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The Persistence of Kindred Spirits: Tax and Values in Istrian Distilling

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The winter evening's chill settled in northwest Istria, Croatia as I sat inside a farmhouse in a tranquil village enjoying the hospitality of the Veronese family. The room was warmed by the wood stove upon which our dinner was cooked, and on our table stood a jar of homemade fruit-infused spirit called *trapa*. Mirna spooned out a peach onto a dessert plate, and her husband Marijan filled our shot glasses to the brim. As we sliced pieces of soft peach in turn, my hosts began to weave a tapestry of memories from the summer's harvest, threading together a vivid story of their challenges and triumphs – the extreme July heatwave that demanded arduous nights of fruit picking, the hailstorm that ravaged a neighbour's vineyards days before harvest, and the unusually lucrative saint's day celebrations and summer festivals where they had sold enough *trapa*, wine, and olive oil to pay their utility and medical bills for the year.[1]

The jar of *trapa* held the memories of seasons past, as well as their historical connection to their land and the essence of their labour to make ends meet for their family. For many, *trapa* and other farm

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1 Everyone referred to by name in this chapter has been given pseudonyms and their identifying qualities thoroughly obfuscated. Any likeness is purely coincidental.

products are an important source of income to make up for low wages or meagre state pensions. *Trapa*'s centrality to making ends meet manifests in many contexts, sometimes as informal sales to neighbours or as a means of settling debts in tumultuous economic times. Marijan's voice resonated with a profound sense of pride as he conveyed that 'we gift *trapa* to family and friends when we visit – many people do this, and it's something really special because you make it yourself, from your land. In the summer, Mirna collects the nicest pieces of fruit for infusing it,' evoking the author Antoninetti, who described the personalisation of such spirits as one's search to taste something 'charged with the fragrance of summer' (2011: 376). Its presence on dinner tables at family gatherings and as gifts on special occasions signifies a tangible link to their past. Distilling *trapa* is a traditional craft passed down through generations that carries with it a sense of heritage, identity, and economic resilience. So, their hearts hold reverence for *trapa*, for the way it ties them to their land, its cultural significance, and its role in sustaining livelihoods.

After a few minutes, Marijan turned to the door to check his still's progress, so I grabbed my jacket and gloves. When farm work slows, distilling is a wonderful aspect of the limited rural life leisure time, and so they make as much as they feel like. We walked to the side of the house under an awning – ventilation is essential because distilling fumes are toxic. The equipment is basic – a small still called *lambik* is owned by most rural families. Placed over a wood fire, it looks like a boiler about chest high. Marijan preferred the flavour this *lambik* gave to his spirits, but the family also had a large still in their shed for when they distilled a greater volume of grape mash. So, he checked the level of the pure alcohol dripping into a canister. When full, he mixed it with distilled water to about 35–40 proof alcohol in glass jars. In the summer, they would collect fruit and pour the spirit, plus some spoons of sugar, into jars for infused concoctions.

Lovely as the evening was, I knew I was enjoying an activity located squarely in Istria's grey market. The Veroneses once openly bottled and sold their *trapa*, but moved to the informal economy years ago because the bureaucracy and tax regime around spirits became too complicated for them to navigate. So, now they made moonshine – unregulated spirits that they enjoyed at home, and, as alluded to, also sold liberally to neighbours, local bars, restaurants, and cafés. Moonshine has been an important source of liquidity in post-socialism because of its ease of production and ever-present demand – from tourism and, sadly, rising alcoholism as a result of job loss (see also Rogers 2005).

The tax regimes governing Croatia's private business sector went through an era of rapid change from the end of the 1990s to the 2010s in seeking to harmonise with those of the European Union (EU). In fact, it has been described that its tax system and policies were overhauled 'with every change of the ruling party' (Šimović, Blažić, & Štambuk 2014: 408). This included periods of aggressive enforcement to punish evaders (see Smith 2020). In recent years, Croatia's main tax enforcement strategy has been to increase fines, the logic being that fear will dissuade evasion (Williams & Bezeredi 2018: 48–49). The swift evolution of regulations and taxes quickly reshaped the spirits market, resulting in the concentration of massive spirits companies in other regions, a small handful of craft distillers, and many bootleggers like the Veroneses who distribute their homemade moonshine through less formalised channels. Much research has focused on why informality – in the form of unregistered market activities – persists and how it functions in Croatia (Friedman et al. 2000; Ihrig & Moe 2004; Mitra 2017; Rubić 2013), and indeed in the wider post-socialist European region (Böröcz 2000; Henig & Makovicky 2017; Ledeneva 2006). This chapter contributes to these conversations by elucidating the opaque qualities of how informal (business) life functions in one of the country's most vibrant informal sectors, including the values underpinning it and the relationships between the winemakers, craft distillers, and bootleggers of which it is constituted.

More fundamentally, this chapter makes explicit how the *trapa* market developed over time, how the tax regime evolved in such a way as to push some families to the margins of the formal economy (and others elsewhere entirely), and the relationships between the business families that keep it going today. By unpacking how tax regimes shape Croatia's spirits sector, specifically by exploring the three main actors constituting it – winemakers, bootleggers, and craft distillers – this chapter contributes to our understanding of the diverse ways taxes change not just economic relationships, but social ones. Moreover, they transform the status of work and traditions, making previously ordinary ways of life illegal, and in doing so, challenging core societal values in ways that force new considerations into long-standing production relations. That said, this story of taxing spirits also reveals the limits of a tax regime's reach, since despite the risk of punitive fines and other prospective issues arising from non-compliance, these changes failed to disrupt the local values that underlie informal *trapa* production and sales.

