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An Historical Review and Analysis of Colombian Guerrilla Movements ¹

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Colombian guerrilla movements have increasingly been associated with illicit activity and terror. This paper is divided into two main sections. The first traces the roots of the movements and describes how traditional Marxist-style guerrilla groups became more associated with crime and kidnapping than political ideals. The second turns to the economics literature to explain the observed guerrilla behavior relating it to traditional guerrilla movements, organized crime and extortion.

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1 Introduction

The Colombian government presently faces the challenge of establishing control over the violent guerrilla movements which support themselves through revenue from illicit activity. The two main guerrilla groups, the FARC (*Fuerzas Armadas Revolucionarias de Colombia*) and the ELN (*Ejército de Liberación Nacional*), are known to carry out kidnappings, cultivate and process illicit drugs, and extort companies and individuals throughout the country. The guerrilla movement's participation in illegal revenue raising activities and their resistance to political dialogue has brought into question the motivation for the existence of these organizations.

The historical review describes in broad terms the events and circumstances which may have led previously traditional guerrilla-style insurgency movements to become recognized for involvement in illicit revenue raising activities. The events and conditions which resulted in the formation of the guerrilla movements in Colombia are outlined in Section 1.1. Section 1.2 and Section 1.3 follow the evolution of the movements chronologically. It is found that the behavior of the movements since the mid-1980s has increasingly raised doubts about the ideological and political nature of these groups.

Upon putting into question the stated and presumed objectives of the guerrilla movements and characterizing the groups by their observed behavior, alternative nomenclature for the groups may be proposed. Section 2 discusses previous articles relevant to the problem of the guerrilla movements, and considers in particular definitions for organized crime groups or criminal gangs. Definitions offered by various authors suggest that the activities of the guerrilla groups resemble those of a criminal organization rather than an

ideologically driven movement.

1.1 Guerrilla formation

Although no guerrilla movement in Colombia has existed as an organized movement for 50 years, the roots of contemporary guerrilla groups can be traced to the period known as *la violencia* (1948-1957). *La violencia* begins with the assassination of the important Liberal Party leader Jorge Eliécer Gaitán on April 9, 1948 and concludes with the signing of the National Front (*Frente Nacional*) agreement in late 1957. Gaitán's death marks an escalation in the fighting between the members of Colombia's two traditional political organizations, the Liberal and Conservative Parties.² The conflict, which resulted in the death of approximately 200,000 people, has alternatively been described as partisan political rivalry and rural banditry, with partisan rivalry being the single most important cause of the *violencia*.³

In 1946, the Conservative candidate Mariano Ospina Pérez (1946-1950) won the presidency after 16 years of Liberal control, and tensions between the two parties increased with the installation of the new Conservative leadership. As Conservative mayors replaced Liberals in local governments, fighting broke out in several departments along party lines. Conservatives were eager to take control of local budgets, while Liberals were sometimes reluctant to relinquish power. The 1948 assassination of Gaitán, a charismatic Liberal leader and presidential hopeful, intensified the conflict. Some members of the Liberal

²Maullin (1973) describes the historical ideological division of the groups as anti-clerical rationalists (Liberals) and pro-clerical defenders of church prerogatives (Conservatives).

³See Hanratty and Meditz, eds (1990) and Bushnell (1993) for discussions of the preexisting political conflicts and a detailed account of *la violencia*.

party accused the Conservatives of carrying out the assassination, thereby justifying retribution. With the Liberal party politically wounded after the death of their leader, the Conservatives again won control of the presidency and Laureano Gómez took power in 1950. Gómez's victory and continued Conservative control contributed to the formation of Liberal "guerrilla squads" (Maullin 1973) in rural areas which were organized to retaliate against Conservative farms and villages.

Gómez's leadership ended in 1953 before the conclusion of his presidential term due to a loss of support among moderate Conservatives and the military establishment, stemming from his inability to effectively control the escalating conflict. The leader of the coup d'état which ousted Gómez, General Gustavo Rojas Pinilla, assumed the presidency and remained in power until May 1957. It was opposition to Rojas Pinilla and his repressive regime that united the Liberals and Conservatives in the mid-1950s and allowed them to reach the National Front agreement.

During the period between 1950 and 1958, irregular violence was increasingly organized and attributed to self-defense militias and bandit-like groups. Although these groups formed primarily as a result of partisan disputes, they also fought because of family vendettas, local disagreements over land and water rights, and control of coffee crops (whose value increased dramatically in the mid-1950s). In addition, some groups organized with an alternative political agenda. They promoted rural land reforms and better wages. The government's repeal of pro-labor laws passed in the 1930s, the official opposition to independent labor unions and Communist leaning organizations, and the increasingly arbitrary policies of the Rojas Pinilla regime fueled the strengthening of these organizations. Ac-

According to Bagley (1988), the circumstances led to the formation of groups he identifies as “revolutionary guerrillas” in the Colombian countryside.

The fighting between Liberals and Conservatives, the Rojas Pinilla leadership, and the period known as *la violencia* came to a close in 1958 with the implementation of the National Front agreement. In this arrangement, the Liberals and Conservatives agreed to alternate control of the presidency until 1974, with the first president elected under the agreement Liberal Alberto Lleras Camargo (1958-1962). The principal goal of the reconciliation between the two parties and the establishment of the National Front agreement was to reduce the *violencia*.

Given that both parties recognized that an underlying element of the *violencia* was rural discontent, Lleras Camargo launched an agrarian reform program and a community action program in 1958. The objective of the agrarian reform was to redistribute land to the small-holder peasants. Community development projects encouraged local development in the rural countryside and the strengthening of the influence of the central government in Bogotá. The effort was coordinated through the Community Action (*Acción Comunal*) program which formed pro-government organizations at both urban and rural neighborhood levels. The program offered public funding for the construction of schools, health clinics, water and sewage systems, roads and community centers.

Despite the efforts of the National Front agreement and Community Action program to address the needs of the urban and rural poor in the late-1950s and early-1960s, corruption, limited availability of funds and the slow pace of land reform produced frustration among the groups the programs intended to aid. Furthermore, the government continued to face

problems of unemployment, and lack of low income housing and basic services in urban areas. The government's struggle to address legitimate concerns of rural (and urban) poor while maintaining a strict two-party Liberal/Conservative political framework allowed groups with alternative political ideologies to synthesize into guerrilla-style movements.

In the post-1958 period, the *Fuerzas Armadas Revolucionarias Colombianas* (Armed Revolutionary Forces of Colombia or FARC), presently the strongest guerrilla movement in Colombia, developed out of some of the guerrilla groups and organized bandits that had remained active during the National Front agreement. The formation of the FARC begins with the appearance of the Southern Guerrilla Bloc in 1964 across several *departamentos* (administrative departments or provinces). Also, the organization of the Southern Guerrilla Bloc concretized the link between the guerrilla/bandit groups and the Colombian Communist Party (CCP). The CCP provided financial support and political orientation to the Southern Guerrilla Bloc, while actions in the field were carried out through the preexisting guerrilla/bandit infrastructure. Maullin (1973) points out that in addition to seeking support of guerrilla/bandit groups, the CCP sought to organize and recruit disaffected members of the Liberal party. In mid-1966, the Southern Guerrilla Bloc officially transformed itself into the FARC with a declaration issued from Moscow claiming that the imperialist United States had set up military bases in Colombia and calling Colombian workers and peasants to support the just struggle of the guerrillas (Bagley 1988).⁴

⁴Further demonstrating the link between the Soviet Union and the formation of the FARC is the 1966 book titled *Colombia: An Embattled Land* (Anonymous 1966) published by Peace and Socialism Publishers in Prague, 1966. The introduction establishes the anti-Conservative nature of the CCP by declaring the 1946 Conservative electoral victory as the seizure of power by "the ultra-reactionaries." The book also describes the revolutionary struggle faced by peasants of Colombia and their now famous leader Manuel "Tirofijo" ("Sure shot") Marulanda.

Between 1962 and the official formation of the FARC, there is evidence of stronger ties between the CCP and the groups which eventually formed the FARC. The political violence appears to have experienced two important changes: it became more organized and oriented toward specific military and political goals. The changes reflected (1) the effort by the CCP to become the tutor, coordinator, and patron of the guerrilla's activities and (2) a decision by the Colombian government to alter its traditional view of the causes of political violence (the struggle between Liberals and Conservatives) and adopt a new military strategy to deal with it (Bagley 1988).

