

## **Informal Economy Bolivian Style**

There are a couple of basic premises which I need to lay out at the beginning of this paper. First of all, the following considerations are mostly based on an ongoing research on Bolivia's 'popular and indigenous economies' as well as on the analysis of a specific historical, political and economic context. Second, my research mostly addresses a type of economic actor who either combines production and trade or participates simultaneously in a variety of markets and economic activities to the point of making the label 'small-scale producer' partially inadequate.

### ***Different connotations of informality***

Since its inception the term informality has gone through a series of different interpretations. In the early seventies when the concept of informal economy took off (Hart 1973), the state was perceived as the best institution that could organize a push for enhanced economic development. Therefore, informality was thought in the terms of how the state (conceived both as a planning agency and a welfare provider) could solve the problem generated by the demands of a growing urban population for jobs, housing education and healthcare and above all the rising unemployment. Only a decade later, when the IMF and the World Bank produced a series of unheard attacks on excessive public expenditures, state monopoly and restrictions on free trade and capital movement, the informal economy was highly fostered as an image of popular creative energies finding expression in an unregulated market (cf. de Soto 1987). As usual, the ideology of Third World development mirrored trends in the West and the concept of informality swung with it.

On the one hand, from the perspective of the state as the only agent of development, the informal economy was envisioned fundamentally as a problem. Rather than supplying the population's needs through a spontaneous and self-organised system, informality was often interpreted as a symptom of low productivity in predominantly agricultural economies, weak mechanization and even as causing technology to stagnate. Informality came also to be envisioned as a structural irrelevancy, a remnant of the past and tradition, to be soon absorbed into the mainstream economy. The efforts of international agencies and policy initiatives aimed at improving the informal sector were often cosmetic and fragmentary. They often ended up negating it, making it official and rule bound – issuing licences, offering bank credit, organising market-places, setting up training schemes and, above all, taxing operators made visible by formalisations. On the other hand, from the perspective of the unregulated market as the one and only agent of progress and development, the analysis of informality dramatically failed to take into account the structural inequalities of the market system, the geopolitics of power which justified them while simply envisioning informality as a symptom of the excess of state regulations.

This polarised tension between market individualism and state collectivism (Hart 1992) has had the effect of marginalising intermediate levels and forms of association, and their own organizational structures, many of which are compatible with the market. Despite being largely invisible to modern social theory, these intermediate forms of association may result essential to the functioning of institutions at all stages of economic development.

The Marxist perspective was highly critical of the concept of informality. Marxist thinkers tended to oppose the use of the term 'informal economy' for mystifying the essentially regressive and exploitative nature of this economic zone. They tended to prefer the label 'petty commodity production'. In fact, several studies have tended to establish a series of interdependencies between

the formal and the informal economies.<sup>1</sup> Portes and Castells (1989), for instance, have insisted on the subordination of the informal economy to the formal one as a consequence of the attempt of privileged capitalists and entrepreneurs to reduce costs by seeking to subordinate petty producers and traders. A similar argument has been developed in Bolivia in the 80s both as a consequence of the severe measure of structural readjustment suggested by the IMF which generated the dismissal of thousands of employees of the public sector and of a series of studies of the peasantry and their relation with the urban economy (Calderón and Dandler 1984). The peasantry first and the informal economy second came to be seen as subordinated “structures” which allowed to feed cheaply the urban labour force in order to maintain low wages and high capitalist profits and therefore “subsidising” or guaranteeing the reproduction of the capital.

After the millennium the attitude towards the informal economy changed again. International agencies were feeling that their investments in poor countries were suffering of a weak regulatory environment. Therefore informality came to be perceived as an impediment to the development of the ‘private sector’. The idea was that business corporations were undercut by informal economic actors who paid no taxes, evade costly regulations and took advantage of often illegal devices in order to reduce prices. The irony here is that those same institutions and corporations, which in the past had promoted the deregulation and flexibility of informal arrangements for their own benefit, they now wanted it to deny to those who would develop from behind.

### ***Informal markets in Bolivia***

Already in the second half of the ‘60s, Latin American scholars started to identify a series of new dynamics in the relations between capital and labour which excluded a growing number of workers from waged labour. This process was identified not so much as a consequence of well-known cycles of expansion and contraction of the accumulation structure but rather as a new tendency. The word used to refer to this phenomenon was “marginalization” (Nun 1969; Quijano 1977) not in the sense of an exclusion from capitalism but rather as a process intrinsic to capitalism (cf. Marx 1990). The oil crisis of 1973 and the growth of poverty in the region led to the coining of the concept of “subsistence strategies” of the marginalized sectors (Duque 1973).