Indeed, some of the most fundamental values of Istrians happen to converge in this field of *trapa* relations. One core value pillar is that of being *pošten*, that is, being honest and acting with integrity, and it arises in three important ways. Particularly apparent in business, first, it is an expression of honouring long-term exchange agreements, whether written or verbal, which sustains one's reputation and relationships. And second, it is important to be considered *pošten* in the sense of following the law and not being labelled as evading rules. Moving to quasi-business and interpersonal relations, one is *pošten* in a third sense by acting honourably towards one's neighbours in myriad contexts. And it is this multiplicity of fields, wherein being *pošten* is expected, that presents quandaries for business owners in relation to acting in their self-interest. A second core value pillar is existential – the belief that people have the right to sustenance. This is instantiated in their sharing of grape mash, which takes on extra significance since it is the sole component in distilling *trapa*. Souleles, Archer, and Sørensen Thaning describe that 'values are often built on underlying ethical and ontological premises about how the world works' – and I might amend to *should* work (2023: 166). So, understanding premises like Istrians' value that people have a right to sustenance helps us understand the centrality of being *pošten* and how that is expressed – as helping one's neighbours get by (in whatever form that means). And finally, being a farming region, a third core value is, unsurprisingly, maintaining the local ecology – which is negatively impacted by the improper disposal of grape mash waste from winemaking.

However, changes in the tax regime created a conflict between these values, necessitating a reappraisal of them vis-à-vis personal interests. Although axiomatic that taxes change monetary values, this account demonstrates how taxes influence broader, non-monetary value matrices. It illuminates the relationship between values, ethics, and economic realities, showing the complexities that arise when they interact with state regulations and market dynamics. Exploring grape mash's position in mediating relationships helps us understand how values and practices intersect with taxation and how people navigate the challenges that this intersection produces.

The Historical Value of *Trapa*

Trapa is pervasive because wine is so. *Trapa* is made from the distillation of grape mash, the biowaste of winemaking. Its resemblance to Italian *grappa* is not coincidental. Reflecting their Italian heritage, it is unsurprising that Istrians would call their distilled grape-based drink by a name so similar to its Italian counterpart. Likewise, the grape mash, a mix of grape skins and pulp, is referred to as *vinaza* – from *vinaccia* in Italian. In autumn, grapes are harvested in the vineyard, brought to the wine cellar, and poured into grape presses to extract their juice by pressing, akin to the motion of an accordion, for several hours. The juice fills a large tray below and then is pumped into temperature-controlled tanks where fermentation initiates its transformation into wine. The leftover *vinaza* is transferred to large plastic barrels, covered with thick plastic tarps secured with stones, and left in a corner of the cellar. Here, it ferments to create alcohol that distilling extracts in winter. The leftover is a smaller volume of inert biowaste that can be safely composted. Any *vinaza* not distilled ferments in piles on unused corners of farmland, acidifying the soil and leaching into groundwater, making distilling an ecological solution ultimately integral to winemaking.

To fully grasp *vinaza*'s value, it is important to consider the history of taxing spirits, and in particular, *trapa*.[2] It might feel commonplace to readers that spirits are taxed and regulated, since 'sin taxes' have been part of many of our lives for generations. But the historical situation of spirits regulation was different in Istria, making an unpacking of the post-socialist era transition to a regulatory regime crucial in unravelling how values were upended in its wake. As we tended to the fire that evening, Marijan described how when Istria was part of the Austro-Hungarian Empire, 'there was just a tiny tax on alcohol,' and 'no one had trouble paying it,' since the punishment for delinquency was the forfeiture of the family copper cooking pot, essential to make both *trapa* and polenta, a staple food – that is, it was a priority. In the early 1900s, area farmers founded five cooperative wineries with distilleries, resulting in large-scale production and bottling for distribution in Italy and neighbouring markets. Thus, a harmonious system emerged, where winemaking was followed by distilling its biowaste either at home or by a nearby cooperative distillery.

Following Istria's incorporation into Italy at the conclusion of World War I, home distilling was swiftly prohibited, prompting more families to rely on cooperatives. They paid 30 per cent of the resulting spirit, by

[2] There are myriad other spirits in Croatia that may be distilled from other fruits, each with their own name, sometimes in dialects, sometimes with special names due to being infused with herbs or other things in a specific local way. Collectively, they are all spirits, sometimes colloquially called *rakija* (especially in other Croatian regions), but this chapter is concerned only with this one type of spirit based on grapes (*komovica* in Croatian).

volume, as a service fee.[3] The cooperative sold this liquor and distributed the profit amongst members. However, despite the risks of fines or imprisonment, some still clandestinely home-cooked *trapa* at night using their polenta pots, half a litre at a time – because it was a way to get rid of the biowaste, it was deeply embedded in social life as both leisure practice and gift, and they needed the income. If they wanted to make larger amounts of midnight *trapa*, they hid in the forest under the veil of darkness with either their pots or *lambik* – perilous, but necessitated by the distinct aroma of distillation. Laughing, Marijan shared a family anecdote from the era of Italian fascism, 'My grandfather told me that an elderly man from the village sat roadside with a gun waiting for inspectors to come, since at the time they were fascists. Word got out that there was a crazy man with a gun hunting people, so the inspectors stayed away!' The story vividly illustrated both how important *trapa* was to their livelihoods and culture, and the inherent tension between state authorities and societal resistance to its regulation. Indeed, distilling moonshine assumed symbolic significance as an act of defiance against a fascist state.

