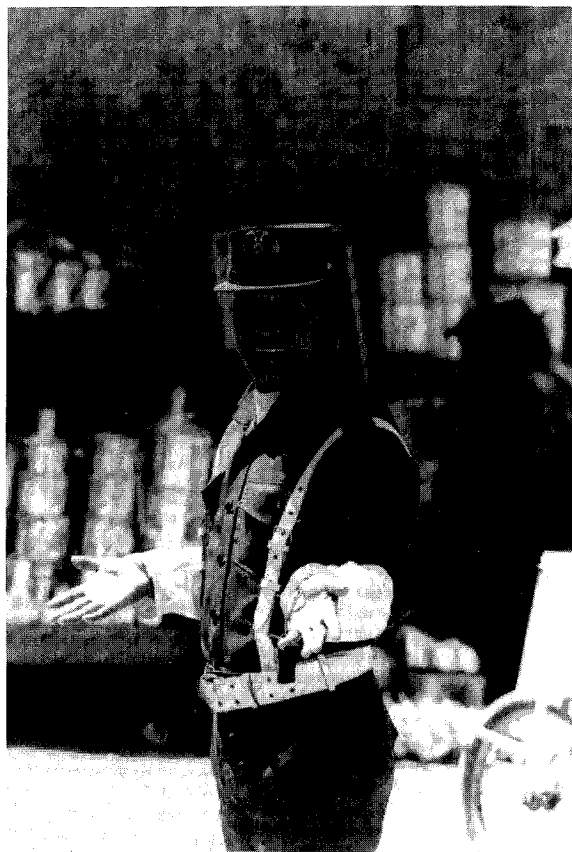


PHOTO 8: A La Paz policeman directs traffic in the Buenos Aires market. Unlike their Peruvian counterparts, Bolivian traffic police don white gloves, not armored vests.

RELATION OF COCAINE PRODUCTION AND FORMAL GDP IN BOLIVIA

<u>Year</u>	(000's U.S. dollars)		
	<u>GDP</u> <u>Formal</u>	<u>GDP</u> <u>Cocaine</u>	<u>Relation</u> <u>%</u>
1980	3,759	1,125	30
1981	3,786	1,350	36
1982	3,552	1,875	53
1983	3,271	2,377.5	73
1984	3,149.9	3,000	95

NB: Doria valued the cocaine at U.S. \$7500 per kilogram produced in the Beni, Yungas, and Chapare of Bolivia.

Source: Banco Central de Bolivia; Unidad de Análisis de Políticas Económicas (UDAPE).

Perhaps more importantly Doria has calculated the extent of capital flight generated from the huge profits made in the cocaine trade:

CAPITAL FLIGHT GENERATED BY COCAINE PROFITS  
(000's U.S. dollars)

<u>Year</u>	<u>Coca (1)</u> <u>Value Added</u> <u>(A)</u>	<u>Cocaine (2)</u> <u>Value Added</u> <u>(B)</u>	<u>Capital Flight (3)</u> <u>(B-A)</u>
1980	61.80	412.02	350.22
1981	113.98	563.88	483.35
1982	124.63	830.86	706.19
1983	124.63	830.86	706.19
1984	259.20	1,728.00	1,468.00
1985	367.03	2,446.86	2,079.83

NB:

- (1) Assumes a price of US \$3 per kilogram of coca (leaf, unprocessed).
- (2) Assumes ratio of coca-cocaine at 300:1 and based on U.S. Drug Enforcement Agency price of US \$6000 per kilogram of processed cocaine.
- (3) Assumes that only the value of the coca actually stays in Bolivia.

Doria's assumption that only money paid to farmers for coca stays in Bolivia could be flawed, but his reasoning is that campesinos are more likely to keep the money in Bolivia since they do not have access to or knowledge of international investments. Even if his research overestimates capital flight, it should be clear that the great majority of cocaine profits do not do much besides make the drug-traffickers wealthier. While I stated in WLM-7 that profits have helped to pay for water, electricity and light in remote areas of Bolivia, most diplomats and economists here take a skeptical view of that and maintain instead that the bulk of repatriated "coca-dollars" goes to buy luxury automobiles or electronic goods. No matter how the cocaine profits are spent, the unregulated flow of so many dollars in the Bolivian economy is no small headache for policymakers.