However, the problem was not of a uniquely economic nature. In Bolivia, the constitution of the republican state was based on the alliance between the bureaucratic apparatus and the enlightened ruling classes of Spanish descent to the point that the state became a tool to further the economic interests of a small sector of the population and maintain a regime of exploitation of the indigenous majority (Zavaleta 1986; cf. Macgaffey and Bazenguissa-Ganga 2000, in the case of Congo). In other words, the state became the instrument which granted the participation in the formal economy to a small group of enlightened citizens (cf. de Soto 1987) while forcing the rest of the population to the absence of a regulatory frame for their economic activities. The main economic preoccupation of the state was the export of raw materials and the provision of food to urban and mining centers to the point that the indigenous-populated rural areas were left in a state of semi-abandonment (Arnold and Hastorff 2008) and the development of internal structures of provision and distribution was highly neglected. In this situation a series of localized and unofficial political and economic institutions – often based on indigenous structures of power – sprung spontaneously in the interstices of the state and the export economy in areas which the state and the ruling classes were either incapable or disinterested in controlling.

---

<sup>1</sup> In fact, the formal and informal were always linked as the idea of ‘informal economy’ entails the effort to organise society along ‘formal’ lines.

In the absence of a supportive legal system, such local and unofficial organizations and institutions which guaranteed to popular and indigenous sectors not only the functioning of trade and the circulation of products but also forms of social control, sophisticated strategies of dealing with crimes and a even the provision of a local 'healthcare system'. This articulated system of practices and structures enabled them to prevent the intervention of a dysfunctional bureaucratic apparatus – often uniquely preoccupied to further its own interests – and of foreign economic powers in their political and economic arrangements, ecologies of patronage, redistribution and survival. In other words, this lack of formal regulation from above was compensated for by a strong regulation from below, non-official and informal, posing a rather solid critique to a neoliberal discourse which had identified the informal economy with the excess of regulations by the state.

This generated a paradoxical situation where popular and indigenous sectors were retreating to marginal areas, consolidating local organizational structures and the control of territory while the central government became increasingly intertwined with the interests of economic conglomerates and pressured to comply with international agreements in order to defend the capitals they wished to attract. Up until today, for instance, the provision of food and goods to the remote towns and cities of the Northern Amazon region of Bolivia lies in the hands of popular and indigenous traders. Once stocked up in the city of El Alto, goods begin a five-day trip across dangerous unpaved roads with no facilities and no state presence. In these extreme conditions, the combination of a lack of infrastructure and juridical insecurity makes unviable the incursion of formal enterprises and conglomerates and feed the strengthening of informal actors. Despite being referred to in some occasions as a “structural irrelevancy” or the insignificant omission of a largely effective economic system, this kind of economy tangential to the official economic institutions has become the bulk of the market economy in La Paz as it supplies up to the 90% of the local demand for food, clothing, transport but also electronics.

These informal actors and institutions had mushroomed in the interstices slowly beginning to erode the legitimacy of the official powers and public institutions. In the city of El Alto, for instance, local settlers, mostly migrants from the rural areas of the plateau, had to build their own sewage system and chip in the construction of streets and sidewalks given the general disinterest and lack of resources of the public and private sector. If we look at the markets which have grown in the last years in El Alto, they have become spaces where the informal institutionality of the popular and indigenous sectors has taken over the formal one. In the recent construction of the Asodimin market, local traders have provided the market with all the necessary facilities; they have even built and paved the streets which, after naming them after the trade union leaders, they have handed over to the municipality which by law is supposed to look after them.

In the last years, every now and then, debates have sprung upon the legality and legitimacy of this kind of economic activities and organizations (van Schendel and Abraham 2005). In a context where the state has traditionally been identified with the interests of an exploitative minority and with foreign conglomerates, it becomes difficult to recognise it as the sole authority capable to unanimously define what is legal and illegal. The legitimacy of informal traders lies in their ability to generate a local economic ferment that neither the state nor foreign investments would have been able to engender. Their social recognition lays on their capacity to generate work opportunities, but also to grant access to the vast majority of the urban settlers with produces and goods of acceptable quality and affordable price. In other words a state – or a global economic system –that has not been able to generate economic opportunities for this type of economic actors appears to not hold the legitimacy to define obligatory standards and rules. For the economic actors we are working with, informality is a matter of perspectives. Their trade is illicit and informal only when you look at

it from the perspective of the privileged formal entrepreneurs who have benefited from ample tax discounts and even conspicuous donations from the state.

When the rule of law is weak, the forms that emerge in its place may be criminal in character. Or, when the practice of law is criminal and corrupted this may generate reactions in the population. What has happened in Bolivia is that the rather impressive success of the informal traders and their heightened capacity of political mobilization has generated new forms of negotiation and a new equilibrium between these informally constituted groups and the state which has been forced to accept a degree of legal and economic pluralism.

