
The Informal Sector: Perspectives from the Literature

Prepared for discussion at the Meeting on
The Informal Sector and Economic Institutional Reform
February 17, 1989

*Bureau for Private Enterprise
U.S. Agency for International Development*

Prepared for: USAID/PRE

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Sponsored by: Private Enterprise Development Support Project II
Project Number 940-2028.03

February 1989



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**THE INFORMAL SECTOR:
PERSPECTIVES FROM THE LITERATURE**

I. Introduction

A. Purpose and Objectives of the Paper

This paper provides an overview of the directions of informal sector research and the approaches that have been taken in the current literature. It is based on an annotated bibliography prepared by Arthur Young for the Agency for International Development (AID) and for distribution to the AID-sponsored "Working Group on Economic Institutional Reform".

This paper is intended to serve as a catalyst for discussion by the Working Group during its meeting on February 17th, and to assist this group in developing a research agenda that is well-focused and supports AID policy and program objectives.

B. The Informal Sector Debate in the Context of AID Objectives

The role and potential of the informal sector in the economic development of Third World nations has become the subject of considerable debate among development professionals. The recent work of Hernando de Soto of the Instituto Libertad y Democracia (ILD) in Peru has been central to this debate.

De Soto's work has stirred thinking on economic development by focusing attention on the causes and characteristics of informality in the context of developing economies. Through empirical research, de Soto has demonstrated that in Peru the principal impediments to economic growth are institutional in nature, and that the informal sector constitutes a sizable and potentially powerful force for change in support of policy and institutional reform. According to de Soto, the existence and growth of the informal sector in Peru is due to the persistence of mercantilist structures in the political economy, which distort the operations of the market and result in extensive and excessive regulations on behalf of privileged interest groups.

A key finding of de Soto's research has been that informal sector participants exhibit entrepreneurial and democratic tendencies. This finding directly challenges "cultural" theories of underdevelopment. Furthermore, by identifying the legal and institutional barriers which cause the growth of informality, de Soto has uncovered what he believes may be the "key" to economic development, at least in Latin America. The transaction costs that arise from such barriers, and that ILD is endeavoring to measure, have raised the price of entry and financing of new firms, in effect restricting economic growth.

The theoretical underpinnings of this new approach to economic development have important implications for the Agency for International Development (AID) and for the private enterprise initiative which is a key pillar of current AID policy. In its support of private initiatives in developing countries, AID has had to confront a vast array of policy constraints and institutional obstacles to the growth of private enterprise, including interest rate controls which inhibit the mobilization of savings and limit the availability of resources for productive investment, foreign exchange and price controls, and a gamut of legal and regulatory impediments to the formation, operation, and expansion of business. As a result, promotion of private initiative has required that the Agency assess the key policy and institutional constraints to private investment and growth, and engage in policy dialogue with Third World governments in favor of market liberalizing reforms that will enhance the ability of private enterprises to respond to the opportunities of the open market.

In this context, study of the informal sector and economic institutional reform is intimately linked to AID's private sector initiative. Such study helps identify the constraints and barriers to private enterprise development and market-led growth. The findings of the ILD support the view that entrepreneurial talent is available in developing countries if allowed to mature, and that the success of market-led economic development strategies is intimately linked to the reform of policies and institutions that obstruct entrepreneurial development. The study of the informal sector thus represents an important step towards developing a better understanding of the constraints to market-led economic growth based on development of private enterprise.

The work of Hernando de Soto and the ILD constitutes a potentially productive approach to the study of economic development and underdevelopment which needs to be examined further for the validity of assumptions underlying it, for the applicability of its findings and methodologies outside Latin America, and for its short and long term implications. The Agency is determined to support this endeavor by pursuing a three-pronged approach:

- o Encouraging and re-focusing research by the U.S. academic community away from traditional development economics and towards a set of concepts that address and build on the theories and conclusions put forth by Hernando de Soto and the ILD;
- o Developing new tools for use by AID in generating, adjusting, and implementing policies and programs that promote economic growth through economic institutional reform;

- o Initiating a process of research and publication under the aegis of a prestigious institution receiving both AID and foundation support.

II. Overview of Literature

A. Origins of Informal Sector Research

The formal-informal sector dichotomy has been addressed in anthropological literature since at least the early 1960s. The concept was first introduced into the development studies literature in the early 1970s, following the presentation by Keith Hart of an influential paper on the informal sector and urban employment in Accra, Ghana. Since then, this dualistic approach has become the theoretical basis for much of the extensive literature on the informal sector.

The International Labour Organization (ILO), which was the first to incorporate Hart's concept into its research on urban employment, has played a crucial and influential role in the assimilation, selection, and publication of research on the informal sector. It is not surprising, therefore, that much of the literature on the informal sector over the last two decades has focused on the urban informal sector and its potential for generating employment and income.

In addition to the ILO, a number of other institutions helped shape the debate and focus of informal sector research in the earlier stages of its development. Most notable among them are the Institute of Development Studies at Sussex (U.K.), Harvard University, the Massachusetts Institute of Technology, the United Nations, and the World Bank. AID's Bureau of Science and Technology also has played and is playing a key role through its support of research on rural development and microenterprise development.

B. Principal Research Phases/Approaches

1. The "ILO Approach": The Informal Sector as Employer of Last Resort

The dichotomy between the rural (traditional) and urban (modern) economies was a central influence on early research on the informal sector. Beginning with the premise that as national economies industrialize a greater portion of the labor force must be absorbed by non-agricultural activities, much research has focused on explaining how rural migrants manage to survive at the margins of the more modern urban economies.

The explosive increase in population in the principal cities of many developing countries, resulting both from high total

population growth rates and migration from the rural areas, attracted the concern of the International Labour Organization and other international development agencies, and served to propel much research on the informal sector. The "failure" of modernization strategies to absorb increases in population forced new entrants into the labor force to create their own employment in the informal sector. Thus, a number of studies have viewed the informal sector to a significant extent as a "safety valve" or employer of last resort for the masses of jobless migrants.

In this context, the ILO launched a series of survey studies in the late 1970s to examine the role of the informal sector in employment and income generation in a number of metropolitan areas in Asia, Africa, and Latin America. These surveys revealed that between 20 and 70 percent of urban employment was found in the informal sector. In addition, the studies raised a number of important questions regarding the structure and composition of the informal sector, its impact on the environment, its capacity to absorb labor, the participation of women in the labor force, and the role of government in the economy.