When Istria was divided between Italy and Yugoslavia at the conclusion of World War II (WWII), taxing *trapa* on the socialist side of the border underwent a significant shift characterised by intensified state control via inspections. This period is often a point of comparison in conversations about the intensity of inspections experienced today. Marijan recounted an incident involving his grandfather who, irritated by the incessant monitoring and confrontational demeanour of the spirits tax inspectors, resorted to punching one, resulting in his four-month imprisonment – the sentence timed for autumn harvest to cause maximal financial damage, Marijan claimed. Such zealous enforcement was motivated by the government's desire to control food production. However, the most consequential way it pursued this was the forcible nationalisation of all farmer-owned cooperatives, transforming them into socialist collective farms (*zadruga*), to which wealthy farming families were heavily coerced to 'donate' their land. However, the new collectives failed and were abandoned after just a few years, with Yugoslavia on the brink of famine. Consequently, collective farms came to symbolise the government's inability to provide food security – a perspective that lives on in collective memory. Today, elders invoke this story as a compelling

[3] Incidentally, it was colloquially referred to as a 'tax'.

reminder that farming, winemaking, and distilling are vital for sustaining their families and the resilience of their community.

After this initial phase, Tito, the then president, changed tack, lifting the taxes and inspections regimes on household wine and spirits production. Part of the division of this northwest borderland territory after WWII included the establishment of a free trade area called the Free Territory of Trieste, encapsulating Istria's northwest corner, which facilitated the continuation of the two countries' trade relationships, albeit in a limited way. Back inside, Mirna explained that because of this, Tito feared Istria would seek autonomy or formal incorporation into Italy, so did not enforce rules around private business. This included regulations on family food production. So, families returned to distilling (and winemaking) in broad daylight. And living within the Free Territory, they enjoyed plenty of private business in Italy, especially since the theoretical limits on cross-border trade were disregarded by border guards. Mirna explained that 'Istrian *trapa* and wine sold well in Italy and Yugoslavia. We could sell everywhere because there was no competition, like vodka,' which encouraged the intensification of private production. Informal family sales, although not contributing to the nation's budget, added to the general wealth and supplemented the overall available food, which the government had learned from the collective farming fiasco was valuable for keeping the nation functioning. Istrian entrepreneurialism thrived, with most families selling some of their farming produce. Vineyards were the main cultivar for many, which led to much wine and thus, *trapa*. The cooperatives were nationalised and turned into state companies, so farmed surplus not used at home, or sold directly to tourists, was sold to them, maintaining the same system insofar as how grapes and *vinaza* circulated. This permissive environment for private entrepreneurialism allowed Istrians to carve out marked autonomy over their economy, as the majority of revenue stayed in the region. It was this experience that transformed *trapa*'s symbolic value into one of sustaining livelihoods.

This was how the economy functioned until inflation took hold in the early 1980s that eventually contributed to the collapse of Yugoslavia and descent into war in the early 1990s. Socialist firms crumbled. As people lost their jobs, they turned to full-time farming to feed themselves and sell what they could, even though tourism had evaporated. Mutual reliance on their shared livelihood of farming, winemaking, and distilling strengthened. As soon as the war ended, tourists returned and families increasingly courted them by selling their goods to hotels and restaurants, especially wine and *trapa*, leaning on those relationships to maximise output and professionalise. Some families began modernising their wineries and building distillers on the side.

The recent history of *trapa*'s taxation demonstrates how taxes shape not only the economic landscape, but also how people are bureaucratically classified while doing this customary practice so integral to rural life. In some eras, the guiding tax regime categorised them as illegal bootleggers, while in others they were entrepreneurs integral to the region's vibrancy. Tracing this history additionally clarifies how *trapa* became so prolific. Late socialism, the reference point for the farming families I befriended, was a period during which *vinaza* circulated freely – winemakers distilled it in the winter, dropped it off at large local distilleries, or left it out for locals to pick up (or commonly, a mix of these practices). So, it was an important source of income for rural families, and people grew accustomed to its lack of regulation. The post-war Croatian government thus inherited a governance regime of effectively no tax on income derived from *trapa* (or wine), and no enforced regulatory regime around distilling, either. This made more laws inevitable as it sought to align and harmonise with the EU. (And indeed, today, the spirits sector is a highly regulated commodity with attendant tax liabilities.) Also inevitable were the influences these legal changes would have on those whose livelihoods had become so reliant upon *trapa*.

