



## THE INFORMAL ECONOMY AS A WAY OF LIFE

*Jose Manuel Castillo Olea*, Professor, Universidad Iberoamericana

To paraphrase Louis Wirth in his classic study of more than 60 years ago, we can affirm that the informal economy, in the context of Mexico City, has become a way of life. Mexico City is not the only city where this informal economy exists, nor the place where it is most exacerbated. However, it is perhaps where the density, scale and heterogeneity of the phenomenon most clearly show how this has altered the city both in its economic and social dynamics as well as in the production of urban space and everyday experience. The term informal is elusive, ambiguous, temporary and problematic. Today, it has become a kind of conceptual umbrella that covers forms and practices of production, consumption and social relations that make up the city. What is informal offers proof of what exists outside what is legal, regulated, taxed, controlled or lawful. Both the definitions of informal and the attitudes to this have been changing, over time, in Mexico City. Forty years ago, the housing units built by Mario Pani were considered “Proper Housing”, whilst the hundreds of thousands of houses built in outlying districts like Ciudad Neza were considered “informal settlements” or “parachutist settlements”. Today, official housing policies are more focused on supporting what used to be considered marginal than on repeating what was, before, “normative”. Today, the judicious and negative stigma of the informal economy has diminished and it has been taken on more as a problem, as a fact.

The informal economy covers the whole spectrum of the urban economic cycle, from elemental forms of production, to recycling. It includes goods and services such as housing, transport, the infrastructure, credit and occupation of space, extending as far as political negotiation. The whole informal activity features techniques, decisions and strategies that, although not very orthodox, entail a form of planning and organisation. They may be sophisticated and effective in the way in which they allocate resources, organise space and deal with both social and economic requirements. The informal economy appears to be linked with official and regulated processes but even, more surprisingly, in some case, modifies these official processes and policies. The leading mobile telephone company, whose owner is the richest man in South America, employs sales and

distribution techniques specific to the informal economy such as street selling on corners. Similarly, the mechanisms for financing, in the case of micro-credit, replicate the mutually binding and guarantee networks that have existed for years in the world of informal credit. Although some are rich and others poor, some pay taxes and others do not, the reality is that in Mexico City, we are all informal in that we benefit from it as much as we suffer.

The geography of the informal economy in Mexico City is both the historic centre and the outlying districts, both traditional public spaces – such as squares and parks – and transport interchanges. It occupies poor areas such as Iztapalapa or Chimalhuacán and privileged areas like Santa Fé. The corners of Mexico City have been turned into the preferred space for the informal economy where products are sold (from telephone cards, sweets, food to pets), entertainment (mimes, clowns, acrobats), exchange of information (surveys, distribution of political propaganda), and services (cleaning windscreens or whole cars). It has been affirmed that the informal economy has its origins in the inability of the State and of the market to supply goods, services and employment to its citizens, acting as an escape valve; also mentioned is tolerance of disorder and crime, the lack of any simple regulation and the lack of economic policy reforms. Amongst its effects, people mention, exploitation and labour abuse, privatisation of public space, erosion of standards of coexistence and civility and the loss of economic competition. The question that should be asked is whether the informal economy and its effects are hindering or benefiting the urban economy as a whole.

The figures on the informal economy in Mexico City are elusive and statistically unspecified but to give an idea of the magnitude of the phenomenon, here are a few facts:

- c. 60% of housing construction occurs informally;
- over 60% of jobs are in the informal economy;
- c. 25% of the 105,000 taxis are unofficial;
- c. 25,000 street vendors operate in the Historic Centre alone, this number has

increased by 40% in the last 5 years and doubles each December;  
– it is estimated that 65% of music sold in Mexico is pirate music.

The mantra of democracy and liberalism as prerequisites of development has been eroded by the informal economy, replacing this with the principle of negotiation. In Mexico City, both the law and physical space are negotiated. It is not unusual to see that informal leaders, whether street selling or invading land, move on to party structures and elected positions. Social negotiation networks that are being woven in the informal economy are being transformed into clientele networks useful in politics. It has been argued that the informal economy is neither good nor bad, it is simply a fact. Some see it as a problem, others as an opportunity. However, it is hard to avoid preconceptions and generate new perceptions of this urban phenomenon. Are we condemned to only making more or less intelligent, more or less marginal comments on the phenomenon? Is it possible only to work with the effects of the phenomenon, reducing its negative impacts and capitalising on its potential? Is it possible to come up with a new taxonomy of the informal economy that better diagnoses the origin of urban policies and more effective responses? Perhaps it is possible to imagine that a new knowledge of the city might emerge from a better understanding of the informal economy as a driving and determining force in major cities.

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