Two important policy implications of this research have been promotion of non-farm employment, particularly in rural areas and small towns, and support of programs to contain population growth. In addition, emphasis has been placed on the need to facilitate informal sector access to skills, capital and technology either directly through international donor projects or through the LDC government. In other words, the "ILO approach" recommends direct government and international donor assistance to the informal sector through support of training and credit programs, and through development of infrastructural facilities. Support of small and micro- enterprises has also been a key component of these policies.

2. Formal-Informal Sector Linkages

An important and more recent approach to the study of the informal sector has focused attention on the nature of the relationship between the formal and the informal sectors. This approach has gone beyond explanations of the informal sector as employer of last resort to document more precisely the linkages between formal and informal sector activities.

To some extent, this "linkage approach" has arisen in response to criticisms that the dichotomous formal-informal framework used in many studies of the urban labor market overlooks the interrelationship and, in some views, the interdependence of the informal and formal sectors.

Recent studies have found that the informal sector is linked to an important degree to production and consumption in the formal sector, and that the principal mechanism through which these linkages occur is subcontracting. Moreover, evidence from case

studies in different cities in developing as well as developed countries suggests that the subcontracting relationships are often established by formal enterprises in an attempt to reduce labor costs in the context of an abundant labor supply, coupled with extensive and restrictive labor legislation. These studies also suggest that the informal sector itself is heterogeneous and that it must be segmented into at least two different, but interdependent groups: (a) informal laborers with no contractual arrangements or legal protection, and (b) informal "entrepreneurs and middlemen" who coordinate the activities of the former and establish the linkages with the formal sector. The earnings of the latter segment often are equal to or greater than those of their counterparts in the formal sector, while those of the former are usually lower.

These studies, however, also demonstrate that linkages between the formal and the informal sectors may vary significantly in both kind and degree depending on the country in question, and highlight the need to explore further the inter-links and integration of these sectors.

3. The "ILD Approach": The Informal Sector as Entrepreneur

The research of the Instituto Libertad y Democracia (ILD) in Peru has added a new dimension to the study of the informal sector. Its findings have contested the premise of earlier studies which view the informal sector primarily as a means for survival at the margins of the "modern" urban economy. In contrast to the ILO, for example, which finds that "informal sector units are not headed by entrepreneurs" and "their orientation is primarily employment rather than profit", the research of the ILD underscores the fact that informal sector participants are apparently entrepreneurial and democratic, and that they have opted out of the formal sector because of high transactions costs arising from "bad laws".

Thus, the "ILD approach" views the choice between working formally or informally as a rational process ensuing from analysis of the relative costs and benefits of formal sector participation in the context of a highly complex and inadequate legal and regulatory environment. It follows then that the low levels of growth of the economy arise from the "high costs of formality," which result in: low productivity due to inefficient specialization; low levels of productive investment; high taxes which discourage creation and expansion of business; and disincentives to technological progress and innovation. In short, the roots of underdevelopment can be traced to government policies and institutions which raise the costs of transactions required for participation in the formal economy, and encourage exit into the informal sector.

III. Key Themes in Informal Sector Literature

Opinions on the role and potential of the informal sector in economic development are varied and controversial. The controversy usually begins with the very definition of the informal sector and continues to sharpen when the policy implications are discussed. Nevertheless, there is widespread recognition and concurrence on the importance of studying the informal sector, however defined, and on exploring further the implications for economic development policy. A number of themes emerge from an overview of the literature. These include, but are not limited to, the following:

A. Heterogeneity of the Informal Sector

Although much attention has focused on the formal-informal sector dichotomy, an emergent and important theme is the heterogeneity of the informal sector itself. As mentioned in the previous section, the segmentation of the informal sector has been approached in some studies from the point of view of linkages with the formal economy. This results in two subgroups, one which manages the subcontracts with formal sector firms and one which is subordinate to this group. The differing relations with the formal sector are used to explain the different levels of income earned within the informal sector.

William House in his study of the informal sector in Nairobi offers a different perspective, while stressing the heterogeneity of the informal sector. House concludes that the informal sector is highly diversified, both with regards to productivity and earnings levels as well as motivation of the participants. He subdivides the informal sector into an "intermediate sector" comprised of "dynamic entrepreneurs" operating small manufacturing and business units, and a large body of "marginal" workers catering to the demands of poor urban consumers, and earning incomes well below the minimum required to satisfy basic household needs. For House, the policy question then becomes "how best to maximize the development potential of the intermediate sector" while minimizing the size of the marginal sector.

House's approach provides a "compromise view" to the opposing perspectives described in the previous section in which the informal sector is seen either as a manifestation of poverty or as a manifestation of the entrepreneurial spirit which is drowned by the maze of government policies and regulations.

The heterogeneity of the informal sector also arises from the segmentation of informal markets that results when tribal or kinship groups develop informal contractual arrangements within the group. This point, which is examined by Vijay Jagannathan in his book on informal markets in developing countries, will be developed later in the paper.

B. Linkages

The subject of linkages or interrelationships of the formal and the informal sectors is also a controversial topic. Because of the "hidden" nature of informal activities, the links with the formal sector are difficult to document and relatively few studies have as yet undertaken this arduous task. This subject also raises a number of difficult questions with important policy implications. A central one has been whether policies should aim at "formalizing" the informal sector or whether continued growth of the informal sector should be promoted and supported. Another question is whether policies should support an integrated development utilizing existing and potential linkages between the two sectors.

The question of linkages has been explored to some extent in the studies sponsored by the ILO. More recently, however, a number of case studies of cities in Latin America have described a variety of modes of "articulation" between the formal and the informal sectors. These studies, which are summarized in a recent article by Alejandro Portes and Saskia Sassen-Koob suggest that "exit" from the formal sector is often voluntary, and that there is a "fluid exchange" between the formal and informal sectors which challenges assumptions that participation in the informal sector is a "last resort" or shelter from poverty.

Recent literature on linkages has also focused on an apparent growth in the informal sector in developed countries, the causes or motivations of this growth, and the variety of linkages that exist between formal and informal sectors.

C. Measurement

Measurement of the informal sector, including its size and contribution to national income and employment is an important theme in the literature on informality. By its very nature, however, informality is difficult to measure and researchers have utilized a variety of methods based on the "traces" left in the economy by the informal sector.