Vinaza and the Local Landscape of Values

Today, taxing *trapa*, and bringing it under the regulatory gaze of the state as a commodity, has transformed *vinaza*'s meaning and created two ethical dilemmas for winemakers: firstly, how to responsibly handle the potential ecological harm of *vinaza,* and secondly, how to maintain their value of being *pošten*. Even though the government requires winemakers to get rid of *vinaza*, it does not specify how – only that it cannot contaminate the environment.[4] Given this legal opacity, winemakers either arrange handoffs or leave their *vinaza* in vats at the edges of their

[4] Why it is vague is unclear, but the EU has a chequered past in its attempts to regulate winemaking biowaste. In Italy and France (1970–1980s), the result was regulatory chaos because winemakers sought new tactics to skirt the rules that inspectors could hardly discern, much less control (Krzwoszynska 2013: 56–57). This backdrop hints that the Croatian government may have settled on an unarticulated compromise, aware of the quagmire that could arise were it to pursue regulating *vinaza*'s circulation like it does other aspects of business.

property where locals know to retrieve it for their own use. This grants winemakers plausible deniability of their culpability in the furtherance of the moonshine market. From their perspective, ridding of *vinaza* is a necessary aspect of their business insofar as they need it to be distilled so that it does not pollute their land and wider ecology. It has no monetary value in its grape-mash form, but rather only harbours the risk of pollution. In this way, *vinaza* inhabits a conflicting value regime where for some, it is simply a biowaste, while for others it carries potential licit or illicit use value (if only realised through its distillation). So, *vinaza* circulates as a resource shared for its own sake rather than being quantified in furtherance of either a social or monetary goal (for illuminating discussions on sharing and the circulation of things with unquantifiable value, see Widlok 2013; Otto & Willerslev 2013: 2). Moreover, anyone who distils it, legally or not, is caring for the community's ecology, and thus providing a service to everyone.

So, one early autumn afternoon, I accompanied the Veroneses to retrieve *vinaza* from a nearby winery. Come winter, they would deliver 50 litres of pure spirit alcohol in thanks for the *vinaza*, even though there was no strict accounting or expectation of such a gesture. In fact, the Veroneses were farmers who sold grapes to winemakers and regularly arranged to take back the *vinaza* of their clients. The prevalence of non-winemaking grape growers ensured that winemakers could buy whatever varietal of which their own vineyards fell short. Marijan also coordinated farming with some of them, reflecting how this circulation of *vinaza* was part of a more dynamic field of farming, production, and gift relationships. Moreover, winemaking and bootlegging families are often otherwise connected – as friends or neighbours for generations, and many were classmates (since there is just one high school to attend). Indeed, Marijan completed his military service with the winemaker we were visiting. In explaining their relationship to me, they narrated their family trees, which connected in the generation of their great-great-grandparents. Such factors together translated into a certain ambivalence amongst winemakers about their neighbours who were both doing licit business with them by selling grapes, and engaging in illicit distilling. More fundamentally, this was an issue of being *pošten* – maintaining long-standing production exchange relations that predated legal changes was part of acting with integrity in their community because of the recognition that they were reliant on *vinaza*.

The implication is that despite the lack of regulations around *vinaza* specifically, taxing *trapa* transformed *vinaza* from simply a nuisance as a biowaste into what became their second ethical dilemma. It acquired a new meaning as something contributing to the now-informal economy. But for winemakers, it was not simply an issue of helping or not helping the informal economy per se, because the dichotomy between craft distiller and bootlegger felt arbitrary; yet again, a tax regime was shifting the definitional boundaries of legal and illegal, casting the same actors as one or the other (Hart 1973: 68; Roitman 2005: 14). Rather, taxation had divided their relations into two markets where previously there had only been one. Now their colleagues, professional distillers, were operating in a market defined by regulations and standards to which conforming was costly and thus raised the price of their *trapa*. Meanwhile, bootleggers were free of such constraints and so could sell their moonshine much more cheaply – professional distillers paid in tax the equivalent price that bootleggers often sold their moonshine. So, winemakers were thrown into the untenable position of having to consider who was the more deserving party of their *vinaza*, since this decision now bore consequences. What had previously been a simple matter of 'to whom shall I offload this biowaste' became an issue of providing or removing someone else's ability to make ends meet. In choosing to continue a long-standing trade arrangement with a neighbour, they were, with the intention of protecting the livelihood of some, tacitly choosing to support one or the other market 'actor' (read: friend, neighbour, or family member).

Thus, the clarity around how to properly deal with *vinaza* evaporated, and the relationships central to its circulation were thrown into an ethical flux. *Vinaza*'s definition became nebulous because its position in social life changed. It is not that tax made something new, but it took away *vinaza*'s obvious meaning. This demonstrates how taxation destabilised the value of *vinaza*, and thus, *trapa*, notable in part because tax usually has the effect of stabilising value. Instead, taxation opened the potential for *vinaza* to hold a broader range of values, including becoming a liability for winemakers insofar as they might be considered as contributing to moonshine's flourishing.

This makes a discussion about the relationship and tension between value and values important, since irrespective of one's personal relationship to *vinaza*, this relational balance changed when *trapa* became an object of fiscal value to the state. Indeed, myriad actors with unique stakes in the production of a thing mediate its value in their own ways (Graber 2023: 187), and so too their values around it. Balancing value and values may take on an existential weight (Gewertz & Errington 2021:

74), and indeed, DuBois and Salas describe that unpacking the relationship between value and values is a way of unearthing connections between 'struggles over livelihoods . . . and the always challenging task of building meaningful lives' (2021: 7). Such a dynamic is apparent in how winemakers empathise with the financial difficulties of bootleggers – who may be unemployed or pensioners simply trying to eke out basic sustenance – and their camaraderie with craft distillers who likewise struggle. In this context, it is not always clear how to be *pošten* – to which community members, and at what cost – especially as they consider their relationship to the state as private business owners with obligations. Carrier describes values as reflecting what people envision as leading towards a better world (2018: 22), but this becomes complicated when the visions people have for a good life are in conflict with each other.