Of course, bringing up the subject of coca cultivation and processing with poor and prominent Bolivians is a lot touchier than citing the above statistics. Aymaras and Quechuas stoutly defend their right to chew coca in leaf form. When I asked one young Aymara if he knew that coca-chewing

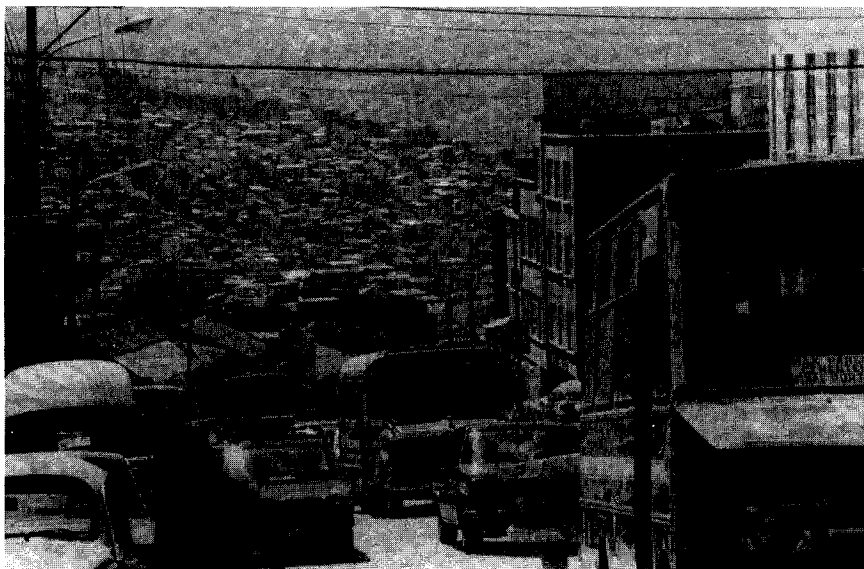


PHOTO 9: An army of privately-owned taxis and buses is the main source of transportation for Paceños.



PHOTO 10: On Saturday mornings the black market, known as "Miamicito, attracts Paceños and foreigners eager to save money buying contraband.

among Andean Indians was actively encouraged by the Spanish during the Colonial Period not for religious purposes, but to keep happy hungry Quechuas and Aymaras who were forcibly brought to the mercury mines in Huancavelica, Peru and silver mines of Potosí, Bolivia under the terms of the "mita", he just blinked. He only replied that he saw nothing wrong with chewing the coca leaf when it allowed him to pass the entire day at the University Mayor de San Andres without worrying about eating (he has no money, except for his daily commute from the Altiplano). When I pressed further and asked him if he did not think that using coca to still hunger pains brought on by poverty was even more cruel than using cocaine for recreational purposes is decadent, he was very quick to disagree. But I do not believe he understood that I was questioning the utilitarian value attached to coca-chewing and the moral repugnance attached to cocaine snorting. My Aymara friend has to use coca because he is poor; too many of my countrymen want to use cocaine because they are rich. I mean, there's a world of difference between paying US \$3 for a kilo of coca leafs in the Yungas and whipping out US \$100 for a gram of cocaine in Washington, D.C.

Given this dichotomy, even prominent Bolivians are loathe to condemn the mere fact of coca cultivation and processing here without qualifying the debate. As I have pointed out in WLM-7, many Bolivians single out the United States as the source of the problem, since U.S. demand drives the market. And if coca cultivation were to disappear tomorrow from Bolivia, many businessmen here do not feel as if there would be adequate

trade concessions on the part of U.S. legislators to make up for the loss. One Bolivian businessman turned my attention to a bill sponsored by Senator Ernest Hollings of South Carolina that would limit increases in imports of clothing and textiles to 1% a year. Although the last I knew of the bill was that it was destined to go to a Senate-House of Representatives conference to iron out differences between the Senate and House versions, the mere introduction of the bill leaves Bolivians with the feeling that American trade policy is not entirely free nor on their side. And since textiles and clothing exports are usually the first industries Third World countries try to get back on their feet in times of recovery, businessmen here are all the more irked.