One popular methodology has relied on discrepancies between aggregate monetary indicators to estimate the magnitude of informal sector activities. This approach, which assumes that informal sector transactions take place in cash, is based on comparisons of the ratio of currency to demand deposits in a particular period to a base period, when informal activities are assumed to be close to zero. This type of measurement, however, is very sensitive to the choice of base period and has often resulted in widely different estimates of informal activities in a particular country. Moreover, recent work by Janet Landa, on the ethnically homogeneous middleman groups (EHMGs), and by Vijay Jagannathan, on informal contractual arrangements in LDCs, questions the validity of the cash-based assumption. Both Landa and Jagannathan have found that

informal contractual arrangements among participants in this sector permit transactions based on credit. Consequently, utilizing the cash criterion to measure the magnitude of informal sector activities may result in underestimation of the extent, and hence the significance of these activities.

Although discussion of the various approaches to measurement of the informal sector is beyond the scope of this paper, review of the literature indicates that evidence on the magnitude of informal sector activities and their contribution to economic growth is still scanty, and that considerable room for development and refinement of research methodologies exists. Moreover, the application of varying methodologies, as well as the different definitions of informal sector on which the methodologies are applied, make impossible comparisons over time and across countries or regions.

D. Property Rights and Transaction Costs

The interrelationship between property rights and transaction costs has been a central theme of recent studies of the informal sector by de Soto, Landa, and Jagannathan. These studies have examined, to a greater or lesser extent, the nature and development of informal property rights and other contractual arrangements in response to incoherent laws or to inadequate protection and enforcement of laws.

Literature on property rights generally has been concerned primarily with the use and function of legal property rights in economic systems. An assumption has been that these rights are protected and enforced by the prevailing body of law. In many developing countries, however, as de Soto, Landa, and Jagannathan have noted, laws may be incoherent (in de Soto's view because of the mercantilist system and the politicization of laws and regulations), inefficient, and may or may not be enforced. In some countries, the proliferation of often contradictory laws is also a problem arising because laws may be "purchased" by special interest groups. In this context, property owners may be forced to resort to informal contractual arrangements to protect their property rights.

Such informal or extra-legal contracts or norms are clearly not administered by the formal legal system. In the case of Landa's study, such contracts are formulated and self-policed by ethnically homogeneous middleman groups in order to lower the cost of transactions that arise from economic exchange. In Jagannathan's book, informal contracts are made within tribal, kinship or other social groups. These contracts are based on mutual trust and cooperation among members of the same kinship or tribal group. In de Soto's book, these extra-legal norms are established and enforced by individuals pursuing "legal means in illegal ways" as a result of the high costs of entry into the

formal sector.

These informal contracts have important implications for the study of transaction costs and the efficiency with which resources are allocated in an economy. In his study, Jagannathan finds that informal contractual arrangements result in low transaction costs within these groups which permit a high degree of allocational efficiency within segments of the "unorganized" markets. According to Jagannathan, "[this] is possible because within segments positive externalities are generated by maintaining a desired pattern of behavioral relations without transactions costs." The costs of transactions between these groups or segments, however, are high, and result in varying degrees of inefficiency.

Landa finds that the creation of informal contracts among ethnically homogeneous middleman groups in Southeast Asia and Africa as a substitute for formal laws enables these middlemen to become successful entrepreneurs and to carry on their economic activities efficiently. However, because these arrangements limit the size of the middleman group, they result in inefficiencies when the costs of excluding "outsiders" are taken into account.

De Soto, who agrees with Landa's view that these arrangements are a "second best solution", sees the creation and enforcement of extra-legal norms among informal sector participants as evidence of their desire to become "formals".

A key policy implication of these studies is the significance of creating and enforcing efficient laws, which can lower the costs of transactions associated with participation in the formal economy and create incentives for entrance by the informals into the formal sector.

E. The Role of Laws and Institutions

Neo-institutional economists have drawn attention to the importance of the institutional framework in which economic production and exchange take place. Understanding this framework requires a blend of disciplines and research perspectives, including law and property rights, organizational theory, transaction cost economics, economic history, and public choice.

A central focus of the new institutional economics is the study of the impact laws and institutions have on economic exchange or trade through their effects on transaction costs. These transaction costs are basically the expenditures incurred by firms in the process of contract negotiation and enforcement. According to Dr. Ronald Coase, who laid the foundations of transaction cost economics, the institution of the firm emerges to economize on these transaction costs. In other words, transaction costs are significant determinants of the organization of economic activity.

When laws and institutions provide for the effective protection and enforcement of property rights and other contractual arrangements, transaction costs are zero, and markets are efficient. If, on the other hand, the legal framework is inadequate, as de Soto believes is the case in Peru and other LDCs, transaction costs are high and block the efficient development and operation of the market.

In the literature on the informal sector, the neo-institutionalist approach has been used to analyze the role laws and institutions play in encouraging/discouraging participation in the formal economy, and in discouraging/encouraging entrance into the informal economy. For Hernando de Soto, study of the institutional infrastructure is fundamental in understanding the causes of informality and underdevelopment in Peru and in other developing countries.

IV. Developing a Research Agenda

Of the themes identified in the previous section, three areas are suggested below as potential choices for the research agenda supported by AID. The overview of the literature on informality confirmed that the subjects discussed below, and identified in the November 1988 meeting of the "Working Group on Economic Institutional Reform" as important research questions, indeed constitute critical research gaps requiring further exploration. Moreover, as will be shown below, these topics are interrelated and complement the work of the ILD.

The first two subjects focus on the development of tools that can be used (a) to test the hypotheses of the ILD in other countries, and (b) to demonstrate the costs in terms of economic growth associated with highly politicized and inefficient systems of laws and regulations. The application of these tools in a variety of countries can have a powerful "demonstration" effect which can be utilized to convince governments and political constituencies of the importance of economic institutional reform. The last area is aimed at exploring and analyzing in a comparative historical perspective the ways in which institutional change has occurred in different countries.

A. Measurement

The application of conventional economic tools to measure economic growth fails to take into account the contributions of informal sector activities. Yet, as Dr. Jerry Jenkins has pointed out, "[t]he extent to which the economic reality of a country's citizens is not counted, poorly estimated, or unknown by government, almost certainly contributes to inappropriate government policies and programs The magnitude of what is 'under-known' to government --the magnitude of the informal sector--

- can induce a government to do what it otherwise might not, or not to do what it otherwise might."

An important part of the research program of the ILD in Peru has concentrated on the development of methods to identify and quantify informal activities. These findings, and those of other researchers, indicate that informality may be a widespread phenomenon. As mentioned in the previous section, however, the application of various methodologies to varying definitions of the informal sector prevent empirical confirmation of the magnitude of such activities and of their current and potential contribution to economic growth. The diversity of approaches also inhibits cross-national comparisons.

