

---

## The Case of Medellín, Colombia

---

# 'Informal economy'? Infernal society

by Benjamín Castro

Should your average budding economist want to view the practical results of the "informalization" of the South American economy, so strongly advocated by "free market" purists like Peru's Hernando de Soto, author of *The Other Path*, and given a ringing endorsement by President Ronald Reagan at the United Nations recently, let him or her come to Medellín, Colombia. There, one can see the "formal economy" of this once-proud industrial capital in shambles. There, one can see how Medellín has been turned into the headquarters of the notorious cocaine "Cartel" which bears its name, the leading network of cocaine distribution worldwide.

One can also see the "schools for assassins," where abandoned street children are absorbed into the "informal economy" and given training in the art of murder.

The authorities, from the federal government to Medellín Mayor William Jaramillo, from the Church hierarchy to the cultural experts, agree on one thing: Organized crime and the drug trade took over Medellín in the wake of industry's collapse and its replacement by the "informal economy."

It was in the mid-1970s that such industries as Coltejer, Fabricato, Fejicondor, Alimentos Noel, Cenu, Pintuco—industries which had provided the Colombian population with access to quality clothing and food—were forced to lay off up to 30% of their workforce, under a "recession" induced by the speculative operations of the drug financiers, backed by then-President Alfonso López Michelsen.

The way had already been paved at the end of the 1960s, when a terrorist campaign, beginning with the assassination of industrialist Diego Echeverría Acevedo, was launched against the families which had turned the region into an industrial heartland, and run it that way for decades—families such as Echeverría, Acevedo, Restrepo, Mora, Mejía, and others. Many of these abandoned the area under threat of death, selling their industries to drug bankers like Lopez Michelsen's first cousin, Jaime Michelsen Uribe.

In a short period of time, the "cultural matrix" of the region was transformed. The traditional *paisa* family, with 10 to 15 intensely loyal and intensely Catholic members (the department of Antioquia, of which Medellín is capital, has traditionally been one of the bastions of the Church in Col-

ombia) and the famous entrepreneur spirit of the Antioquian, was replaced by the culture of violence and easy money that comes the "informal economy."

### Drugs and crime

As Medellín Mayor Jaramillo declared to the press Sept. 25, the workers and their families who lost their jobs during the 1970s, proved to be easy prey for the mafia. Jorge Rodríguez Arbelaez, director of the Institute of Cultural Integration in the city, identified the industrial recession of the 1970s as the primary cause for the creation of the multiple criminal gangs that hold this city of 2.5 million captive. Then, the advent of International Monetary Fund conditionalities made the "recession" deeper, nationwide, and permanent. Stated Rodríguez, "The city is being destroyed by the street vendors and the violence."

Since the end of the 1960s, Medellín has been divided into six boroughs, each made up of a number of neighborhoods, or colonies, belonging to different social strata. According to a report appearing in the daily *El Tiempo* in early September, the borough with the highest unemployment rate is that of the northeast, where the main criminal bands flourish.

Such gangs as "The Scorpions," "The Magnificents," and "The Murderers," travel heavily armed, collect protection money from the residents, and murder and mug with impunity. On Sept. 5, the regional press reported the murder of a 9-year-old girl, in the ghetto of Santa Lucía, just a few short blocks from where, two weeks earlier, an 11-year-old child had been murdered by the same gang. A priest from the neighborhood told *El Tiempo* that he had said Mass for many children, murdered as alleged *sapos*, informers.

During the past few years, Medellín has also become victim of what is now dubbed "political violence," assassinations committed by "leftist" or "rightist" gangs against political leaders, trade unionists, and intellectual and cultural figures who had somehow crossed the mafia elites. Aside from the assassinations claimed by such guerrilla groups as the FARC and ELP, there are the victims claimed by such right-wing groups as "Love for Medellín," which has undertaken to eliminate "undesirables" (communists and prostitutes) from Medellín's streets.

The University of Antioquia was recently shut down by the local government following the assassination of some of its most prominent professors, the head of its teachers' union, and numerous students. Hooded, armed bands roamed the campus, painting slogans on walls and threatening outsiders with death.

Medellín now has a daily murder index of 8.2—90.3% higher than in the United States.

Still, something may be said for the "informal economy." It has lowered the cost of life dramatically. According to street sources, killing someone only costs "10,000 *pesos*"—"little pesos," about \$40.