As for the capital flight that goes suitcase to the bank along with cocaine production, I have heard grumblings also. One particularly articulate young man with whom I spoke took off the diplomatic gloves he usually wears as part of Bolivia's negotiating team to buy back privately-held external debt at discount, and said bluntly, "Look, for all the pressure we are under to get a grip on the illegal economy that revolves around cocaine production, how many private commercial banks -- in Europe, in the Caribbean, or in the U.S. are made to prove the origin of their deposits?"

Well, ok, maybe the debate does deserve qualification. But it also deserves some straight thinking. Even the Bolivian businessman who griped to me about trade concessions admitted that most Bolivian exporters have no earthly idea of how to fully exploit the trade allowances they are allowed under the U.S. Generalized System of Preferences. And my banking friend forgot to mention the fact that when the Paz Estenssoro government came into office in 1985, banks were allowed a four-month grace period during which all dollar deposits were accepted, no questions asked. Yet he



PHOTO 11: The peeling facade and broken windows of the once proud Academy of Fine Arts reflect the general state of higher education in Bolivia.



PHOTO 12: Protest poster prepared by Trotskyite intellectuals at the University Mayor de San Andres. It reads, "STUDY! FIGHT TO TRANSFORM!"

should be happy to learn of the U.S. Customs Service's indictment last week of the Bank of Credit and Commerce International on charges of laundering U.S. \$32 million in "coca-dollars." The Bank, or BCCI, is based in Luxembourg and registered through a holding company located in the Cayman Islands. With branches in 73 countries, including Panama, Uruguay and the Bahamas, BCCI is exactly the kind of bank that moved my friend to protest. But US \$32 million is just a drop in the bucket. The international banking community can and must do more. Investigations along the lines of the one carried out by the U.S. Customs Service -- in which agents worked secretly to organize a "sting" for two years -- need to be duplicated. All too often "coca-dollars" are strangely odorless.

And regardless of trade concessions, Bolivia and other Andean countries cannot count on rising demand for cocaine forever. Like snuff and tobacco before them, coca and cocaine could become suddenly unfashionable. Then Bolivia is left with just another commodity much like tin. Were cocaine to be legalized as was suggested in WLM-7, then Bolivia will have to face up to another problem: will the money make it back to Bolivia even if it is legal? Previous investment trends during times of other commodity booms in silver, rubber, and most recently tin, are not particularly encouraging. But right now, cocaine is illegal. The narcotics trade goes hand in hand with violence and corruption. And for all the money, what has it done for the poor? Not long ago, the son of a European ambassador posted in Lima wrote me a letter after he had visited Santa Cruz, in the eastern lowlands of Bolivia. He wrote:

I was not exactly reading the Gideon Bible during my stay .... I was genuinely surprised to see how much you can do in Santa Cruz. The discotheques seemed like those you see on 'Miami Vice', though perhaps they impressed me as more sophisticated. By all means, I urge you to visit, at least once. It is a city that really does not seem Bolivian. Everyone drives a BMW or a Mercedes .... The coca has brought development to the region. The question is: can development be justified [based on cocaine]?

#### THE PROBLEM OF CONTRABAND

The problem of contraband, though less insidious than that of cocaine, poses equally aggravating dilemmas for a formal economy that cannot compete with the smuggled goods. A personal example is illustrative: an import house in La Paz would not order typewriter ribbons for me until they had verified that they could beat the price of typewriter ribbons sold in the black market of La Paz. Like cocaine, contraband dogs other Andean economies. Peru closed its borders with Ecuador, Chile and Bolivia in June when a series of surprise raids on Customs border posts revealed caches of dried milk, meats, and drugs that were in short supply in Peru itself. Peruvian Customs agents were in business with smugglers to assure that the goods moved across borders with only a bribe and slight delay. The inflation in Peru and the devaluation of the Peruvian Inti against the US \$ dollar made the contraband trade lucrative for small-time smugglers who found that they could make more off of one trip into neighboring Bolivia or Chile--where prices are much higher--than they could make in one year of legal work inside Peru.



PHOTO 13: Two cultures, one city: Aymara mother and son under the sign of King Kong II.