Additional research is needed that will support the development of new tools that can be applied consistently to different countries and regions to estimate the magnitude of the informal sector's participation in the economy. Research involving data collection in the field would be a natural progression to the exploration and development of measurement tools that can support a better understanding of informality in developing economies.

B. Transaction Costs

In the words of Oliver Williamson, "[t]ransaction costs are the economic equivalent of friction in physical systems." Applied in the context of informal economies, transaction costs translate into the costs of doing business in the formal sector. Because transaction costs are heavily influenced by the legal and institutional infrastructure that governs property rights and the exchange of these rights, they can be used as proxies to measure the costs of complying with regulations, and as a means to explore the relationship between these costs of doing business and the level of income or rate of economic growth.

The ILD, with advise from the Washington University in St. Louis, is currently engaged in the development of a methodology to measure the costs of transactions in different countries, using as a point of departure the costing procedures and estimates employed in The Other Path. The objective of this research activity is to develop a technique that can be applied in different countries, and used to compare costs and relate these to levels of economic development. In the long-term, the objective of this project is to address the following questions:

- o How transaction costs vary across time and across countries;
- o How transaction costs are related to the size and growth of the informal sector;
- o How transaction costs relate to levels of income across

countries;

- o How changes in transaction costs relate to changes in growth rates.

C. Institutional Reform

1. Comparative Studies

Research by the ILD and by neo-institutionalist economists has called attention to the role of legal and institutional systems in economic development. According to this view, an effective legal and institutional infrastructure facilitates economic growth by allowing entrepreneurs to engage in economic activities at the lowest costs possible. Conversely, inadequate and inefficient laws and institutions make the costs of doing business excessive, and so inhibit private initiative and economic growth.

The transaction cost approach described above provides one means of exploring the impact of regulations on economic activity and growth, and the requirements for institutional reform. A complementary research approach would be to examine the evolution of laws and institutions in comparative economic historical context. This research approach would draw on the literature of economic history to develop comparative studies of important institutional changes or "lessons learned" from the experience of developed and newly industrialized countries. It would also examine the costs and benefits of the different approaches as well as the policy implications.

2. Role of International Development Agencies in Institutional Reform

The ILD has been critical of the restructuring programs that debt-ridden countries are typically required to undertake by the International Monetary Fund and the World Bank on the grounds that these programs are short-sighted, "top-down" approaches which give little consideration to the political consequences of the policies they recommend. The ILD has also been critical of foreign aid programs, including private sector development programs, because in its view they confuse "mercantilists" with "non-elite entrepreneurs", and serve to strengthen the former.

The research agenda developed for this AID project must address these and other issues regarding the role of international development agencies vis-a-vis the informal sector, and must examine how these agencies can best support institutional reform. Accordingly, exploration of the policy implications and development of policy recommendations must be principal components of any of the suggested research topics.

V. Conclusion: The Informal Sector as Symptom and Solution

The views of the informal sector that emerge from a review of the literature paint different pictures of informality, some emphasizing the "marginal" nature, others the "entrepreneurial" qualities. All, however, have consistently underlined the resourcefulness and enterprise of informal sector activities. Invariably, these studies have also viewed informality as a symptom, a symptom of misguided government policies or of failed attempts at industrialization, or, as in de Soto's view, a symptom of "institutional dysfunction." Not all agree, however, on whether or not the informal sector is also the solution to these maladies, or at least part of the solution, and the implications and policy recommendations are varied.

Hernando de Soto does believe that the informal sector is the solution, but not as a "shock absorber" or employer of last resort which needs to be aided by governments and international agencies. He believes it is the solution in that it can help to illustrate and explain the causes of underdevelopment. In his words, "[t]he ILD posits that the study of informality and its causes holds the key to development in Latin America for several reasons." These reasons are:

- o By examining which institutions the informals have opted out of, it is possible to identify the sources of institutional inefficiency.
- o By studying the extra-legal norms created by the informals as a substitute for the law, it is possible to identify what the informals are voting for.
- o The extra-legal institutions sanctified by the informals are eminently democratic, and the economic system they have devised is a nondiscriminatory market economy. Therefore, the informals constitute a large, national constituency favorable to participatory democracy and a market-led economy.

In this context, the research agenda for this AID project should aim at facilitating and advancing a better understanding of the informal sector through the development of tools that have practical applications in the field. The topics suggested in this paper can further this understanding in four important ways:

- o By facilitating the measurement of the magnitude and hence importance of the informal sector;
- o By promoting the development of tools to measure the costs associated with the growth of this sector;

- By supporting the development of comparative analyses that can contribute to a historically-based understanding of the role of institutions in economic development; and
- By encouraging the exploration of how international development agencies can best assist in the development process through support of economic institutional reform.

APPENDIX A:

**ANNOTATED BIBLIOGRAPHY ON
THE INFORMAL SECTOR AND
ECONOMIC INSTITUTIONAL
REFORM**

**THE INFORMAL SECTOR AND ECONOMIC INSTITUTIONAL REFORM
ANNOTATED BIBLIOGRAPHY***

Acharya, S. "Unaccounted Economy in India - A Critical Review of Some Recent Estimates." Economic and Political Weekly 18, 49 (1983): 2057.
Not Available.

Acharya, S. and S. Madhur. "Informal Credit Markets and Black Money: Do They Frustrate Monetary Policy?" Economic and Political Weekly 18, 41 (1983): 1751-1756.
Not Available.

Amin, A.T.M. "The Role of the Informal Sector in Economic Development - Some Evidence for Dhakka, Bangladesh." International Labour Review 126, 5 (n.d.): 611-623.
This article is based on surveys conducted in Dhakka for the purpose of assessing the informal sector's potential in employment and income generation. It provides a comprehensive appraisal of the activities of this sector, its principal characteristics and its role in the process of industrial development. The article concludes that the informal sector offers income earning opportunities to large members of disadvantaged people, and that it has a major role to play in expanding the capacity of the nonagricultural sector to absorb labor and facilitating the eventual industrial transition of the economy. It calls for an end to legal regulatory impediments and review of government policies regarding the informal sector.

Anheier, H. and H.D. Seibel. Small Scale Industries and Economic Development in Ghana: Business Behavior and Strategies in Informal Sector Economies. Ft. Lauderdale: Beiterbach Publishers, 1987.
Not Available.