The goal of the CCP between 1962 and the 1964 formation of the Southern Guerrilla Bloc was to co-opt several of the existing non-Communist armed groups. Bagley (1988) points out that on the one hand, guerrilla violence was acknowledged by both Communists and non-Communists alike to be associated with locally felt Conservative and Liberal vendettas and with common banditry.⁵ On the other hand, the pervasive belief that socioeconomic problems in Colombia would lead to revolutionary violence made the guerrillas and bandits symptomatic of the impending revolution.⁶ By integrating armed groups that could potentially cause a revolution in Colombia, as had happened several years earlier in Cuba, the CCP paved the road for the formation of the FARC as an arm of a Soviet-line Communist party.

Two other guerrilla movements whose roots can be traced to the period of the *violencia* and early years of the National Front agreement are the *Ejército de Liberación Nacional*

⁵Bandits are described as “highwaymen” who assault peasant’s homes and inter-city buses, small groups with a less organized character, while guerrillas are considered to be more organized and carry out ordered or premeditated actions (Bagley 1988).

⁶Bagley, p.30.

(National Liberation Army or ELN) and *Ejército Popular de Liberación* (Popular Liberation Army or EPL).⁷ As with the FARC, both the ELN and the EPL movements drew their recruits from bandits or guerrilla groups that organized during the period of the *violencia*. While the FARC tended to be more organized in the southern *departamentos*, the ELN was active in the north-eastern areas of Colombia and the EPL was active in areas slightly north of the FARC.⁸

The ELN arose out of a combination of groups involved in the *violencia* and politically disenchanted students and recent college graduates in the Santander Department who favored a Cuban-style revolution in Colombia. Formed in 1963-64, the Cuban orientation of the ELN contrasts with the FARC, influenced by Soviet politics via the CCP. Cuba provided money and supplies that helped to form the ELN and offered ideological orientation. The leaders of the ELN claimed to use violence to achieve political objectives, and those objectives, although forwarded by educated university graduates, were to improve conditions of rural peasants and fight against the oppressive system which perpetuated their misery. The educated leadership found that instead of attracting peasants to the military struggle, it drew armed recruits that came from the same pool of bandit groups which formed the FARC (Bagley 1988).

The EPL was organized slightly later than the FARC and the ELN, and operated in a smaller geographical region. It is possible that the EPL was formed by a group of Maoist-oriented dissidents who broke away from the CCP prior to the formation of the FARC.

⁷The ELN is the group responsible for carrying out attacks on the Caño Limón-Coveñas oil pipeline.

⁸The FARC formed from groups in Caldas, Cauca, Cundinamarca, Huila, Quindió, Tolima, and Valle del Cauca *departamentos*, the ELN from groups in Santander, Antioquia and Bolívar, and the EPL, the smallest of the three, formed groups in Antioquia and Córdoba (Figure 1).

Whether or not this is true, it seems that the EPL grew out of the same bandit/guerrilla groups that formed the other guerrilla movements in the mid-1960s. As with the other groups, the claimed objectives of the armed struggle were to combat banditry and improve poor agricultural working conditions and wages.

1.2 Late 1960s and 1970s

After the formation of the three main guerrilla groups, the FARC, ELN, and EPL, they faced changes in domestic and international conditions which weakened the movements. International support for the movements declined, the military began to carry out more effective counter-insurgency measures, government programs to improve rural conditions drew support away from the movements, and investments in the agricultural sector altered the structure of the rural areas. By the mid to late-1970s, the guerrilla movements had lost the political momentum which led to their formation in the early-1960s.

Since it was known that a link between the CCP and the FARC existed and that the Soviet Union offered organizational and financial support to the FARC via the CCP, president Carlos Lleras Restrepo (1966-1970) addressed the problem by opening diplomatic discussions with the Soviet Union. His objective seems to have been to open formal ties and decrease financial assistance to the FARC. In January 1968, the Colombian government established diplomatic relations with the Soviet Union, and shortly afterward the activities of the FARC declined.

The military also implemented formal counter-insurgency plans as a reaction to the establishment of the guerrilla movements in the early-1960s. Plan Lazo, a central part of

the strategy and the main anti-guerrilla program started in 1962, restructured the military's training and operations and placed greater emphasis on counter-guerrilla measures. As a result, the military also stepped up efforts aimed at directly fighting the FARC, ELN and EPL once they had become formally established movements with external ties. The second aspect of Plan Lazo was community development which advocated the use of military resources in public works and social programs, with the objective of improving conditions for poor rural and urban residents and diminishing the the pool of potential guerrilla recruits or sympathizers. The military's two-pronged approach against the guerrilla movements, armed and community oriented response, effectively reduced the activity to the three main guerrilla organizations, the FARC, ELN, and EPL, between the late-1960s and early-1970s.

An additional component of the military's campaign against the guerrilla groups was growth of the armed forces. Table 1 indicates that between 1960 and 1969 the size of the Colombian armed forces (army, navy and air force) approximately tripled. The larger number of recruits certainly contributed to the greater success of anti-guerrilla measures taken in the late-1960s and early-1970s. Table 1 also shows that greater military spending accompanied the larger sized force. Defense spending nearly doubled in the same period.

The rural agricultural sector received assistance and revitalization under the presidency of Liberal Carlos Lleras Restrepo (1966-1970) who furthered agrarian reform. The reform implemented by Lleras Restrepo intended to address socioeconomic concerns in the rural areas. His agrarian reform policy was designed to accelerate the modernization and commercialization of agriculture and implement a redistributive land reform program. Al-

though land reform may not have been as effective as Lleras Restrepo desired, it did have the effect of changing the structure of agriculture, which in turn increased production in the agricultural sector and altered the structure of the rural population.

The growth in agriculture between 1965 and 1975, shown in Table 2, reflects the impact of the Lleras Restrepo reforms and larger government expenditures on agriculture during the presidency of Conservative Misael Pastrana (1970-1974). During this eleven year period, the contribution of labor to agricultural output drops and the stock of physical capital increases significantly, indicating the efforts to mechanize the agricultural sector. A consequence of this policy was to reduce the share of workers in the agricultural sector. The agricultural reforms altered the structure of the rural peasant base, seemingly affecting the groups from which the guerrilla movements hoped to gain support and recruit new members.

The change in the structure of the rural agricultural sector was accompanied by increasing urban migration. Table 3 demonstrates the dramatic shift in the balance between urban and rural populations from the 1950s to the 1970s. In 1951, less than 40% of the population lived in the urban centers, and by 1973 this number had reached nearly 60%.⁹ The transformation of the rural sector as a result of urban migration is another factor which affected the traditional recruiting pool of the guerrilla movements.

By the mid-1970s, with the stronger counter-guerrilla efforts of the military and the implementation of government programs designed to address the socioeconomic factors which may have contributed to the formation of the guerrilla groups in the mid-1960s,

⁹The urban migration between 1951 and 1964 demonstrates also the effects of the *violencia* on the rural population.

it appeared that the government had eliminated the guerrilla movements. Hanratty and Meditz, eds (1990) state that by the early 1970s the FARC appeared incapable of mounting sustained operations, the armed forces declared that the ELN was “virtually destroyed,” and operational capabilities of the EPL were weakened by deaths of key leaders and internal dissension. The military effort may have had the strongest impact on the ELN. It resulted in the death of two of the three leaders of the movement, and the capture of the principal ideologue (Loveman and Davies, Jr., eds 1997).

1.3 End of the 1970s and present

The mid-1970s mark a general decline in the political activity of the guerrilla groups and the period in which the movements began to participate in the illicit drug industry. Factors which may have contributed to the political inactivity of the guerrilla movements include those previously outlined, stronger military counter-insurgency operations in the late-1960s and early-1970s, the loss of leadership and internal dissent within the movements, the government's implementation of agriculture reform programs, urban migration, and decreased international support for guerrilla movements. Also, the end of the National Front agreement in 1974 ended the political context under which the guerrilla groups formed. The presidency no longer alternated between the Conservative and Liberal parties, but it depended solely on the outcome at the ballot box.

At the same time that the guerrilla movements appeared to be losing political and financial support, illicit drug production in Colombia began to expand. The weakened guerrilla movements and the nascent drug cartels turned to each other to form a mutu-

ally beneficial relationship. The isolated areas which remained under the control of the guerrillas offered the drug producers a set of rural enclaves where the illicit industry could develop with less fear of military or government intervention (Pecaut 1997). The guerrillas, particularly the FARC during this period, gave protection to marijuana fields, and later coca fields cocaine processing laboratories, and points of export in exchange for a share of the profits, arms, and logistical support.