Moreover, commodifying and taxing *trapa* changed *trapa*'s value – new regulations translated to higher production costs, which increased its market price, as did the addition of taxes the state collected as revenue. But in doing so, tax made people reconsider their values around *trapa*. Farming families had to decide whether it was 'worth it' (in both senses) to continue distilling. In these ways, investigating the relationship between value and values brings to the fore how people struggle to balance their livelihoods and social lives in the context of market demands and state pressures.

Disenchanted (with) Spirits

This process is illustrated well by tracing the shifting of *trapa*'s monetary value and how families reacted by making different values-based decisions around production and sharing. From an initial burgeoning craft sector, many quickly became disenchanted with it. The 1990s marked a rapid expansion of professional winemakers and craft distillers bottling boutique, infused spirits. But as mentioned earlier, this coincided with an increase in taxes and regulations, particularly targeting spirits (in part due to the higher alcohol content). Mirna described the escalating burden:

> It started with just having to show a receipt [for sales tax]. Then, it was stamps [state bottle taxes]. Then, there were rules mandating chemical analyses from various institutes. Then, we had to pay for those analyses. Then, there was a commission to taste for organoleptic properties [like that for wine], which was obligatory [to send samples to]. Then, we had to make special '*marke*' [brands] for each kind of alcohol so each could be

> issued its own *markica* [holographic labels that are manually glued over the top of the bottle neck with lot numbers according to the *marke*] and register each one for tax purposes.

The government sought to regulate and tax *trapa* in a manner that guaranteed certain standards and characteristics. But the labour inherent in each of these seemingly straightforward steps made them impracticable. Each new regulation became a matter of driving across the region to different state offices to deliver samples at inconvenient times, navigating complex paperwork for tax sticker applications, mastering the computer system for inventory reporting, and deciphering legal jargon. Simply finding suitable adhesive for the stickers that preserved the ink and hologram integrity, without appearing shoddy, was additional labour. Small families were compelled to hire part-time assistance to meet inventory demands. Marijan lamented, 'It was just too much for the small volume of *trapa* that we sold,' and so, they ceased registering as a business. Like so many women of her generation, Mirna took a job cleaning homes in Trieste, and Marijan redoubled his commitment to farming and selling their harvest, and continued distilling on the side.

Concurrently, other households grappled with the implications of complying with the new regulations. Among them were Diego and Dora Radetić, a family of entrepreneurs who belonged to the vanguard of families choosing to invest in modernising their winemaking and distilling in the 1990s. They were not initially wealthy, but they seized opportunities like liberating abandoned farming and winemaking equipment and cultivating abandoned fields from collapsing state agribusiness enterprises, and were strategic in how they reinvested their profits directly into their businesses. However, operating as a registered business left a paper trail, which subjected them to heightened scrutiny.

One summer day, I visited the Radetićs. As we dusted tables in their wine-tasting hall in preparation for a tourist bus, I gestured to an elegant, frosted glass bottle on their bar shelf. Dora retrieved it – one of their spirits from 1997. The label read '*grappa*'. Admiring it, she recounted, 'We had to take over 10,000 bottles of *trapa* off the market because "*grappa*" [in Italian] rather than "*rakija*" [in Croatian] was on the label, and fix that manually,' lamenting that they were fined, too. Diego fetched another bottle from the back to show me the tiny, hand-glued sticker in 10-point font, and sighed, 'We had to pay our workers to do this 10,000 times.' This alteration held meaningful implications, considering that their primary consumers for spirits were tourists who frequented supermarkets and souvenir shops. They were also one of the few families at the time exporting both *trapa* and wine to Austria and Germany. These buyers, unfamiliar with the term '*rakija*', were more likely to recognise '*grappa*'.[5] To the Radetićs, this incident highlighted the misplaced priorities of the government and that it lacked the foresight to permit labels with terms comprehensible to buyers. The fines and additional labour incurred were especially vexing, considering their limited revenue from *trapa*.

But in a subsequent incident in 1998, they were fined 40,000 kuna (£3,823 – quite a large sum then) by visiting inspectors for not reporting 2,000 litres of *trapa*. At the time, the tax regulations required a monthly inventory report. Diego explained,

> 'We did not report our volumes for two months because we had not sold any. We did not know that we still had to report our monthly inventory regardless. We took them to court over it and because of this [the Radetićs lost], had to pay compound interest on the debt, so we paid 42,000 kuna [£4,014]. We lost interest in selling *trapa* after that.'[6]

Hence, they faced punishment as tax evaders for failing to report their lack of *trapa* sales. This paradoxical and punitive encounter led them to sell their still to a friend, removing it from their property to pre-empt any future suggestion from inspectors of distillation activities.

Over the coming years, nearly every emerging winemaker-craft distiller decided to sell their stills. Reflecting on the circumstances of their colleagues, Dora provided insight into their reasoning, saying that the increasing risks of fines eventually outweighed their profits when compared with redirecting their time and resources towards winemaking or other business ventures, and, 'It was too risky once the taxes started. It scared people away. Many decided it was safer to focus on winemaking. It's a shame, a real loss for everyone that so much good *trapa* disappeared from the market. This is a tax on our tradition, something we all do – or once did,' trailing off as she worked.[7] And so, what had been a burgeoning craft distilling sector began to rapidly shrink.