Aryee, George, "The Informal Manufacturing Sector in Kumasi." In The Urban Informal Sector in Developing Countries: Employment, Poverty and Environment, ed. S.V. Sethuraman. Geneva: International Labour Office, 1981.
This study is based on a sample of informal manufacturing enterprises, especially fitting, tailoring and leather manufacturing. The study finds no direct linkages between the informal and formal sectors, but finds indirect linkages

* While recognizing the considerable overlap of informal sector and microenterprise studies, this bibliography omits literature which focuses specifically on microenterprise.

The bibliography was prepared by Flora M. Painter and Sandra Altamero, with research assistance from Maura Tucker.

through intermediaries in selected activities. A distinctive finding of the study is the ability of the Kumasi informal sector to absorb substantial quantities of labor in the form of apprentices.

Aziz, Abdul. Urban Poor and Urban Informal Sector. New Delhi: Ashish Publishing House, 1984.
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Bagachwa, Mboya S.D. The Urban Informal Enterprise Sector in Tanzania. Dar es Salaam, Tanzania: Economic Research Bureau, University of Dar es Salaam, 1981.
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Bakht, Farid and Raisul Mahmud. Overseas Remittances and Informal Financing in Bangladesh. Unpublished, May, 1987.
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Bienefeld, M. "The Informal Sector and Peripheral Capitalism: The Case of Tanzania." Institute of Development Studies Bulletin (February 1975).

Biggs, Tyler, Merilee S. Grindle, and Donald R. Snodgrass. "The Informal Sector, Policy Reform, and Structural Transformation." In Beyond the Informal Sector: Including the Excluded in Developing Countries, ed. Jerry Jenkins, 133-179. San Francisco: Institute for Contemporary Studies (ICS) Press, 1988.

This paper argues that current interest on the informal sector is to a significant degree based on misinterpretation arising from differing definitions of the "informal sector". The authors find that questions regarding the informal sector need

to be refocused away from the sector itself and directly on the causes and consequences of low-productivity employment and on the impact of "ill-advised" government policies. The authors recommend that policies and programs on the informal sector focus on policy reform and structural transformation, rather than direct support to informal sector participants.

Birbeck, Chris. "Garbage, Industry, and the 'Vultures' of Cali, Colombia." In Casual Work and Poverty in Third World Cities, ed. R. Bromley and C. Gerry. New York: Wiley, 1979.

Boeschoten, W.C. The Volume of Payments and the Informal Economy in the Netherlands, 1965-1982. Kluwer Academic Publishers, 1984.

Breman, Jan. "A Dualistic Labour System? A Critique of the 'Informal Sector' Concept." In Planning for Small Enterprises in Third World Cities, ed. Ray Bromley. New York: Pergamon Press, 1985.

This article examines the origins of the informal sector concept and critiques the dualistic informal-formal sector framework.

Bromley, Ray. "Introduction--the Urban Informal Sector: Why Is It Worth Discussing." World Development 6 (September - October 1978): 1033-1039.

This article reviews the relevance of dualistic models of economic development to the study of the urban informal sector in LDCs. It focuses on the origins, diffusion and deficiencies of the formal/informal dualistic classification.

Bromley, Ray. "Organization, Regulation and Exploitation: The So-Called 'Urban Informal Sector': The Street Traders of Cali, Colombia." World Development 6 (September - October 1978): 1161-71.

Bromley, Ray, ed. Planning for Small Enterprises in Third World Cities. New York: Pergamon Press, 1985.

This book is a collection of studies on small and microenterprises, and the informal sector. It includes articles by E.F. Schumacher, Malcolm Harper, and Jeffrey Ashe.

Bromley, Ray. The Urban Informal Sector: Critical Perspective on Employment and Housing Policies. Oxford: Pergamon Press, 1979.

Not Available.

Chandavarkar, Anand G. "Informal Sector: Empty Box or Portmanteau Concept?" World Development (U.K.) 16 (October 1988): 1259-61.

This article attempts to prove that, if appropriately examined, the concept of the informal sector has analytic and

operational value as a portmanteau concept for employment, developmental and financial policies in LDCs based on testable hypotheses and properly designed qualitative studies.

Chandavarkar, Anand G. "The Informal Financial Sector in Developing Countries: Analysis, Evidence and Policy Implications." Occasional Papers No. 2, Kuala Lumpur: SEACEN Research and Training Centre, 1987.
Not Available.

Chandavarkar, Anand G. "The Role of Informal Credit Markets in Support of Microbusinesses in Developing Countries." Paper presented at the World Conference on "Support for Microenterprises", Washington, D.C., June 6-9, 1988. This paper examines the role of informal credit markets in relation to microenterprises in LDCs. It draws on available research and field experience to develop policy recommendations.

Cheung, Steven N.S. "The Contractual Nature of the Firm." The Journal of Law and Economics 26, 1 (April 1983): 1-23. This article shows the manner in which transactions costs are minimized in Hong Kong despite widespread subcontracting. The concepts developed in this article have applicability to the informal sector.

Cho, Uhn. Capital Accumulation, Women's Work and Informal Economies in Korea. East Lansing: Michigan State University, Office of WID, 1983.
Not Available.

Choe, J.H. (GE) "The Reciprocity Between the Formal and Informal Sectors - An Interpretation Based on Bibliographic Material from South Korea." Internationales Asien Forum 13(3-4) (1982): 269, 286.

Choucri, Nazli. "The Hidden Economy: A New View of Remittances in the Arab World." World Development 14, 6 (1986). This article focuses on the hidden economy which emerges as a result of large-scale migration of labor in search of employment outside national boundaries. Remitted earnings are handled primarily through informal mechanisms and lead to the emergence of financial and economic networks that define the boundaries of the hidden economy. The article stresses the difficulties in measuring the size of the hidden economy. Special emphasis is given to Sudan and Egypt to illustrate the operations and principal features of the hidden economy.

Connolly, Priscilla. "The Politics of the Informal Sector: A Critique." In Beyond Employment: Household, Gender and Subsistence, eds. Nanneke Redclift and Enzo Mingione, 55-92. New York: Basil Blackwell Ltd., 1985.

This chapter discusses the practical implications of grouping a wide variety of phenomena under the category of informal sector. The author questions the usefulness of the informal sector concept as applied in relation to employment and labor conditions.

Danes, Sharon M. Informal and Formal Market Participation of Rural Honduran Women. East Lansing: Michigan State University, 1985.
Not Available.