The alliance that formed between the drug traffickers and the guerrilla movements during the mid-1970s may indicate the beginning of the transformation of the movements into their current manifestations. As the drug industry grew, the association between drug traffickers and the guerrillas grew stronger. The guerrilla groups appeared less connected to the political problems of the time and more concerned with illicit enterprises.

Although the guerrilla groups continued to define themselves as politically motivated, Casas's (1980) narrative of the situation surrounding the September, 1977 *Paro Nacional* (National Strike) demonstrates that discontent which may have existed within certain sectors of the population was not channeled through the guerrilla movements nor did the movements serve as the voice for these individuals. Furthermore, it seems the guerrilla groups had not developed the political infrastructure to usurp power. Casas (1980) states, "If there had been an Organization or a Revolutionary Political Alliance with the capacity to carry out an effective overthrow of the government, this strike could have become an opportune occasion for it."¹⁰ The inability of the guerrilla groups to capitalize on the popular mood which led to the strike and the existence of a strike during a time when

¹⁰Casas (1980), p.163.

the guerrilla movements were weakest emphasizes the discrepancy between the guerrilla movements' ideological rhetoric and their political nature. The movements continued to proclaim themselves the voice of the politically disenfranchised, but had increasingly become fringe groups supporting themselves through illegal activity.

The guerrilla groups' absence of political initiative was evidenced again in the early-1980s during Belisario Betancur's presidency (1982-1986). President Betancur's government organized comprehensive peace talks with several guerrilla movements in order to address their proclaimed concerns and integrate the groups into the political process. It was an opportunity which was designed to favor the guerrilla movements and encourage them to participate in the political process. La Rotta Mendoza (1996) explains that the movements, the FARC in particular, recognized peace as a threat to the "legitimate" continuation of their struggle, and that the behavior of the groups demonstrated a lack of knowledge of the political environment and a lack of political experience in order to participate productively in the talks. He suggests also that their behavior showed that they did not have a genuine interest in reaching an accord with the government and simply preferred to continue the "struggle" due to the appearance "other types" of interests. He identifies the rejection of the Betancur peace effort as the most clear evidence that the interests of the guerrilla movements were to raise revenue through illicit activity, such as the participation in illegal drug production, kidnapping, and extortion, and that they believed conflict more profitable than peace. La Rotta Mendoza (1996) describes the proclaimed political objective of the groups as an "illusion."

The early-1980s also frequently serve as a starting point for current discussions of the

guerrilla movements in Colombia which often frame the problem of these groups in the context of “organized violence” or seek to redefine the movements as illegal enterprises.¹¹ When explaining the movements, the emphasis has turned toward their participation in diverse illegal activities and their strength from growing revenues. The revenues flow mainly from participation in drug cultivation and production, kidnapping, and extortion. The movements also earn income from their presence in *departamentos* with mining and agricultural industries. The groups have been described as common delinquents with economic strength, that have long since lost any ideals of justice and equality in order to dedicate themselves to profitable enterprises (Serna Vasquez 1996) and as groups that are increasingly involved in criminal activity and show an absolute loss of ethical boundaries in their criminal behavior (Rangel Suarez 1996). The tie between the guerrilla and narcotrafficking has led some observers to define the groups as narcoguerrillas or narcoinsurgencias.

Pecaut (1997) points out the connection between the presence of the guerrilla movements in regions known for drug production, mining and agriculture. He states that the presence of the guerrilla is particularly correlated with drug production in the departments of Caqueta, Guaviare, Vichada, Sucre, Córdoba, Chocó, Bolivar, Santander, and Norte de Santander (see Figure 1). Furthermore, it appears that the production of the most recently introduced illicit drug, heroine, is most highly correlated with guerrilla presence, suggesting that the guerrilla movements have successfully excluded other groups from exercising control in the heroine industry. Pecaut (1997) also states that the same corre-

¹¹For the former, see Richani (1997), Pecaut (1997), and Ramirez Tobon (1990) and for the latter see La Rotta Mendoza (1996) and Villamarín Pulido (1996).

lation that exists between the presence of the guerrilla movements and the zones of drug production can be found in the mining sector and the industrialized agricultural sector, where the guerrilla imposes a “production tax.” Consequently, the presence of the guerrilla movements has been strongly associated with developed and industrialized regions instead of those with largely peasant populations.

The effects of the military campaign and the changing social conditions on the size of the three main guerrilla movements is shown in Table 8. The groups begin small, experience a little growth in the mid-1960s, and then slight decline in the early to mid-1970s. The FARC starts to grow again in the late-1970s, the time of the affiliation with the emerging drug cartels, and experiences a rapid increase in membership after the mid-1980s. The fluctuations in the size of the ELN and EPL resemble the those of the FARC. It also seems that the biggest jump in membership of all three movements occurs after the groups became more involved in narcotrafficking and stepped up activity in other illicit activities.

Recent revenue estimates for the FARC and ELN reflect their bases of operation.¹² Tables 4 through 7 show estimates of guerrilla revenues according to various authors. In general, the FARC is more involved with the narcotics industry than the ELN and it earns a larger portion of its revenues from the production of illegal drugs, as seen in Tables 4 and 6. These numbers also show that the ELN tends to earn much of its revenue through extortion. In Table 6, Richani (1997) defines the “war tax” as money collected from multinational corporations, large land owners, and rattle ranchers. A comparison

¹²No revenue estimates are available for the EPL.

of Tables 4 and 6 reveals the tremendous growth in earnings for both guerrilla groups in the early 1990s. This can be attributed in part to the increase in the production coca in Colombia as a result of eradication programs implemented in Peru and Bolivia. Although all authors recognize the revenue figures as rough estimates, they demonstrate that the movements are solidly entrenched in a variety of illegal enterprises and they earn large sums of money.

The growth in the number of fronts and revenues of the guerrilla movements coincides with a general trend of increasing drug production and violence in Colombia. Figure 2 and Table 9 demonstrate that the number of hectares under drug cultivation and the value of illicit drug crops grew throughout the 1980s and most of the 1990s. Accompanying the stronger guerrilla movements and increased drug production are more homicides and kidnappings. Figure 3 and Table 10 show that both homicides and kidnappings have increased dramatically since the late-1970s. The rise in homicides reflects the struggle for control of territory and the generally violent nature of the illegal drug industry.

The period between the late-1970s and the present marks a strengthening of the guerrilla movements through an increase in manpower and revenues, an increase in the land under drug cultivation across Colombia, and an increase in the number of homicides and kidnappings. The guerrilla movements' continued participation in kidnappings and extortion and growing involvement in the cultivation and production of illicit drugs has also led to the increasingly widespread belief that the movements are concerned primarily with revenue raising activities.

1.4 Conclusions

When discussing the situation which led to the formation of the early guerrilla movements in Colombia, Bagley (1988) returns to the conditions under the Rojas Pinilla regime. The effects of partisan violence, the political urgency of socioeconomic change, and the reservoir of armed recruits created the circumstances which sparked the formation of guerrilla groups that attracted attention from the Soviet Union, Cuba and China. Although the FARC and other early guerrilla groups may have participated in criminal activity for the purpose of economic enrichment prior to and from the time of their formation, the groups' formalized structure and accompanying political objectives of the early-1960s allowed them to be comfortably classified as traditional guerrilla movements.

The 40 years since the formation of the original guerrilla movements has witnessed an evolution their behavior. Two central factors contributing to the shift in the objectives of the guerrilla movements are (1) that the formation of the movements depended on recruits from criminal bandit groups and (2) that government counter-insurgency programs resulted in the deaths of important outspoken, ideological leaders, allowing criminal elements to have greater influence over the behavior of the groups. Consequently, it seems that the movements always faced a delicate balance between criminality and ideological struggle, and with the military targeting of key leaders, the loss of outside support, and the increase in potential illicit earnings through the growth of the drug trade, the guerrilla groups chose to focus on illegal entrepreneurial activity rather than political objectives.

2 Related literature

Although the three main insurgent groups in Colombia, the FARC, ELN, and EPL, are referred to as guerrilla movements, the groups participate in criminal activities such as the cultivation and processing of illicit drugs, kidnapping and extortion. The perception that the interest of the movements lies in monetary gain has led observers to question their political objectives. When considering the literature related to the extortionary relationship between the oil company and the guerrilla movement, the objective of the movement affects the manner in which the problem is approached.

Here, the relationship between the oil company and the guerrilla movement is defined as extortionary. By characterizing this relationship as extortionary, it is implied that the objective of the movement is monetary gain. The literature on guerrilla movements focuses on the behavior of groups whose objectives are to usurp political power. Section 2.1 briefly discusses the few existing articles which consider the behavior of guerrilla movements.