[5] *Grappa* was first protected as an Italian product under EU law in 2005, so at this time the Radetićs could use it without contravening EU law, but Croatia had its own rules about labeling being in the Croatian language.

[6] A rate of 1 kuna: £0.09556 was used (from 1 January 1998).

[7] Another wave of de-registering one's production came with joining the EU (see A. M. 2012). For instance, according to Istrian distillers, approximately six months prior to joining they were informed that they must begin storing their spirits in a warehouse separate from their distillery on their property and then pay taxes on bottles as they were sold, or if not, pay all taxes immediately on their total inventory volume before selling, at a rate of 54 kuna (£5.80) per litre of 100 per cent alcohol.

This demonstrates the profound impact tax regimes may have on shaping regional markets and influencing individual priorities on a broad scale. Changing the monetary value of spirits via the increased costs in producing them intervened in their personal value landscape, disrupting how they endeavoured to make ends meet and what professions they valued most pursuing. In this way, the balance between value and values was disrupted, tipping the scales in such a way that an entire market began to transform. In effect, the government, through taxation, was deciding who existed as economic actors in a certain field. One only needed to turn one's gaze to national-level processes to understand the more fundamental implications of this phenomenon.

Indeed, one cannot understand tax regimes without considering their greater political economic environment. And at the time, corruption dominated social debates and was shaping perspectives around the underlying power dynamics feeding into governmental decisions around the taxation and broader regulation of industries (see, for example, Frey & Lecić 2023). To that end, over the course of our conversation, Diego voiced his perspective: 'To me, the legislation for spirits comes from a desire to allow the largest companies in the country to monopolise production. There is no other logical explanation. Why else would they create laws that make it so expensive for small producers?' Former socially owned wineries and distillers were now big players in the market, and to his mind they were the beneficiaries of those early changes directed at their sector.

At the time, the rapid privatisation of socially owned firms was marked by a lack of transparency and widespread corruption. This process involved the concentration of vast economic resources in the hands of a select few individuals who had well-established connections in elite networks cultivated in Yugoslavia (Račić 2021; Richter & Wunsch 2020). These privileged individuals forged strategic relationships with government officials responsible for regulating their respective sectors, enabling them to manipulate legislation to their advantage – a process called state capture (Hellman, Jones, & Kaufmann 2003; Wedel 2003). Indeed, 'Croatia was one of the best examples of corporate state capture' in this era of evolving crony capitalism (Kotarski & Petak 2021: 744) that grew into a 'mutual hostage model' between government and corporations (Kotarski & Petak 2021: 748; Ivanković 2017). This quickly laid the groundwork for stark wealth disparities and the economic landscape became highly unequal. It also created an atmosphere of widespread and profound distrust and informed many people's decisions around where to invest their future. Case in point, the Radetićs and other winemaker-distillers in their community of entrepreneurial families calculated that these ongoing issues risked limiting their competitiveness as small business owners. This was a danger for both wine and spirits sectors, but the punitive nature of the inspections of spirits they were experiencing, the relative lower taxes and bureaucracy for wine because of its lower alcohol content, and the added layer that in the early 2000s these former socially owned wineries were still making pretty terrible wine, conspired in favour of turning their attention to winemaking.

So, rather than pouring themselves into the development of the spirits sector, the Radetićs and a handful of other entrepreneurial families instead focused on branding and promoting Istria's wine, and within a few years were in the country's leading group of wineries. This was an unplanned but synergistic turn that had profound consequences for the region. They collaborated in marketing to establish Istria's reputation as the distinguished home of Malvasia and Teran wine varietals. They leveraged relationships of their own with municipalities, banks, and associations to bring support to the farming sector with subsidy programmes and marketing campaigns that pushed themselves to an internationally competitive level. Many began winning prestigious international awards, and now, one can find them gracing the covers of international wine magazines. The result is that Istria now contributes the most tax revenue to Croatia of any region after Zagreb.

However, the unintended consequence borne of their turn away from distilling was that as their wineries grew, so did their volumes of *vinaza*, but they no longer distilled any of it. This disrupted the historic balance in the production of wine and spirits, as winemakers vastly expanded their production and thus generated copious *vinaza*, creating a new problem of excessive biowaste and necessitating the question of what to do with it. By this point, there were only a few families bold enough to continue distilling at a professional level as registered craft distilleries, and they could not process all the *vinaza* created by the blossoming boutique family wine sector. Instead, locals who had always made some moonshine for themselves began taking more *vinaza* – a welcome ecological intervention. Except then, their moonshine sales mushroomed. Gastro-tourism was expanding, and these unregistered small distilling families found ready buyers in the gourmands and hedonists staying in their villages or passing through on their way to the beach. And with the closure of so many professional distillers, there was a new gap to fill, and so they sold liberally to bars and restaurants, too. This dynamic brought a new set of market and social issues.

Negotiating Registers of Value

The few professional craft distilling families whose entrepreneurial spirits were yet unbroken, and had continued registering their distillery businesses, now wrestled with the dual challenge of the bureaucracy of the new spirits regime and a glut of moonshine intervening in the *trapa* market. I visited one such family, the Tomizzas, one spring afternoon. Siblings Nerino and Lena managed their small bed and breakfast, winery, and craft distillery together. Nerino had a master's degree in agronomy and oenology, the science of winemaking, and Lena in business administration, so her ability to navigate the bureaucratic landscape gave them a significant edge in avoiding mistakes.[8] Their parents played supporting roles, of which there were plenty.