One of the most formidable obstacles to solving the contraband problem is the existence of less than completely honest Customs officials. With 9,000 kilometers of frontier to patrol, most Bolivian Customs agents are overworked, underpaid, and stuck in isolated posts that might make even Robinson Crusoe wince. In such an environment, far from superiors and civilization, the temptation to bend the rules is ever present. To combat the problem, the Bolivian government has contracted Specialist Services International, Ltd., a British firm that determines the value of imported goods for the purposes of levelling duties. Resorting to outside help proved successful last year, when customs revenues doubled over those collected in 1986. Nearly all customs revenues are derived from imports; only 7% are derived from exports. In the case of imports, the Bolivian economist Samuel Doria Medina calculates that over US \$15 million dollars were lost between 1980-84 and that the real value of customs revenues in 1984 was only 22% of those collected in 1980 (accounting for the inflation of those years). But dependence on foreign firms to reverse past declines only diverts attention from a corrupt and inefficient Bolivian Customs Service. As one diplomat explained to me, "You cannot station an Englishman at every border crossing. So you still have to confront a situation in which a trader crossing the border with 100 televisions from Brazil leaves the customs house paying a false duty and relieved of one TV." Newspaper and radio editorials have suggested that Bolivian Customs be privatized to encourage more efficiency, but unless a private customs

firm can remunerate its employees more than the Bolivian government so that they will see the error of their past corruption, it is unlikely that contraband will disappear anytime soon.

Nor does there seem to be the political will necessary to seize contraband once it reaches the cities to be sold. The so-called black market, "Miamicito", operates openly and within walking distance of the Customs Service office building. The one difficulty to shopping in "Miamicito" seems to be in convincing an "ambulante" that the receipt you demand is for a foreign foundation and not the Bolivian government. Otherwise, it is business as usual. Marie Lissette Canavesi de Sahonero, a Uruguayan economist who teaches at the Catholic University of La Paz, shared with me the preliminary research she and her students have conducted in "Miamicito". She has counted nearly 1600 persons passing through the black market on a Saturday morning, and from my own observations, the customers run the gamut from well-dressed suburbanites to Altiplano Aymaras who have come into La Paz for a day's shopping. Chilean and Argentine goods dominate the market stalls, since the cost of transport is cheaper for goods brought in from those two countries. Sra. Lissette and her students have found that approximately 65% of all the merchandise sold in "Miamicito" is manufactured in another country.

But most "ambulantes" in the black market are reluctant to provide information for fear of being taxed (there is no sales tax; like their colleagues on the street, black market vendors are charged a nominal tax to occupy the public domain that bears no relation to their profit). Even so, the information that Sra. Lissette and her students have pulled together indicates that incomes in the black market range from 50-300 Bs a month. Not bad when you consider that "Miamicito" is open only on Wednesdays and Saturdays. Buyers usually travel to the frontier regions once or twice a month to replenish stocks, and depending on the capital available to a buyer, these trips can be quite lucrative indeed. One buyer responding to Sra. Lissette's survey admitted that he went to the frontier with US \$5000 and normally recouped his investment -- and made a handsome profit -- in two weeks' time.

An interesting footnote to Sra. Lissette's research is the level of education she found among "ambulantes" selling in "Miamicito". In a survey of 50 vendors, 12 possessed basic reading skills but had not finished elementary school; 10 had completed elementary school; 13 had passed high school; and 12 had entered the University Mayor de San Andres in La Paz, but the latter 12 failed to graduate. I find this last statistic telling. As in Peru, Bolivian professionals in the formal economy who could hire public university graduates balk at the prospect. I regularly hear complaints about a new generation of Bolivian students who value enough a university degree to enroll, but do not know enough to stay in the university once enrolled. Those<sup>who</sup> do not drop out, but manage to graduate, are often poorly prepared for the demands of the private formal economy. While I may be prejudiced because of my own rigorous Jesuit training, the one month I did spend in the University Mayor de San Andres (UMSA) was extremely frustrating. Classes rarely met on time, we were shuttled continually between different classrooms for the same course, and one professor showed up when he liked. Luckily, I have my degree and could afford to continue my language study outside UMSA. I can only imagine what 5 or 6 years of study must be like when the inconveniences I resented are



heaped side by side with the faculty and student strikes that regularly paralyze learning by shutting down UMSA for a day here or a day there. The days add up.