Section 2.2 looks to the organized crime literature for previous papers which address the problem of extortionary relationships. Extortionary behavior has been discussed in the organized crime literature, but very few articles specifically address the topic of extortion. Much of the organized crime literature works to define the term "organized crime." The review below includes a lengthy discussion of organized crime definitions offered by various authors in order to demonstrate the disagreement that exists within the literature and to suggest that, based on the guerrilla movements' observed behavior, it is appropriate to classify or define them as criminal gangs, mafias or illicit enterprises.

The articles which focus specifically on the problem of extortion are discussed in Section

2.3. As with the guerrilla literature, few papers are dedicated to the topic. The summary of these papers is brief because the models developed do not directly relate or generalize to the extortionary relationship between the oil company and the guerrilla movement.

2.1 Guerrilla movements

Two well known contemporary writers on guerrilla warfare are Mao Tse-tung and Che Guevara. Both authors outline the nature of guerrilla warfare and offer opinions on techniques that successful guerrilla movements should employ. Mao Tse-tung (1978) states that the essence of guerrilla warfare is revolutionary in character, and he speaks in general terms about the process of organizing the people, achieving political unification, establishing bases and equipping forces, and finally recovering lost territory. Guevara (1985) also describes similar steps that an insurgent force should follow in order to take control of the government, and he goes further and provides diagrams of tank traps and Molotov cocktails.

The first models of guerrilla warfare in the early-1960s considered the problem from a strategic, military perspective. Articles by Deitchman (1962) and Dolansky (1964) in the journal *Operations Research*, a journal whose articles take an engineering approach to military tactics, appear to be written to advise military officials. For both authors, troop ratios and probabilities of successful shootings are key factors in determining the outcome of conflicts, where the objective of the guerrilla movement is to overthrow the government.

More recent articles which attempt to model guerrilla warfare, with the objective of

overthrowing the government, have been written by Hirshleifer and Brito and Intriligator. Hirshleifer's (1988) article may analyze a problem closest to that of the oil company and the guerrilla. The objective of the approach is to demonstrate that in a general equilibrium model, it is possible to obtain an equilibrium result where groups engage in hostile interactions. He uses Cournot, Stackelberg, and Threat-and-promise equilibriums to arrive at this conclusion. The two groups in the problem choose the proportion of effort that they wish to allocate to production or appropriation. His analysis confirms that conflict can occur in an equilibrium, and he suggests the effect of conflict on the two groups modeled. By starting with different resource allocations, he suggests that the different solution techniques will affect the final distribution of income and the preference for leading or following. Although the general framework and set-up are too distinct from the problem faced by the oil company and the guerrilla to carry over his conclusions, he establishes an important precedent in that income appropriation may be the principal motivation of a hostile group.

Brito and Intriligator published three articles which analyze the structure of guerrilla conflict, and relevant to their approach is the time of publication. The first "A Predator-Prey Model of Guerrilla Warfare" published in 1988 and the second "An Economic Model of Guerrilla Warfare" published in 1990 bring to the problem a Cold War era perspective. The guerrilla movement is interpreted within the framework established by the earlier *Operations Research* articles and the guerrilla movement's objective is to overthrow the government, the implied purpose of which would be to shift political alignment in a bipolar geopolitical framework. The third article, "Narco-Traffic and Guerrilla Warfare" published

in 1992, suggests that movements now may need to seek support for the ongoing political struggle through alternative means. Although they have introduced the guerrilla group's involvement in drug trafficking and the deterioration of the bipolar political framework, the paper proceeds with the belief that the objective of the guerrilla is overthrowing the government or garnering political strength.

In the first of the three articles, the foundation for their approach to guerrilla warfare, Intriligator and Brito (1988) introduce the problem of guerrilla warfare using a dynamic model, investigate the paths for the evolution of guerrilla wars, and draw conclusions about how wars may be fought over time. The underlying assumption about the movements is that their objective is to convert members of the population into believers or fighters for their cause and gain a critical majority of support in order to overthrow the government. This structure evolved from the traditional portrayal of guerrilla movements as outlined by Mao Tse-tung. The model compares the evolution of the guerrilla movement to a predator-prey problem. The key for the movement is to have a stable (or increasing) recruitment to loss ratio, so that their influence over the population is constant or increases as they lose soldiers in battles against government troops. The paper suggests that estimation of certain parameters could indicate which side might win during a protracted guerrilla conflict. The economic implication is in the guerrilla movement's decision to trade-off resources under their control between fighting and indoctrination, and the possibility that control over the economy may affect the recruitment to loss ratio.

The second of the three papers, Brito and Intriligator (1990), presents a more developed model of guerrilla behavior, but focuses on the initial stages of a guerrilla movement

which has the traditional objective of overthrowing the government. Initial conditions describing the characteristics of the country will affect the path the guerrilla war follows. The path depends on the guerrilla's use of resources under their control; the ability of the movement to obtain weapons (porosity of the country); the government's ability to raise revenue through taxes to support the war as the guerrilla's strength increases and land under its control grows; and the mobility of the guerrilla movement in order to carry out tactical missions and avoid government retribution. The results suggest that guerrilla wars should be viewed in terms of the guerrilla's ability to move from a defensive stage to a stalemate stage in the conflict.¹³ The guerrilla can either shift to a stable stalemate stage independent of initial conditions or only if initial conditions are at some critical trajectory will a stable or unstable second stage result. The article does not address the transition from stalemate to overthrow of the government, suggesting that a government collapse may occur as a result of prolonged fighting. The article leaves open many interesting issues about the guerrilla's methods of obtaining resources in order to progress from one stage to the next.

The set-up from the second paper supplies the framework for the third paper, Brito and Intriligator (1992), and mentions, but does not explore, the possibility that a guerrilla movement may exist without the objective of overthrowing the government. The reason for avoiding this possibility may be that such an objective would radically alter their interpretation of the dynamics of the guerrilla-government interaction. But some of the conclusions could still hold. For example, they believe that a key parameter in the model

¹³ Brito and Intriligator (1990) describe the guerrilla movement's armed struggle in terms of stages. Stage one is offensive, stage two is stalemate, and stage three is overthrow of the government.

is porosity, the guerrilla movement's capacity to acquire arms. Undoubtedly, the ability to acquire arms is a key parameter for criminal groups as well, and for this reason it may be the case that guerrilla groups have a comparative advantage in the formation of criminal gangs (e.g. IRA, the Colombian FARC and ELN guerrilla groups, and guerrilla movements in Sierra Leone).

Their third paper, published after the collapse of the Soviet Union, introduces the relationship between guerrilla groups and narcotraffickers. Now the problem analyzed by Brito and Intriligator has three players and two stages, where first the guerrilla movement fights the government, and then in the second stage the druglords act as Stackelberg leaders with the government and guerrilla acting as Stackelberg followers. The claim is that the druglords play a critical role in the outcome of the guerrilla movement's war to overthrow the government by splitting resources between the insurgents and the government. The druglords manipulate the other two players to drive the system to their preferred outcome, while the guerrilla and government remain locked in traditional guerrilla combat. The interaction between the druglords and the guerrilla movement resembles the relationship between the guerrilla movement and a foreign nation offering covert aid. Although an intriguing approach, it keeps the assumption that the guerrilla movement has traditional objectives and does not consider how a change in the objectives could alter results or behavior.

The few articles which discuss specifically guerrilla movements leave many untouched issues. It is suggested that guerrilla movements may use resources under their control to finance activity, but how the resources are converted into currency or bartered for

weaponry is not discussed. Also, a change in the objectives of the guerrilla movement could significantly alter previous conclusions.

2.2 Organized crime

The organized crime literature generally interprets organized crime as the activity of mafias and their relationship with the state. The introduction by Fiorentini and Peltzman, eds (1995) in their recent collection of articles on the topic states “this is the first book to use economic theory in the analysis of all the different aspects of organized crime: the origins, the internal organization, market behavior and deterrence policies.”¹⁴ More than a testament to the comprehensiveness of the volume, the statement demonstrates the paucity of literature that exists which defines and analyzes organized crime and criminal or illicit entrepreneurial enterprises in general.