Sitting on a picnic bench in their garden, we sipped Nerino's new *trapa* infusions. When I asked why they tolerated the bureaucracy that so many others did not, Nerino explained their family history as one of entrepreneurs who had always self-managed, adding, 'I love this work. For me, it's an artistic endeavour.' Indeed, all the craft distillers in the area said they were enamoured of their craft, even more so than of winemaking. They felt more creative freedom from distilling. So, although now classified as 'illegal', Nerino felt their bootlegging neighbours were kindred spirits. But Lena, the family member most focused on their bottom line, quickly brought up bootleggers in a negative light, complaining, 'We pay 30 kuna in taxes for one half-litre bottle of 50-proof *trapa*, and we must sell it for 60 kuna to make a profit after the other costs of production, bottle, label, and other inputs are calculated. But our neighbours can sell their *trapa* [moonshine] for 30 kuna to a restaurant.' Nerino elaborated, 'A restaurant may have bought one or two bottles from us, but they reuse the bottles and fill them with this other stuff. We have started to collect our

[8] In the late 2000s, the government began enforcing a fine of 3,000 kuna (approximately £400) for possessing a bottle of *trapa* without a tax seal. If found by police on an individual, say in a car, the driver would be fined for possession, and if at a bar being sold, the bar owner fined for illegal sale, before in both instances confiscating the alcohol and visiting the distiller to fine them, too. If the distiller was discovered to be unregistered, they were fined an additional 50,000 kuna (approximately £6,500) for selling moonshine. However, if they were a registered distiller, the police could summon inspectors to conduct an inventory. Inspectors did so by randomly selecting a receipt and checking everything about it, including visiting the buyer to verify that they possessed the bottles listed. If there was a discrepancy, the producer was fined 10,000 kuna (approximately £1,300) per litre found undeclared (using exchange rate from 1 January 2009 where 1 kuna: £0.13073. See also Bašak 2021).

bottles from our buyers to stop this, but we cannot force them to return them.' Lena wanted the state to intervene, but their mother interjected saying, 'Except they also must eat.' In response, Nerino shrugged his shoulders and explained that it only meant that he had to make superior quality *trapa* so that their clients would not *want* moonshine.

It was obvious that of all the characters implicated in the spirits sector, the craft distilling families held the biggest axe to grind, if they chose to do so. Bootleggers enjoyed all the benefits of not dealing with the bureaucratic regime the Tomizzas navigated, except that they were living in significantly more precarious financial circumstances, and this is what made all the difference. It made me think back to what one relatively successful winemaker had told me: 'It takes having been poor to know poverty' (Smith 2023). Anticipating the answer, I asked anyway whether it was effective to report bootleggers to inspectors. Nerino and their mother rejected the notion out of hand – siccing inspectors on one's needy neighbours would not be *pošten*, and anyway, doing so would cause them more harm than good. It would create a hostile home environment and likely inspire retaliation in the form of calling the inspectors on the Tomizzas (because people could logically deduce who had snitched). So, even though a neighbour might be fined for bootlegging, the Tomizzas could face a full audit, and were anything to be found, the long-term consequence could be rumours damaging their reputation as *pošten* businesspersons. Thus, snitching violated their value of being *pošten* in two relational senses, as individuals acting towards their neighbours and, more broadly, as a business in the economy.

Moreover, they knew that moonshine ameliorated, at least to some degree, the precarious circumstances of their neighbours, circumstances borne from a political economic system they identified as far outside their sphere of influence, and circumstances with which they empathised. Neither winemakers nor craft distillers viewed bootleggers as embodying the informal economy so much as being their community who needed *vinaza* to pay their utility and medical bills.

State capture and corruption at the national level dwarfed the transactions of a few litres of moonshine, even if collectively it was quite a lot of moonshine.[9] This national-level context, and their personal experiences

[9] There are no official figures estimating how much moonshine circulates in Croatia. One issue is that it can be made from many types of fruit, depending on the region. To give an indication of the estimated volume of all types of moonshine circulating, according to the World Health Organization, in 2016, Croatians consumed an average of 9.9 litres of pure

of the structural changes of *trapa*'s taxation, made apparent the injustices of the emerging system governing them. It is not that they were anti-tax libertarians; they paid myriad taxes unflinchingly. But the rapidity and capriciousness of the economic changes illuminated the fact that the increasing wealth disparities did not reflect the intrinsic worth of individuals. It was also widely understood that the structural issues made selling moonshine not one of personal choice, but of necessity, and their neighbours, newly classified as bootleggers, deserved the opportunity to sustain themselves. Given this context, craft distillers and winemakers alike felt compelled to support their struggling neighbours, either directly or indirectly. This stemmed from a convergence of their fundamental values, and was reinforced by both their empathy for their neighbours who shared a common origin and livelihood and the interconnectedness of their lives.