Dasgupta, Biplab. "Calcutta's Informal Sector." Bulletin 5 Sussex: Institute of Development Studies, 1973.
This article provides an account of the congestion externalities caused by Calcutta's hawkers.

Davies, Rob. The Informal Sector. London: Catholic Institute for International Relations, 1978.

De Alessi, L. "Survey on Property Rights Literature." In Research in Law and Economics 2, ed. R.O. Zerbe, 1-44. Greenwich: Jai Press, 1980.
Not Available.

Dearanujo, T.P., Neto, L.G., and A.D. Souza. "Employment Implications of Informal Sector Policies - A Case Study of Greater Recife." International Labour Review 127, 2 (1988): 243-258.
Not Available.

De Soto, Hernando. "Constraints on People: The Origins of the Underground Economy and Limits to Their Growth." In Beyond the Informal Sector: Including the Excluded in Developing Countries, ed. Jerry Jenkins, 15-47. San Francisco: Institute for Contemporary Studies (ICS) Press, 1988.
This paper summarizes the findings of the ILD regarding the informal sector and the legal and regulatory impediments to economic growth in Peru.

De Soto, Hernando. El Otro Sendero: La Revolución Informal. 4th ed. Bogota, Colombia: Editorial La Oveja Negra Ltda., 1987.
This study of the informal economy in Peru describes the magnitude and complexity of extralegal economic activities in the country. It provides a new and polemical interpretation of the causes of underdevelopment and stresses the importance of institutional reform to overcome the legal and regulatory barriers which foster informality and inhibit economic growth.

De Alessi, Louis. "Survey on Property Rights Literature." In Research in Law and Economics 2, ed. Richard O. Zerbe, 1-44. Greenwich: Jai Press, 1980.

Demol, E. and G. Niha. "The Modern Informal Sector in Yaounde." International Labour Review 121, 1 (1982): 77-78.

This article summarizes the findings of a census and survey of the informal sector in Yaounde. The census covered all economic activities in this sector except for building and transport. The article describes the informal sector's contribution to the national economy in terms of employment, income and transmission of skills.

Fapohunda, O.J. "Human Resources and the Lagos Informal Sector." In The Urban Informal Sector in Developing Countries: Employment, Poverty and Environment, ed. S.V. Sethuraman, 70-82. Geneva: International Labour Office, 1981.

This study is based on a survey of 2000 enterprises, primarily in the manufacturing and service industries. Its principal focus is the utilization and development of human resources in the informal sector.

Feige, E.L. "How Big is the Irregular Economy?" Challenge 22 (November - December, 1979): 5-13.

Fowler, D.A. "The Informal Sector in Freetown: Opportunities for Self-Employment." In The Urban Informal Sector in Developing Countries: Employment, Poverty and Environment, ed. S.V. Sethuraman, 51-69. Geneva: International Labour Office, 1981. This study is based on data compiled from 967 informal enterprises in the manufacturing, construction, trade, transport, and services sectors. It shows that urban migration is closely linked to the growth of the informal sector.

Gaughan, Joseph P. and Louis A. Ferman. "Toward an Understanding of the Informal Economy." The American Academy of Political and Social Science, Annals 493 (September 1987): 15-25.

This article is an anthropological/sociological exploration of the causes and nature of the informal sector. It argues that the informal economy has not developed simply because there is a failure in traditional economic systems of distribution. Instead, the article finds that the informal economy is based on family and community relations which stress mutual obligation and reciprocity, and may not involve an immediate expectation of financial return.

Gerry, C. "Developing Economies and the Informal Sector in Historical Perspective." The American Academy of Political and Social Science, Annals 493 (September 1987): 100-119.

This article traces the relationship between the informal economy and socioeconomic development back to the early 19th century. It argues that interest in the informal sector has fluctuated according to the cycle of boom and slump in national international economies. Study of this broader historical context is essential to develop an adequate

understanding of the nature and causes of informal economic activities.

Gray, Jane. Conference on the Comparative Study of the Informal Sector, Harper's Ferry, West Virginia, 1986. International Journal of Urban and Regional Research (U.K.) 11 (September 1987):421-423.

This article is a summary of themes discussed during a conference which brought together scholars from the United States, Europe, Africa, Asia and Latin America with the purpose of exploring and promoting a broader understanding of the causes and consequences of the informal economy worldwide. The principal themes discussed included: the linkages between the formal and the informal sector; the heterogeneity of the informal sector; the interaction of the informal sector with household survival strategies; and the state's role in the process of informalization.

Guisinger, Stephen, and Mohammed Irfan. "Pakistan's Informal Sector." Journal of Development Studies. (July 1980).

Gutmann, P. M. "Statistical Illusions, Mistaken Policies." Challenge 22 (November-December, 1979): 14-17.

Hammer, H.R. and C. Manuel (GE) "An Economic Analysis of the Urban Informal Sector." Jahrbuch fur Sozialwissenschaft 39(1-2) (1988): 297-312.
Not Available.

Harriss, Barbara. "Quasi-Formal Employment Structures and Behaviour in the Unorganized Urban Economy and the Reverse: Some Evidence from South India." World Development 6 (1978):1077-1086.

This article examines the structure of the labor markets in the "organized" and "unorganized" sectors of urban economies in South India to determine whether differences between the two sectors are significant enough to warrant their separate study. The study finds considerable overlap between the two sectors and questions the validity of using the formal/informal dichotomy for analytical purposes.

Hart, Keith. "Informal Income Opportunities and Urban Employment in Ghana." The Journal of Modern African Studies II, I (1973): 61-89.

This article describes the informal economic activities of low income laborers who have migrated from Northern Ghana to the Southern area of Accra. The author finds a high degree of informality in the income-generating activities of this group, and proposes that income and expenditure patterns are more complex than is normally allowed for in the economic analysis of developing countries. In response to the question of whether informal economic activities possess some autonomous

capacity for generating growth in the incomes of the urban poor, the author responds that much more empirical research is required

Henry, S. "The Political Economy of Informal Economies." The American Academy of Political and Social Science, Annals 493 (September 1987): 137-172.

This article considers the interrelationship between informal economies and the wider political economy of capitalism. It argues that as a result of these complex interrelations, the development of and intervention in informal economies is neither simple nor linear, and that failure to take these relations into account can lead to inappropriate policies with unforeseen outcomes.

Hofmann, Michael. "The Informal Sector in an Intermediate City: A Case in Egypt." Economic Development and Cultural Change 34,2 (1986): 263-277.