Fiorentini and Peltzman, eds (1995) introduce their collection by addressing the same problem of defining organized crime encountered nearly 20 years earlier in the 1967 President's Commission Task Force report on organized crime (President's Commission on Law Enforcement and Administration of Justice 1967). They contrast previous applications of the term to define a set of relations among illegal organizations and a group of illegal activities performed by a given set of agents. Criminal organizations can take the form of firms whose businesses produce illegal goods and services for consumers, or instead behave like governments which try to establish and enforce rules in the areas where they exercise control. In the latter case, the control maybe over illegal activities, where illicit

¹⁴Fiorentini and Peltzman, eds (1995), p.8.

organizations cannot seek protection from the legitimate government.¹⁵

Articles in Fiorentini and Peltzman, eds (1995) consider two approaches to identifying illegal markets in which organized crime groups operate. The first type is illegal markets with no centralized control (no barriers to entry), such as numbers, loan sharking, prostitution, smuggling, and counterfeiting. These markets seem to be competitive, and not conducive to monopolistic rents or the formation of overreaching governmental-like structures. The second type is illegal markets where criminal organizations tend to integrate themselves vertically to reach some degree of central coordination, such as money laundering, large scale distribution of narcotics, and the supply of violence for extortionary purposes. Coordination generally occurs through the establishment of (territorial) cartels and through the strengthening of vertical relationships.

Since criminal activity may be affected by conditions which lead to centralization or decentralization, in order to understand the problems faced by the Colombian guerrilla movements it may be useful to outline factors affecting the structure of criminal or illegal markets. Fiorentini and Peltzman, eds (1995) list several conditions for each case. Forces leading to decentralization may result from (1) risks involved in illegal transactions that decrease more than proportionally with their size since it is (nearly) impossible to make contracts binding; (2) property rights over commodities that are not well defined and can be subject to seizure by enforcement agencies, so that large investments in any given activity are discouraged; and (3) participants in illegal activities who run a risk of detection which grows with the number of people involved because some members of

¹⁵In the case of Colombia, government weakness or inability to protect the legitimate sector may contribute to the widespread existence of criminal groups that seek to exercise control over illegal and legal markets.

the organization may cooperate with investigative agencies (increasing monitoring costs). On the other hand, centralization may occur due to (1) economies of scale in some basic services needed to perform illegal activities; (2) exploitation of monopolistic prices in some markets less open to external competition; (3) internalization of negative externalities due to oversupply of violence; (4) avoidance of resource dissipation through competitive lobbying and corruption; (5) better management of a portfolio of risky activities; and (6) easier access to national and international financial markets.

Despite the effort by Fiorentini and Peltzman, eds (1995) to identify features of illegal markets which lead to the formation of organized crime groups and offer a general framework and definition for analyzing organized crime, many contributions in the volume begin with the author's own revised definition of organized crime and do not couch the problem in terms of the framework offered by Fiorentini and Peltzman, eds. Some definitions adopted are very broad, as in the definition selected by Celentani and Martina (1995), stating, organized crime is "a set of agents (criminal firms) that have market power and recognize the mutual influence of their activities and are therefore possibly in a position to exploit some sort of cooperative behavior." Anderson (1995) suggests that a mafia is an organized crime group differentiated from other groups engaged in violent or criminal activity by the "essential characteristic" of "corruption or substantial influence in at least some agencies or bureau of the legitimate government." Skaperdas and Syropoulos (1995) define gangs as "long-lived organizations with primarily illegal activity," to be distinguished from "short-lived groups of ordinary bandits and brigands." Gangs are also said to have a near-monopoly in violence, long-life, organization and territorial

boundaries, essentially only differing from empires or modern states because they lack a permanent bureaucracy. They elaborate further that “gangs also develop organizational cultures and ideologies that contribute to their cohesion and expansion.”¹⁶ The variety of definitions reflects a definitional problem which exists throughout the organized crime literature.

Smith, Jr. (1971) and Maltz (1976) made earlier attempts to clarify the definition of organized crime, an effort motivated by the 1967 President’s Commission report *Task Force Report: Organized Crime* (President’s Commission on Law Enforcement and Administration of Justice 1967). Smith, Jr.’s (1971) principal suggestion is to replace the term organized crime with the term “illicit enterprise” in order to avoid a phrase which is “overburdened with stereotyped imagery.” Smith, Jr. (1971) proposes the more general term enterprise for several reasons and contrasts his choice with other possibilities. He states, “‘Enterprise’ is preferable to activity because the phenomena in question have objectives that are entrepreneurial in nature. ‘Illicit’ is preferable to criminal because . . . it establishes a less pejorative base for analysis and because it can be distinguished in an economic sense from ‘licit.’ The antonym of ‘criminal’ is the legal alternative ‘civil.’”¹⁷ With his alternative nomenclature, Smith, Jr. (1971) proceeds to discuss characteristics of criminal activity in an effort to arrive at a general framework.

Given the contrast between the terms “criminal” and “civil,” the issue of law enforcement and control of illicit enterprise arises. Smith, Jr. points out that if illicit enterprise, including organized crime, is a natural outgrowth of an economic structure, then the as-

¹⁶Celentani and Martina (1995), p.254; Anderson (1995), p.35; Skaperdas and Syropoulos (1995), p.62.

¹⁷Smith, Jr. (1971), p.10.

sumption that an attack on its purveyors will eliminate its existence is questionable. For law enforcement to be effective, a strategy may need to take into account the structural causes of crime. This approach suggests observing the customers, suppliers, competitors regulatory groups which are affiliated with the illicit activity.

Smith, Jr. (1971) also ponders the role of violence in illicit enterprise, which is clearly an important aspect of the guerrilla movement's revenue raising activities. He claims that violence may serve three principal functions for an illicit enterprise: (1) maintenance of internal discipline, (2) enforcement of market conditions, and (3) control of competition. Parallels can be drawn between the role of violence in illicit enterprises and legitimate enterprises. Violence as a means of enforcement and discipline may be a substitute for legislative and judicial process (bank *vs.* loanshark); violence to control market conditions may replace price wars; and finally violence to control competition may be a substitute for buy-outs or take-overs.

An important distinction is made between illicit enterprise and corruption. It is claimed that corruption pertains to avoiding regular enforcement duties or obtaining favorable resolution on government or judicial matters, activities which an illicit enterprise or organized crime group may carry out. Furthermore, Smith, Jr. (1971) notes that a distinction should be made between corruption and graft that occur in a sustained, systematic manner to facilitate organized crime and individual instances of payoffs related to specific matter.

Maltz (1976) begins his discussion of the definitional problem by pointing out that the lack of a clear and consistent definition stems from a semantic problem. He states:

The word "crime" is usually taken to mean the aggregate of specific "crimes",

i.e. *crime* is the specific behavior or act and *crime* is the set of behaviors encompassing all crimes. In like manner we can call *an organized crime* a specific behavior or act. Yet when we talk of *organized crime* in the *generic* sense we usually refer not to a *set of behaviors*, but to an *entity*, a group of (unspecified) people . . . This confusion over the term leads to circular reasoning, as in “organized crime runs the narcotics distribution in New York City”: the distribution of narcotics *is* an organized crime, and whoever runs it is *ipso facto* “in organized crime.”¹⁸

Maltz (1976) reasons that a definition of organized crime should clearly identify a means and objective.

As other author's have done, Maltz (1976) offers a definition for organized crime. He defines his categorization as a typology, and includes the means, objective and manifestations of the action. Table 11 summarizes the definitions and categories with examples. His broad definitions allows for major differences in the organization of the criminal groups, the nature of the victims or participants, and the type of law enforcement response the activity may solicit.

Comparing Maltz's typology to the behavior of the Colombian guerrilla movements, their actions lead them to be classified as organized crime groups. The guerrilla movements perform illegal activities with an economic objective. It might also be noted that in Colombia violence occurs in order to corrupt. For example, politicians or their families may be threatened or kidnapped for carrying out reforms which affect illegal guerrilla enterprises. The typology presents organized crime as a broadly defined term, with specific categories that demonstrate that guerrilla groups can be classified as organized crime groups.

Two articles by Schelling, Schelling (1967) and Schelling (1984), are complementary,

¹⁸Maltz (1976), p.16.

address the topic of organized crime, and offer a unique characterization of the general aspects of organized crime and groups that carry out extortion. The features of extortion he suggests can be applied to the relationship between the guerrilla movement and the oil company. Often cited as one of the first articles to consider the economics of organized crime, Schelling (1967) begins his discussion by stating the need to identify the incentives and disincentives to organize crime, and how this in turn could help evaluate costs and losses due to criminal enterprises, as well as assist in law enforcement.¹⁹ Schelling (1967) divides criminal activity into different categories with the purpose of addressing the question of why some “underworld” businesses become organized while others do not, and what kind of organization should be expected. His categorization of businesses or areas of operation includes black markets, racketeering, black market monopoly, and cartel.