In México, for instance, big chains and supermarkets have been resorting to informal imports and feeding informality by promoting the sale of their products by peddlers (Alba 2012). In Nigeria (Meagher 2010), these informal politico-economic systems (cf. Reno 1995, in Sierra Leone) have often degenerated into antisocial power structures with nucleuses of coercive power feeding forms of corruption, graft and rent-seeking. What happened in Bolivia is that informal street markets, governed by a series of rules and norms defined by dynamics of locality, gender and ethnicity, have grown into attractive spaces which have gradually begun to attract the products of formal enterprises.<sup>2</sup>

We are bound to face a series of contradictions when we try to analyse the informal economy. The informal economy has a plurality of contradictory connotations, is simultaneously good and bad. First, it is impossible to disentangle the formal and the informal. A good part of modern society appears concerned in protecting the public image of bureaucratic processes from a reality that mixes formal order with the illicit and corruption. Simultaneously, however, the informal economic actors we are working with are adopting practices of the state and elements of the formal laws in the regulation of their informal activities.<sup>3</sup> On the one hand, we are witnessing a series of 'local' economic spaces mushrooming in the interstices of the official economy. On the other hand, the current geopolitical situation seems to stress the capacity of global conglomerates to engulf local realities and suggests a new interventionist wave characterised by a series of "little, cruel wars" (Joxe 2002) in the defence of the interests of multinational companies. Informality seems both the attempt of certain groups to protect themselves from the laws and offices of state bureaucracy that make their search for self-preservation and improvement more difficult and the consequence of neoliberal policies which have reduced state controls to the point of transforming the world economy in an increasingly informal zone. For these economic actors the informal economy is both a source of enterprise and capital formation leading to economic growth in its own right and an exposure to a series of risks and to an endemic uncertainty. I dare to say that the economic actors we are working with do not particularly enjoy being 'informal', they would rather prefer a less corrupted custom system, a more effective police to deal with, a more equal access to public and private services and less arrogant and exploitative foreign economic partners. But since all this is unthinkable, they would rather have their informal institutionality recognised as licit.

### ***Informality, modernity, globalization***

In Latin America the social research on informal economies and traditional markets has been sometimes associated with the underlying intention to reveal alternative modes of production or

---

<sup>2</sup>In urban street markets in La Paz it is rather common to encounter by a stall, a butcher shop or along with sellers on the sidewalk, ladies in flashy cloths advertising the products of large companies which slowly begin to realise the commercial potential and the number of buyers attending these informal spaces.

<sup>3</sup>Informal wholesalers, for instance, they pay bonuses and health treatments to their informal 'employees' that despite not holding a contract they often assume that 'by law' the employer is obliged to pay.

economic models antithetic to capitalism (cf. Franco 1990; Matos Mar 1984; Coraggio 2007) and even practices of socio-economic restructuring from below. In the case of the economic actors we have been working with – and in the case of many other recent researches (Matthews, Ribeiro and Alba 2012) – they do not seem willing to destroy the market economy or aiming at constructing another world from the dominant and globalised one. It is often the rich and powerful – and formal – that through the control of state apparatuses and wider political structures depict a transgressive image of informal petty traders and producers (Ribeiro 2009). The characteristic of these actors is that they appear willing to take advantage of the market and their structures, and attempt to access the market economy in their own terms trying to avoid undergoing a process of social, political and economic destructuration as the process of modernization – and the recipes of development advocated by international agencies - would imply. However, it is by doing so that they counteract a series of globally defined – supposedly universal – standards of quality, economic rules and regulations, sets of practices, copyrights, patents and economic moralities which are being imposed as unique and universal.

Simultaneously and recently, one of the characteristics of these informal traders has been described as their capacity to generate translocal networks and articulations with a series of economic actors across boundaries and languages. The fragmentation and flexibility of non-hegemonic systems of production combined with the increasing facilities to transport produces and communicate with producers have generated the conditions for the growth of a system of commercialisation of a series of products which do not enter into the global regulation. While globalization is intended to operate, at least in theory, in a legal and transparent way, this kind of non-hegemonic globalization includes a series of different actors commonly functioning under the radar of the law (Matthews and Yang 2012). For this reason these economic actors are often referred to as smugglers and illegal traders revealing the hypocrisy of formal entrepreneurs who despite critiquing popular traders and their illicit activities are the ones who in the first place demanded a deregulation of the state and a liberalisation of the economy in order to take advantage of the goodness of globalisation. Once again, what we are seeing here is that these informal and popular traders are using the same instruments, channels and practices brought about by globalisation with the intention, however, to promote a kind of globalisation from below (Matthews et al 2012) or maybe simply their interests.