This article examines the nature and causes of growth of the informal sector in the context of overurbanization in Egypt.

House, William J. "Nairobi's Informal Sector: Dynamic Entrepreneurs or Surplus Labor." Economic Development and Cultural Change 32, 2 (January 1984): 277-302.

This article is based on a survey of informal sector enterprises in Nairobi in mid-1977. The results of the survey are used to test some general hypotheses about the informal sector. The paper demonstrates that Nairobi's informal sector is diversified in terms of productivity and income levels generated and in the motivation of the participants. The author finds that the division of the urban economy into formal and informal sectors is simplistic and inadequate. He finds at least two subsectors within the informal sector: an intermediate sector comprised of enterprising individuals generating adequate incomes, and "the community of the poor" comprised of residual and underemployed laborers.

International Labour Office. The Structure of the Informal Sector in Mongu (Western Province) and its Potential for Employment Creation. Lusaka, Zambia: International Labour Office, 1982. This study's objectives were to: 1) determine the size and structure of the urban informal sector in Mongu; 2) analyze constraints for its development; and 3) identify feasible areas of assistance to informal sector units from the view of creating more employment in the sector. It also addresses formal/informal sector linkages and provides a historical overview of the rise of the informal sector in Mongu.

International Labour Office, Jobs and Skills Programme for Africa (JASPA). "Employment Incomes and Production in the Informal Sector in The Gambia." Report submitted to the Government of

The Gambia by a JASPA technical assistance mission. Addis Ababa, July 1980.
Not Available.

Jamal, V., ed. The Informal Sector in Africa, Synthesis and Country Summaries. Geneva: International Labour Office, 1984.

This study focuses on the role of the informal sector in economic development, especially its employment potential, its evolution with regards to productivity, and the role of government vis-a-vis this sector. It discusses the importance of linkages as mechanisms for transmitting growth from the formal to the informal sector.

Jagannathan, N. Vijay. Informal Markets in Developing Countries. New York: Oxford University Press, 1987.

The essence of this study is the creation and use of informal property rights in production and market exchange. The book examines both the forms and substance of informal contracts and the institutional consequences of these relations. By creating "expected utility", these informal contracts act as sources of wealth generation during the processes of production or exchange.

Jenkins, Jerry, ed. Beyond the Informal Sector: Including the Excluded in Developing Countries. San Francisco: Institute for Contemporary Studies (ICS) Press, 1988.

This is a publication by the Sequoia Institute resulting from a series of papers presented during a seminar in 1987. The book is part of a series sponsored by the Agency for International Development. It examines key characteristics of the informal sector and its causes as well as its potential role in economic development.

Johnny, Michael. Informal Credit for Integrated Rural Development in Sierra Leone. Hamburg: Verlag Weltarchiv, 1985.

Jules-Rosette, Bennetta. Women's Work in the Informal Sector. East Lansing: Michigan State University, 1982.

Kamya, Andrew. "Factors Affecting Efficiency in the Informal Sector in Lusaka and Kitwe." Lusaka: International Labour Organization, World Employment Programme, Southern African Team for Employment Promotion, 1981.

The major conclusions of this study are: the informal sector's major objective is employment generation rather than profit maximization; strong linkages exist between the formal and informal sectors in these two urban areas; inefficiencies result from a combination of low levels of education, negative attitudes on the part of young and middle-aged laborers; inadequate infrastructure, and non-optimal combinations of the factors of production.

- Khan, Shaheen. An Assessment of Changes in the Informal Sector of Employment. Lahore: Punjab Economic Research Institute, 1981. Not Available.
- Khundker, Nasreen. "The Fuzziness of the Informal Sector: Can we Afford to Throw Out the Baby with the Bath Water." World Development 16, 10 (1988):1263-1265.
This article argues that although a clear, uniform definition of the informal sector does not exist, it serves a useful purpose for organizing research and answering questions about the lower social strata.
- Kilby, Peter, ed. Entrepreneurship and Economic Development. New York: The Free Press, 1971. Not Available.
- Koo, H. and P.C. Smith. "Migration, the Urban Informal Sector and Earnings in the Philippines." Sociological Quarterly 24,2, University of Hawaii (n.d.):219-232.
This article is the result of analysis of cross-sectional national demographic data. The principal findings are: the patterns of migrant participation in the urban labor market vary greatly between male and female migrants; the informal sector must not be identified with urban poverty; the effects of having a rural background and involvement in the informal sector seem to vary between Manila and secondary cities; and occupational mobility opportunities in Filipino cities, not sectoral boundaries, seem to constitute a significant mobility barrier.
- Landa, Janet T. "A Theory of the Ethnically Homogeneous Chinese Middleman Group: An Institutional Alternative to Contract Law." The Journal of Legal Studies 10 (1981):349-362.
This articles develops a theory of the ethnically homogeneous middleman group (EHMG) in the context of an exchange economy characterized by contract uncertainty. It argues that the informal arrangements among the EHMG are an alternative to contract law and to the vertically integrated firm, which rose to economize on the costs of contract enforcement and information.
- Landa, Janet T. "Underground Economies: Generic or Sui Generis?". In Beyond the Informal Sector: Including the Excluded in Developing Countries, ed. Jerry Jenkins, 75-103. San Francisco: Institute for Contemporary Studies (ICS) Press, 1988.
This paper provides evidence that an informal sector as described by Hernando de Soto is not unique to Latin America but is part of a general phenomenon found in developing countries with an underdeveloped legal framework. The author finds the most prominent examples of this phenomenon in

trading sectors dominated by foreign ethnically homogeneous middleman groups (EHMGs) such as the Chinese in Southeast Asia, the Indians in East and Central Africa, the Lebanese in West Africa, and the Jews in Medieval Europe. Landa finds that these EHMGs use informal (cultural) norms of behavior as substitutes for formal contract law and for the enforcement of these contracts.

Liedholm, Carl, and Enyinna Chuta. The Economics of Rural and Urban Small-Scale Industries in Sierra Leone, Rural Economy Paper No. 14, East Lansing, Michigan State University, 1976. Not Available.

Lozano, B. "Informal Sector Workers - Walking Out the System's Front Door." International Journal of Urban Studies 7, 3 (1983): 340-362.

Mabogunje, A.L. and M.O. Filani, "The Informal Sector in a Small City: The Case of Kano (Nigeria). In The Urban Informal Sector in Developing Countries: Employment, Poverty and Environment, ed. S.V. Sethuraman, 82-89. Geneva: International Labour Office, 1981.