The category of crime identified as racketeering, defined as criminal monopoly and extortion, contains a lucid discussion of types of extortion. Schelling (1967) states, “Extortion means living off somebody else’s business by the threat of violence.”²⁰ The extortionist lives off of the host like a parasite, while criminal monopoly is dedicated to the elimination of competitors. He explains two types of extortion carried out by what he calls organized crime. First, one means of extortion is to threaten to cut off the supply of a monopolized commodity: labor on a construction site, trucking, or some illegal commodity provided through the black market. Second, extortion itself can be used to secure a monopoly privilege: instead of taking tribute in cash, a victim signs a contract for the high

¹⁹This article was published prior to Becker’s (1968) well-known article “Crime and Punishment: An Economic Approach” which focuses less on organized crime and more on the individual’s decision to commit crime.

²⁰Schelling (1967), p.163.

priced delivery of beer or linen supplies. Schelling (1967) claims that organized extortion always needs an element of monopoly.

In his later essay, Schelling (1984) focuses more specifically on the definitional problem of organized crime, using the 1967 President's Commission Report as a starting point, and outlines detailed features of extortionary relationships. He considers extortion an activity carried out by organized crime groups, but first weighs in on the definitional issue.

Schelling (1984) distinguishes between criminals who commit crimes in an organized manner – well disciplined groups of burglars or bank robbers – and those who seek to govern a criminal underworld. The definition he suggests that fits most appropriately with the term organized crime is the images of racketeers, who exercise exclusive influence or control (monopoly, as implied in Schelling (1967)). His approach is to consider the characteristics of illegal services or activities that show tendencies toward monopolization, just as with some legitimate enterprises, in order to better identify and understand the principles of organized crime.

The principal feature of organized crime that Schelling (1984) identifies is that it exists in the lines of business that tend toward monopoly. He identifies extortion as one of these areas, and suggests that it is a core business of organized crime. Schelling (1984) says that extortion is amenable to monopoly because

large scale systematic extortion cannot really stand competition any more than can a local taxing authority; I cannot take half of the bookie's earnings if you took it before I got there . . . And if the nominal basis for the extortion is the sale of a wire service or something of the sort, then evidently there will be an apparent monopoly of wire service in the underworld, but as a by-product of

the monopolization of the protection racket.²¹

Schelling (1984) proceeds to enumerate the characteristics of easy targets for organized extortion.

Five main features, or criteria, are outlined for easy targets of extortion with short examples. (1) The victims should not be capable of protecting themselves well, preferably with no access to protection from legal authorities. (For this reason, victims of extortionists may participate in illegal activity, for example the guerrilla's successful extortion or taxing of those involved with the drug trade.) (2) The extortionist wants a victim that cannot hide from him. For example a burglar may be much more difficult to locate than a bookmaker. If the bookmaker hides or is difficult to find, he will likely lose clients. (3) The extortionist should have a means of monitoring the victims activity and earnings. The extortionist must observe in order to keep accounts straight. (4) It is easier to extort a business that operates out of a fixed location. A business which does not move will have a much more difficult time escaping the reaches of the extortionist. (5) The extortion racket will probably be most successful if the victim is treated fairly. This might imply uniform payments across businesses in a protection racket and established rules in the extortionary relationship.

It is possible to relate the five points outlined by Schelling (1984) to the characteristics of the relationship between the guerrilla movement and the oil company. Considering each criterion individually demonstrates their accuracy. The setting for the oil company in Colombia allows (1) to be achieved in two ways. First, legal authorities are notoriously

²¹Schelling (1984), p.185.

weak in enforcing order against the guerrilla movement. Second, the multinational firms which have cooperative agreements with the national oil company are prohibited by law from forming their own armies or armed security forces to protect the pipeline. This stems in part from the possible ramifications of deaths to Colombian citizens from shoot-outs with private armies hired by non-national firms.

Criteria (2) and (4) hold due to the nature of the oil drilling business. In fact, according to Schelling (1984), it would be the perfect candidate for extortion. It is impossible to hide from the guerrilla movement because the location of the oil field does not change. Once construction of the pipeline is complete, the guerrilla always knows where to find it. The oil company can not move, and is forced to interact with the guerrilla movement as long as it exists in the territory of the pipeline.

The guerrilla's ability to monitor the oil company's revenues, criterion (3), are probably imperfect. The means of monitoring revenues available to the guerrilla might be the oil price on the world market and estimates of the pumping capacity of the pipeline (that may or may not take into account shifts in the rate of oil extraction). Although monitoring may be imprecise, the guerrilla may perceive that the oil company's largesse indicates sufficient means to meet extortion demands.

The final point mentioned by Schelling (1984), the fairness of the extortion racket operated by the guerrilla, may be difficult to evaluate. For the oil company, fairness may imply a constant percentage of revenues extorted, or pipeline attacks only when payment demands are not met. But if the guerrilla does not have precise monitoring capacity, fairness of the extortion racket may be sacrificed. Also, there may exist tradeoffs between

fairness and the ability of the target of the extortion to hide or relocate the business. Since the oil company can not move, the guerrilla may carry out a less fair extortion regime with a smaller impact on revenues than extortion of a more mobile enterprise.

In his earlier discussion about the characteristics of a market where crime might become organized, Schelling (1967) proposes that operating costs will affect size. He points out that the simplest explanation of a large-scale firm in the underworld or anywhere else is high overhead costs or some other element of technology that makes small-scale operation more costly than large-scale. For example, the need to keep equipment of specialized personnel fully utilized may explain in part the lower limit to the size of the firm. Certainly some minimum investment exists in order to form a successful guerrilla movement, and larger size probably helps in the procurement of arms, observation and influence of local businesses, and the ability to carry out threats of violence when necessary.

Neither Schelling (1967) nor Schelling (1984) delve into the timing or decision of violence carried out by the organized crime groups or the circumstances under which one should observe violence under an organized crime regime. He recognizes that violence exists as an external cost, and that organization of crime by the larger firm may produce less violence than many smaller, less organized crime groups, but he does not attempt to explain patterns of violence in organized crime. In general, the features of an extortory relationship proposed by Schelling (1967) and Schelling (1984) characterize the relationship between the guerrilla and the oil company remarkably well.

Based on the above definitions offered by various authors, it appears that the guerrilla movements in Colombia could alternatively be defined as organized crime groups, mafias

or gangs. The relationship between the guerrilla movement and the oil company fits within the definitions of organized crime, but classifying a group as “organized crime” does not explain the nature of the group’s activities. It may be useful to follow the typology offered by Maltz and, as Fiorentini and Peltzman, eds (1995) suggest, consider the markets in which the guerrilla operates. Does the guerrilla act like a firm or a government-like organization, and what are its objectives? There are many questions which remain to be answered in order to understand the nature of the Colombian guerrilla movements and how ELN’s relationship with the oil company fits into the structure of organized crime and guerrilla organization.

2.3 Extortion

As mentioned earlier, the literature which specifically addresses problems of extortion is very small. The papers which slightly resemble the problem between the oil company and the guerrilla movement are Konrad and Skaperdas (1997) and Konrad and Skaperdas (1998). The contribution by Choi and Thum (1998), despite the title, in their words is concerned with the dynamics of corruption.

The first paper by Konrad and Skaperdas (1997) deals primarily with the credibility problem of up-front investment faced by the extortionist. Gangs have to make an up-front investment in order to react to possible challenges from prospective victims. The investment may include weapons, safehavens, and staff. They distinguish their approach to the problem from the reputation literature by claiming that once the up-front investment has been made by the gang, the variable costs of carrying out the attack are zero. Konrad

and Skaperdas identify an equilibrium where the gang makes an investment and the shopkeepers pay the extortion demanded.

Konrad and Skaperdas (1998) consider the problem faced by an extortionary gang when the protection level of the police force varies. When the shopkeeper pays, the gang does not attack the store. If the gang does not receive payment, there is a probability that the shop is attacked, where the probability depends on the level of gang and police effort. They find that gangs form based on a relationship between the shopkeeper's level of income and the amount of police effort and security of property. Property security, a constant, intends to capture community norms where the shopkeeper operates the business.

The suggestion by Konrad and Skaperdas (1998) that the variables police effort, community norms and income size affect the formation of gangs and extortionary relationships seems to fit for the case of Colombia. As discussed earlier, the guerrilla movements operate in regions where government presence is weak and police effort is low. In the case of the oil company, the tremendous value of the product, given the prior formation of the guerrilla movements, would naturally attract extortionary demands. Konrad and Skaperdas (1998) have also implicitly included Schelling's (1984) criterion of fairness in their model. The gang does not attack the shopkeeper if the extortion demand is met.