While winemakers and craft distillers had grown accustomed to much of the bureaucracy and what it took to be compliant, there remained a constant threat of potential upheaval. They were keenly aware that at any moment, the state could change tack, since it sometimes did so in dramatic fashion (see Smith 2020). Their efforts to reconcile their ethical commitments, values, and personal risk exposure was made visible in their collaboration – winemakers began selling a percentage of their *vinaza* for a nominal €35 per tonne to craft distillers, which created a paper trail that would legally cover them were their anxieties to later materialise in the form of retroactive inspections. This low price was sufficient, since the grapes-to-wine-to-*vinaza*-to-*trapa* volume arithmetic was unique to each producer. This illustrates how they navigated the ethical landscape surrounding *vinaza*, reflecting a conscientious approach to their practices within an ethical field they were actively shaping.

Indeed, winemakers found themselves coming to terms with conflicting values as they negotiated the ambiguous terrain between the

alcohol per capita from the formal economy versus an estimated 1.4 litres from the informal one: https://cdn.who.int/media/docs/librariesprovider2/country-sites/croatia/achp_fs_croatia.pdf?sfvrsn=92ae2be0_3&download=true (last accessed 22 February 2024). Another indication is, for example, in 2012 Croatian inspectors launched an enforcement campaign and confiscated 13,000 litres of unregistered spirits (Mikulić 2013). However, as an aside, in conversation with a Croatian economist on the topic, they said, 'I have never bought it outside the informal market, and I guess that holds for many in this country, or at least this is my impression.' Finally, see Kovac (2008) for a comprehensive description of Croatia's official spirits sector.

so-delineated formal and informal economies. While valuing their commitment to being *pošten* in business, they had to newly consider that sharing *vinaza* would broadly implicate them in the informal economy via the proliferation of moonshine. Living within 'multiple value regimes simultaneously' (Souleles et al. 2023: 176), so to say, winemakers and craft distillers faced the challenge of reconciling what it meant to be *pošten* in this new context – but to their neighbours, colleagues, or the state, and how to embody all three simultaneously? They sought to balance their financial interests against the values of being regarded as *pošten* and acting in line with the shared belief that everyone had the right to basic sustenance. It was a multifaceted endeavour, a dynamic interplay between the state's strength and local values.

Echoing Graber's (2023: 187) words, this dynamic can be described as further complicated by *vinaza* holding multiple forms of value spanning different fields by actors holding unique stakes in its production and movement; so, its value was multidimensional. To reiterate, for winemakers, it was a biowaste, but to distillers, a crucial input, and bootleggers were doing a community service as ecological caretakers. In these intricate and sometimes contradictory value spheres, the circulation of *vinaza* became a focal point that showcased the nuanced relationship and tensions between economic spheres. This also demonstrates the fact that those in the informal economy (such as bootleggers) can contribute meaningfully to the public good (see Meagher 2018).

Thus, taxation, and its attendant bureaucracy, triggered a re-examination of the boundaries between their ethical and business values, and the intersection of these values with their bottom lines. In doing so, they encountered Guyer's (2004: 94) notion of negotiating different 'registers of value' on different scales – existential, financial, and legal ones. An adherence to being *pošten*, commitment to community, and core principles of human dignity intersected in the sharing of *vinaza*. The gesture came to embody their commitment to their community and the idea of a more equitable one in general. They were acting in alignment with being *pošten*, and signalling their understanding of the inherent structural issues governing their collective lives. They recognised that the corrupt privatisation process and state capture had contributed to stark wealth inequalities and widespread precarity. In response, they sought to provide assistance to bridge the gap. And they knew that though they fared better than some this time, they were not immune from future financial upheaval.

Conclusion

The study of the spirits sector thus provides a lens through which to analyse the 'gastro-politics' of *trapa* as it is increasingly articulated into the capitalist market economy (Appadurai 1981). And to grasp the prevalence of bootleggers and the importance of spirits to rural families is to acknowledge the challenging economic conditions they face. It reveals valuable insights into the relationship between their precarious circumstances and the fiscal regimes governing their lives. The adoption of new spirits tax regimes demonstrates how taxation may land in the context of multiple social relations, and that we cannot always predict its effect. It demonstrates how long-term relationships between neighbours and friends can withstand a changing market and shifting fiscal regimes to support one another in maintaining their livelihoods. Like generations before them, they resisted structural changes and pursued their own paths towards a strong economy through working in solidarity and living according to their shared values. Their story thus demonstrates how the state can run up against a limit in its ability to effect change. Moreover, efforts to govern *trapa* showed how tax can make and unmake markets in sometimes unintended ways, in that families who could not handle the bureaucracy of spirits retreated from formal business ownership and into the margins of the market, but in such a number as to pose formidable competition to craft distillers braving the new regulatory regime. In this way, it serves as a cautionary tale of the unintended consequences of regulatory efforts.

The story of taxing spirits showed both how *vinaza* was a material that could traverse and disrupt the boundaries between formal and informal economies and how a community navigates values in flux. The new tax regime transformed the previously uncomplicated act of sharing *vinaza* into one with profound moral dimensions. It disrupted *vinaza*'s perceived value and the consensus around how it should circulate. As a result, the actors involved found themselves negotiating multiple value regimes. They grappled with the implications of this instability for their businesses, relationships, and personal convictions. This process revealed a dynamic relationship between one's sense of responsibility towards struggling neighbours, commitment to being *pošten*, and the pragmatic realities of being a small family business. Ultimately, the circulation of *vinaza* embodied a commitment to shared values, one that transcended market dynamics and regulatory constraints. Their experiences illustrate how values and ethics contribute to the fabric of a resilient community and that, in a way, taxes are always about balancing value and values.

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