If for small producers and petty traders globalization had often been looked upon in terms of the benefits and disadvantages generated by dynamics from above such as free trade agreements and global value chains, a series of research works on the subject have begun to suggest an idea of globalization as slightly more plural and diversified from traditional recipes which tended to suppress the possibility of difference (Escobar 2005). These actors, groups and nonofficial organizations appears to be characterised by a kind of decentralised structure and by the combination of political practices based on locality (and control of informal local commercial spaces) and simultaneous articulation with a series of transnational and translocal networks. As opposed to an idea of modernity which had structured economic life around the logic of order, centralization and hierarchy, such actors and organizations shift the attention from free trade agreements and centralised projects from above to a series of dynamics much more reticular and less lineal.

The paradox of these actors and their practices is that they are not severed from processes such as globalization and modernity on the contrary they draw from such processes in order to consolidate a “local” type of economy and attempt to bend them towards their own interests. Unavoidably, it also appears that globalization, modernity but also formal enterprises and banking have started drawing from them in order to expand and reproduce their own system.

## References

- Alba, Carlos 2012. Local Politics and Globalization from Below: the peddler leaders of Mexico City's historic center streets. In *Globalization from Below: the World's Other Economy*, Matthews et al (eds.), 203- 220. Abingdon: Routledge.
- Arnold, Denise and C. Hastorf 2008. *Head of State. Icons, Power and Politics in the Ancient and Modern Andes*. Walnut Creek, California: Left Coast Press.
- Calderón Fernando and J. Dandler 1984. *Bolivia: la fuerza histórica del campesinado*. Cochabamba: Ceres.
- Coraggio, José Luis (ed.) 2007. *La economía social desde la periferia: contribuciones latinoamericanas*. Buenos Aires: UNGS and Altamira.
- Duque, Joaquim 1973. *Las estrategias de sobrevivencia de las unidades familiares del sector popular urbano*. Santiago de Chile: PROELCE.
- Franco, Carlos 1990. *Imágenes de la sociedad peruana: la 'otra' modernidad*. Lima: Cedep.
- Escobar, Arturo 2005. *Más Allá del Tercer Mundo. Globalización y diferencia*. Bogotá: ICANH.
- Joxe, Alain 2002. *The Empire of Disorder*. New York: Semiotext(e).
- Hart, Keith 1992. Market and the State after the Cold War. The Informal Economy Reconsidered. In *Contesting Markets*. R. Dille (ed.), 214-227. Edimburgo: University of Edinburgh.
- Hart, Keith 1973. Informal Income Opportunities and Urban Employment in Ghana. En *Journal of African Studies*, II(I), 61-89.
- Macgaffey, Janet y Bazenguissa-Ganga Rémy 2000. *Congo-Paris. Transnational Traders on the Margins of the Law*. Indiana University Press.
- Marx, Karl 1990 [1867]. *Capital: A Critique of Political Economy*, vol. 1 (trad. de B. Fowkes). Londres: Penguin Books.
- Matos Mar, José 1984. *Desborde popular y crisis del Estado: El nuevo rostro del Perú en la década de 1980*. Lima: IEP.
- Matthews, Gordon, G. L. Ribeiro and C. Alba (eds.) 2012. *Globalization from Below: the World's Other Economy*. Abingdon: Routledge.
- Matthews Gordon y Yang Yang 2012. How Africans pursue low-end globalization in Hong-Kong and mainland China. *Journal of Current Chinese Affairs*, 2: 95-120.
- Meagher, Kate 2010. *Identity Economics. Social Networks and the Informal Economy in Nigeria*. Suffolk y Rochester NY: Boydell and Brewer.
- Nun, José 1969. Sobre población relativa, ejército industrial de reserva y masa marginal. *Revista Latinoamericana de Sociología* 5(2).
- Portes, Alejandro, Manuel Castells y Lauren Benton (comp.) 1989. *The Informal Economy: Studies in Advanced and Less Developed Countries*, The Johns Hopkins University Press.

- Quijano, Aníbal 1977. *Imperialismo y Marginalidad en América Latina*. Lima: Mosca Azul.
- Reno, William 1995. *Corruption and State Politics in Sierra Leone*, Cambridge University Press, New York.
- Ribeiro, Gustavo 2009. Non-hegemonic globalizations: alter-native transnational processes and agents. *Anthropological Theory* 9(3): 297-329.
- van Schendel, Willem and Itty Abraham 2005. *Illicit Flows and Criminal Things: State, Borders and the Other Side of Globalization*. Bloomington: Indiana University Press.
- de Soto, Hernando 1987. *El otro sendero*. Lima, Instituto Libertad y Democracia.
- Zavaleta, René 1986. *Lo nacional-popular en Bolivia*. México: Siglo XXI.