2.4 Conclusions

Although guerrilla movements, criminal groups and extortion are world-wide phenomena, few papers have addressed the topics. Previous papers considering the behavior of guerrilla movements assume that the ultimate objective of the movement is political control, not

economic gain. The organized crime literature addresses a variety of crime related topics and raises interesting questions about the structure of markets in which criminal groups form, but it remains divided on the proper definition of organized crime. The review of existing definitions of organized crime serves to demonstrate that the observed behavior of the guerrilla movement permits them to be classified as a gang, mafia, or organized crime group.

Schelling's (1984) criteria outlining the characteristics of businesses targeted by extortionists offer a general framework for the formation of extortionary relationships. As suggested, the interaction between the oil company and the guerrilla movement possesses many of the features he identifies. This indicates that the problem can generalize, but few articles have attempted to formalize Schelling's (1984) contribution. The publication by Konrad and Skaperdas (1998) integrates two of his criteria, weak protection and fairness, to develop a simple model of extortion. Although Schelling's (1984) remaining criteria – location and monitoring – appear to be important features of extortionary relationships, based on the example of the oil company and the guerrilla movement, no existing contribution presents a model which includes all aspects of extortionary relationships.

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Year	Est. Force Size ¹	Defense Spending ^{a,2}
1960	17,900	280.8
1961	20,800	316.2
1962	22,800	356.1
1963	22,800	373.7
1964	22,800	389.4
1965	41,600	380.1
1966	53,500	406.8
1967	52,000	417.8
1968	64,000	542.7
1969	59,000	520.5

a. Millions of 1946 Pesos.

Source: 1. Maullin (1973). 2. Alameda Ospina (1999).

Table 1: Size of Colombian armed forces and defense spending, 1960-1969

Year	GDP from Ag. Sector ^{a,1}	Govt. Expend. on Ag. ^c	Contrib. of Labor to Ag. Output (%)	Ratio of Ag. Labor to Total Labor	Stock of Physical Capital ^b
1965	62,167	1,113.9	34.3	41.3	4,616.6
1966	63,901	986.4	32.3	37.2	4,763.4
1967	68,430	1,114.7	32.6	40.4	4,903.9
1968	72,730	1,593.1	30.2	40.7	5,125.3
1969	75,308	2,052.7	31.3	36.1	5,462.3
1970	77,898	2,494.2	30.1	36.7	5,850.4
1971	78,529	2,987.0	29.7	37.3	6,246.7
1972	84,667	2,537.2	27.1	38.0	6,710.5
1973	86,669	2,381.6	23.9	33.4	7,186.9
1974	91,477	2,035.1	25.5	31.5	7,644.6
1975	96,766	2,705.6	23.8	26.8	8,065.7

a. Millions of 1975 Pesos.

b. Millions of 1958 Pesos.

c. Millions of 1960 Pesos.

Source: 1. Departamento Nacional de Planeación (1998); all others Elías (1985).

Table 2: Changes in agricultural sector, 1965-1975



Figure 1: *Departamentos* of Colombia

Year	Urban		Rural
	Size ^a	% of total	Size
1938	2,879	30.9	6,438
1951	4,630	38.5	7,397
1964	9,328	52.1	8,576
1973	13,340	59.5	9,141
1982	17,500	64.9	9,465

a. in thousands.

Source: Hanratty and Meditz, eds (1990).

Table 3: Urban and rural population size

Activity	FARC	ELN
Gold	9.6	17.5
Kidnappings	23.6	23.0
Protection	9.6	
Coca	79.7	
Poppies	27.1	
Extortion	8.0	13.7
Diversion of Govt. funds		10.4
Coal		12.8
Transportation		6.4
Total	157.6	83.8

Source: Kline (1999).

Table 4: Estimates of FARC and ELN revenues, 1991 (millions of dollars)

Activity	1991	1992	1993
Gold	10.8	12.7	13.3
Kidnappings	7.3	8.6	9.0
Petroleum industry	5.3	6.2	6.5
Drug taxes	39.9	46.7	48.8
Other	33.5	39.2	41.0
Total	96.8	113.4	118.6

Source: Villamarín Pulido (1996).

Table 5: Estimates of FARC revenues, 1991-1993 (millions of dollars)

Activity	FARC	ELN
Kidnapping-ransom	72.6	72.6
Investments in Mining (gold and coal)	24.2	24.2
Extortion	16.9	98.0
Diversion of govt. funds	12.1	6.1
Investments in public transport		6.1
War tax	30.2	3.6
Tax on coca, poppy paste	169.4	50.8
Total	325.4	261.4

Source: Richani (1997).

Table 6: Estimates of FARC and ELN revenues, 1994 (millions of dollars)

Guerrilla Group	Official	Author
FARC	13.0	65.2
ELN	18.6	93.2

Source: La Rotta Mendoza (1996).

Table 7: Estimates of 1994 revenues from petroleum extortion (millions of dollars)

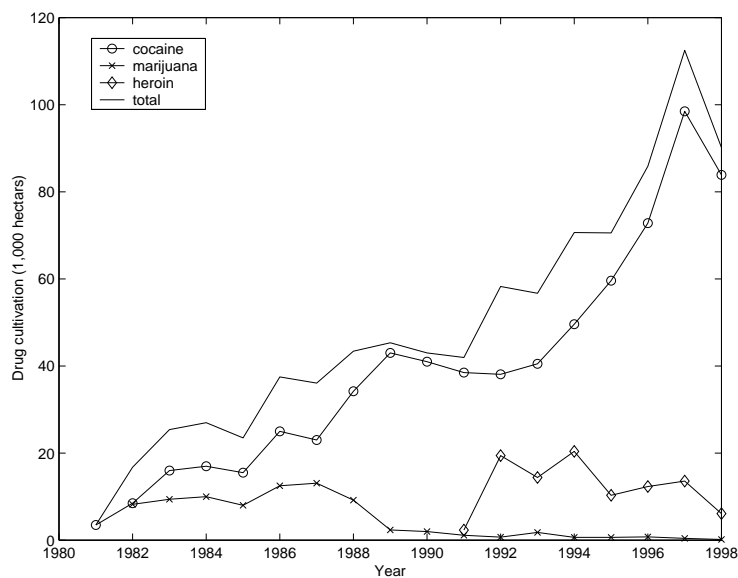


Figure 2: Drug cultivation by crop, 1981-1998

Year	ELN		FARC		EPL	
	Armed men	Fronts	Armed men	Fronts	Armed men	Fronts
1964	15; 16 ¹	1 ¹	200	-	-	-
1965	36	-	400	-	-	-
1966	38	-	580; 500 ^{2,a}	-	-	-
1967	90	-	600; 500 ^{2,a}	-	-	-
1968	95	-	650; 500 ^{2,a}	-	80	-
1969	120	-	700	-	90	-
1970	150	-	740	-	100	-
1971	115	-	780	-	100	-
1972	95	-	790	-	90	-
1973	65	-	790	-	80	-
1974	38	-	800	-	60	-
1975	27	-	820	-	70	-
1976	34	-	820	-	80	-
1977	52	-	830	-	90	-
1978	60; 190 ¹	3	850; 1200 ¹	7	100; 100 ¹	4
1979	65	3	900	7	120	4
1980	70	3	980	11	140	2
1981	80	3	1200; 1800 ¹	11; 17 ¹	200; 350 ¹	2
1982	100; 230 ¹	4; 3 ¹	1300; 2000 ¹	15; 17 ¹	220	4
1983	150	5	1570; 2400 ¹	25	250	6
1984	350	4	1640; 3000 ¹	27	660	7
1985	700	7	2590; 3500 ¹	30	670	12
1986	1000; 1800 ¹	11; 11 ¹	3650; 4000 ¹	32	700; 1400 ¹	14
1987	1200	14	4280; 6000 ²	39	750; 1400 ¹	15
1988	1700	16	4700	40	790; 1400 ¹	15
1989	2000	20	4750	45	1400	16
1990	2200; 2600 ¹	23	4800; 5800 ¹	46	1200; 1250 ¹	16
1991	2300; 2750 ¹ ; 1800 ³	25; 24 ³	4900; 6200 ¹ ; 5600 ³	49; 60 ¹ ; 49 ³	190; 200 ³	7; 7 ³
1992	2400; 2850 ¹ ; 2080 ³	27; 25 ³	5300; 5805 ³	50; 50 ³	200; 210 ³	7; 7 ³
1993	2500; 3000 ¹ ; 2436 ³	29; 29 ³	5900; 6385 ³	55; 55 ³	250; 550 ³	10; 10 ³
1994	2700; 3100 ¹ ; 2710 ³	30; 32 ³	6200; 6800 ¹ ; 6966 ³	58; 60 ³	300; 550 ¹ ; 715 ³	12; 13 ³
1995	3000; 2500 ¹	32	6400; 5700 ¹	60	350	13
1996	3300; 3000 ³	32; 35 ³	6500; 7500 ³	62; 66 ³	300; 715 ³	13; 12 ³
1997	4000	33	6600	63	250	6
1998	4500	33	6700	63	200	4

a. 500 armed and several thousand peasant members.