To be fair, everyone deserves an equal crack at higher education. But the admissions system at UMSA does not promote equality. It promotes mediocrity. There is no entrance examination of any kind. If a student can pay his 8 Bs tuition per semester, then he has the right to study. With over 35,000 enrolled students, such a low tuition puts enormous strains on the University, and UMSA is constantly lurching from one fiscal crisis to another. Under the austere economic regimen of the last three years, the entire Bolivian university system has suffered equally with other public institutions. University system administrators assert that the approved 1988 budget will fall short of actual needs by some 40-50 million Bs. Public universities short of funds or running on a deficit is nothing new, even in the First World. But can a country as poor as Bolivia really afford to continue financing a university system that, according to the Comité Ejecutivo de la Universidad Boliviana, fails to graduate 85 of the every 100 students who enter its doors?

Equally compelling as the universities' budget pains is the attitude students have taken toward admissions tests. Unperturbed by the fact that the few lose the many as the air gets thinner near graduation day, the majority of students I know think an admissions test would discriminate in favor of those Bolivians who attend private schools, and thus block their own social aspirations. But what happens to those lofty aspirations when the same students have to drop out because no one knows whether they should be studying geometry or geography or neither? Most of my friends at UMSA tend to revere a university degree as if it is the one and only ticket to winning social and economic legitimacy in Bolivia. Of course, their ideas are shaped by their view of an earlier UMSA that educated less than 5,000 students in the 1960's enjoying almost the same budget (in real terms) that seems so paltry today. Such attitudes make it very difficult -- if not impossible -- to convince a struggling student that he might be better off as an employed welder or electrician than an unemployed historian or lawyer. So Bolivia suffers from a shortage of mid-level qualified technicians to help build a natural gas pipeline to Brazil (financed through the formal economy) and an oversupply of university drop-outs minding the store in the black market. The same private sector that turns up its nose at poorly educated and ill-prepared students (as it should), needs to take a hand in providing realistic options for students -- that even in rich societies might not be cut out to be doctors -- by pumping its own money into higher education. For example, the Bolivian brewer Max Fernandez does not have the experience to govern Bolivia. But he does possess the capital to open a trade school to train the mechanics necessary to repair the tractors he has recently promised to Altiplano communities on the outskirts of La Paz. In the long run, such a move could assure Fernandez of a more enduring legacy than some of the erstwhile and forgotten leaders of Bolivia that have governed for only weeks or months before being overthrown in a "golpe de estado."

The fault does not rest solely with the absence of any admissions criteria, but starts much earlier. Malnutrition is common among poor children living on the Altiplano or in city barrios. Then too, primary and secondary schools in the countryside and city seem to spend an inordinate

amount of class time drilling students in how to march down the Avenida 6 de Julio in La Paz on national holidays. Finally, when a student does reach the university level and finds himself ill-prepared, it is very easy to neglect studies that are difficult and engage in protest and politics. It would be erroneous and misleading to state that every student at the University Mayor de San Andres spends more time organizing hunger strikes than cracking the books, but enough do to keep their less politicized colleagues studying in an atmosphere that is chaotic and uncertain. Since I have been here, there have been 3 incidents of kidnapping and office-storming at the University, carried out by a group of Trotskyite intellectuals who call themselves the "Urus". Serious students are currently unable to use the University library because it is locked shut to prevent student occupation. The kidnappings have not lasted long, consisting of short brawls that turn into the forced detention of faculty and students for an uncomfortable night in a locked auditorium or lecture hall, but they are hardly the stuff of pure academe.

I think this radicalism is partly due to the notion shared by many poor students that their years in the University are their first and last chance to grab hold of a public forum and keep its attention. One friend referring to the student kidnappings remarked, "Posters are just posters. Without violence the politicians and administrators never take us seriously." I also remember asking one young woman why students were not more concerned about graduating than marching against imperialism or proposed curriculum changes. Her answer is a poignant description of life in the "barrios marginales" where most UMSA students live. "Of course it seems crazy. But their [students'] lives are crazy. They go home to study and there may be no light. If they want to wash in the morning, there may be no water. Their fathers may have jobs, but who knows?"

Jobs. And the politicians looking forward to 1995? Like the grown men pacing the streets of La Paz living off shoe-strings, Bolivians can only hope they do not trip over themselves trying to put this Humpty-Dumpty of an economy back together again.

As ever,

W.L. Levin

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