1. Source: La Rotta Mendoza (1996).

2. Source: Hanratty and Meditz, eds (1990).

3. Source: Richani (1997).

All others, Oficina del Alto Comisionado para la Paz.

Table 8: Size estimates of selected guerrilla groups

Year	Cocaine				Marijuana				Heroin				Totals		
	Area	Production	Price	Crop value	Area	Production	Price	Crop value	Area	Production	Price	Crop value	Area	Production	Crop value
1981	3,500	53.4	57,092	3,048.7	-	-	-	-	-	-	-	-	3,500	53.4	3,048.7
1982	8,500	57.7	57,092	3,294.2	8,250	11,090	18,739	207.8	-	-	-	-	16,750	11,147.7	3,502.0
1983	16,000	104.3	29,644	3,091.9	9,400	12,527	22,046	276.2	-	-	-	-	25,400	12,631.3	3,368.0
1984	17,000	97.7	28,546	2,788.9	10,000	9,000	24,251	218.3	-	-	-	-	27,000	9,097.7	3,007.2
1985	15,500	189.5	24,154	4,577.2	8,000	3,000	19,842	59.5	-	-	-	-	23,500	3,189.5	4,636.7
1986	25,000	243.3	16,468	4,006.7	12,500	3,080	23,149	71.3	-	-	-	-	37,500	3,323.3	4,078.0
1987	23,000	315.8	16,468	5,200.6	13,085	5,594	39,683	222.0	-	-	-	-	36,085	5,909.8	5,422.6
1988	34,200	356.9	13,175	4,702.2	9,200	4,607	47,400	218.4	-	-	-	-	43,400	4,963.9	4,920.5
1989	43,000	380.7	12,077	4,597.7	2,350	2,420	51,809	125.4	-	-	-	-	45,350	2,800.7	4,723.1
1990	41,000	444.9	12,998	5,782.8	2,000	2,160	67,285	145.3	-	-	-	-	43,000	2,604.9	5,928.1
1991	38,500	509.1	12,586	6,407.5	1,145	1,252	74,958	93.8	2,316	1,357	40,000	54,280.0	41,961	3,118.1	60,781.4
1992	38,100	495.9	12,876	6,385.2	722	684	72,753	49.8	19,442	7,659	40,000	306,360.0	58,264	8,838.9	312,795.0
1993	40,500	389.4	12,974	5,052.1	1,797	1,825	83,622	152.6	14,408	5,835	40,000	233,400.0	56,705	8,049.4	238,604.7
1994	49,600	411.0	12,808	5,264.1	642	691	94,491	65.3	20,405	4,100	58,743	240,846.3	70,647	5,202.0	246,175.7
1995	59,600	369.5	12,629	4,666.4	659	686	94,799	65.0	10,300	6,106	47,394	289,387.8	70,559	7,161.5	294,119.2
1996	72,800	371.9	13,070	4,860.7	759	794	94,799	75.3	12,328	5,747	55,522	319,084.9	85,887	6,912.9	324,020.9
1997	98,500	385.2	13,415	5,167.5	420	453	79,367	36.0	13,572	7,287	58,603	427,040.1	112,492	8,125.2	432,243.5
1998	83,900	354.5	13,415	4,755.6	166	165	79,367	13.1	6,100	7,126	59,017	420,555.1	90,166	7,645.5	425,323.9

Note: Area in hectares; prices US\$/kilo, except marijuana US\$/ton; production in metric tons; crop value in millions US\$.

Source: Rocha García (1999).

Table 9: Drug production in Colombia

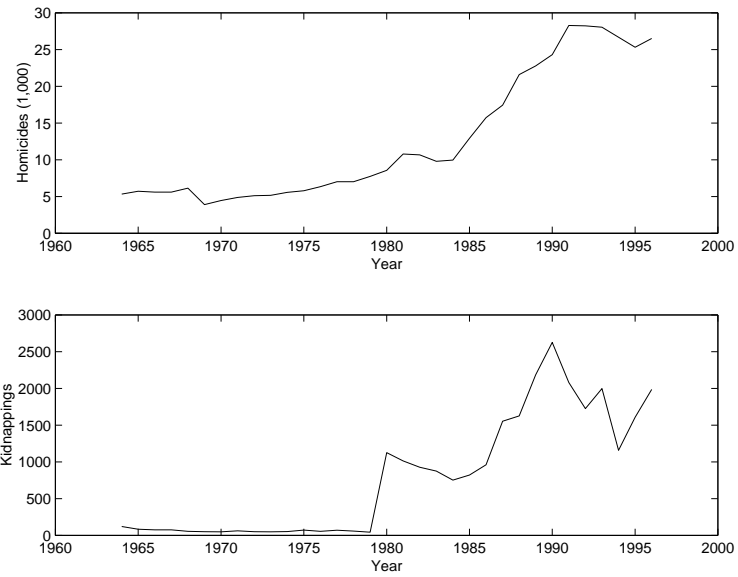


Figure 3: Homicides and kidnappings, 1964-1996

Year	Homicides	Homicide Rate	Kidnappings
1964	5,342	31	122
1965	5,728	32	84
1966	5,612	30	76
1967	5,607	29	76
1968	6,151	31	55
1969	3,908	19	50
1970	4,455	21	49
1971	4,885	23	63
1972	5,118	23	50
1973	5,175	23	49
1974	5,566	24	53
1975	5,788	24	73
1976	6,349	26	55
1977	7,014	28	71
1978	7,013	27	59
1979	7,749	33	44
1980	8,561	28	1,126
1981	10,798	36	1,014
1982	10,665	32	927
1983	9,800	32	876
1984	9,969	32	752
1985	12,922	40	821
1986	15,735	48	962
1987	17,447	52	1,554
1988	21,604	63	1,627
1989	22,772	65	2,186
1990	24,304	69	2,626
1991	28,280	78	2,080
1992	28,225	77	1,725
1993	28,048	75	1,999
1994	26,676	70	1,158
1995	25,318	65	1,608
1996	26,510	67	1,986

Source: Departamento Nacional de Planeación (1998).

Table 10: Homicides and kidnappings in Colombia, 1964-1996

MEANS	MANIFESTATION				
	ECONOMIC OBJECTIVE			POLITICAL OBJECTIVE	
	Through common crime	Through illegal business	Through legitimate business	Through the existing order	Against the existing order ^a
Violence	Predatory juvenile gang. Hijacking ring.	Gang wars for control of narcotics, etc. Extortion racket. Loanshark enforcement.	Strike busting. Enforcing strike on non-strikers by force.	Threatening (or killing) election opponent. Roughing up opposing voters.	Revolution. Kidnapping government officials.
Theft	Burglary ring. Stolen car ring.	Theft of rival organizations goods (e.g. alcohol during prohibition).	Burglary for insurance purposes. Stealing trade secrets; industrial espionage.	Watergate burglary. FBI "surreptitious entries" into political organizations' offices.	Theft of files from the Media, PA FBI office.
Corruption	-	Gambling and narcotics payoffs to police, judges, etc.	Paying kickbacks to purchasing agents, union officials, politicians.	Pardoning a convicted felon in return for political support.	CIA actions in Chile.
Economic Coercion	-	Betting heavily on fixed sports events to bankrupt a bookie.	Price fixing. Restraint of trade. Closing down a factory with an illegal strike.	Obtaining political support by selective enforcement of the antitrust law.	U.S. embargo of Cuba.
Deception	-	Fixing a sports event.	Planned bankruptcy. Siphoning off corporate funds through a dummy corporation. Falsifying auto emission data to comply with EPA.	Watergate coverup.	Espionage.
Victim Participation	-	Prostitution. Narcotics. Gambling.	Home improvement schemes. Polluting a town dependent on the polluter for its livelihood.	-	-

^a. Note that these are crimes only within the existing political framework; if a revolution succeeds, the crimes are legitimated.
Source: Maltz (1976)

Table 11: Typology of organized crime