This study casts light on the implications to the environment of informal sector activities and emphasizes the necessity of integrating urban development policies and employment generation.

Mazumdar, Dipak. "The Urban Informal Sector." World Development 4, 8 (1976): 655-679.

This paper questions some of the conventional wisdom concerning the informal sector. The article finds that the informal sector is not the major point of entry for fresh migrants from rural areas and there exist large variations in earnings within it. A disproportionately large number of informal sector workers are (a) very young or very old, (b) females, (c) limited in education and (d) not the primary household earners. Finally, the paper confronts the predictions of a dualistic urban labour market model for trends over time in output, employment, productivity and earnings, with the results of a case study of Peru by Richard Webb.

Mehta, M. "Urban Informal Sector - Concepts, Indian Evidence and Policy Implications." Economic and Political Weekly 20, 8 (1985): 326-332. Not Available.

Miller, S.M. "The Pursuit of Informal Economies." The American Academy of Political and Social Science, Annals 493 (September 1987): 26-35.

This article examines four different approaches to studying the informal economy and stresses the considerable differences

that exist between informal economies in different countries. It also provides an overview of different policy alternatives for dealing with the informal sector.

Miracle, Marvin, Diane S. Miracle and Laurie Cohen. "Informal Savings Mobilization in Africa." Economic Development and Cultural Change (July, 1980).

This article examines current evidence on the nature of savings institutions in the informal sectors of African economies. It finds that the African informal sector is larger than previously thought based on a study of resource mobilization.

Mittar, Vishwa. Growth of the Urban Informal Sector in a Developing Economy. New Delhi: Deep & Deep Publications, 1988.

This study tries to identify how income and employment are generated in the informal sector and the principal constraints to enter the formal sector. Considerable attention is given to studying the formal-informal sector linkages.

Mizrahi, R. (SP) "The Economies of the Informal Sector - Dynamics of Small Enterprises and Their Viability." Journal of Anthropological Studies, Nippon 95, 2: 253.

Mkandawire, P. Thandika. The Informal Sector in the Labour Reserve Economies of Southern Africa with Special Reference to Zimbabwe. Harare: Zimbabwe Publications Office, ZIDS, 1985.

Moser, Caroline O.N. "Informal Sector or Petty Commodity Production: Dualism or Dependence in Urban Development?" World Development 6, 9/10 (1978): 1041-1064.

This article provides a critical review of the informal sector debate in recent studies of poverty and employment in developing countries. It identifies limitations of the dualist concept, both as a theoretical concept and as a basis for policy recommendations. An alternative model is recommended based on petty commodity production.

Nicholls, William M. The Informal Economy. Ottawa: VIF Publications, Canada, Publication Renouf Distribution, 1983. Not Available.

North, Douglass C. "The New Institutional Economics." Journal of Institutional and Theoretical Economics 142 (1986): 230-237.

This article examines the premises of institutional economics and describes the basic building blocks of a theory of institutions: (a) individuals maximize their utility; (b) measurement costs of contracting are high; (c) costs of enforcement are critical; (d) the structure and evolution of political institutions changes and defines property rights and their enforcement; (e) individuals preferences and ideology

are important. The article highlights the necessity of combining transactions costs, property rights, and public choice theories. These propositions have applicability to the informal sector.

Pahl, R.E. "Some Remarks on Informal Work, Social Polarization and the Social Structure." International Journal of Urban and Regional Research (U.K.) 12 (June 1988): 247-67.

Papola, T.S. Urban Informal Sector in a Developing Economy. New Delhi, India: Vikas Publishing House Pvt. Ltd., 1981. This study examines the proposition that a development strategy focusing on the informal sector could prove effective in the generation of rapid and equitable growth of income and employment. The assumptions and implications of this proposition are tested against empirical evidence arising from a study by the author of the informal sector in Ahmedabad, India.

Park, Yung Chul. "The Unorganized Financial Sector in Korea 1945-1978." World Bank, Finance Studies 28, Washington, D.C.

Peattie, L. "An Idea in Good Currency and How it Grew - The Informal Sector." World Development 15, 7 (n.d.): 851-860. This article focuses on the question of definition of the informal sector. Although it finds that its use has been helpful in directing attention to phenomena previously ignored, the term obscures analysis of central issues and is counterproductive. The author proposes that critical policy issues should be specified instead and thereby field research designed.

Pinnaro, Gabriella and Enrico Pugliese. "Informalization and Social Resistance: The Case of Naples." In Beyond Employment: Household, Gender and Subsistence, eds. Nanneke Redclift and Enzo Mingione, 228-248. New York: Basil Blackwell Ltd., 1985. This study examines the deep-rooted traditions of informal sector activities in Naples. It examines informality from the point of view of "resistance" to state regulation of "productive and reproductive" activities.

Portes, Alejandro, Silvia Blitzer, and John Curtis. "The Urban Informal Sector in Uruguay: Its Internal Structure, Characteristics, and Effects." World Development, 14, 6 (1986): 727-741.

The literature on urbanization in LDCs has focused on the informal sector as a mechanism to explain the survival strategies of the poor excluded from regular employment and the strategies of formal firms to bypass regulatory constraints and reduce costs. This paper pursues these lines of research in the context of Uruguay.

Portes, Alejandro, Manuel Castells, and Lauren A. Benton. The Informal Economy: Studies in Advanced and Less Developed Countries. Baltimore: Johns Hopkins University Press, Forthcoming March 1989.

This book is the result of a project begun in 1981 to assess informal economies in more than 20 cities in 5 continents. The book will contain essays from 19 contributors.

Portes, Alejandro and Saskia Sassen-Koob. "Making It Underground: Comparative Material on the Informal Sector in Western Market Economies." American Journal of Sociology 93,1 (July 1987): 30-61.

This article examines the informal economy and its relationship to commonly held theories of industrial development. The assumption in most of these theories that widespread informal sector activities are primarily a Third World phenomenon arising from poverty, and that such activities will disappear with the advance of modernization, is questioned by evidence presented in the article. Alternative interpretations of the resilience of these activities in LDCs, despite rapid industrialization, and their continuity and apparent revival in the advanced economies are discussed.

PREALC, International Labour Organization. Cambio y Polarización Ocupacional en Centroamérica. Costa Rica: Editorial Universitaria Centroamericana, 1986.

This book examines the modernization process in Central America in the three decades prior to the economic crisis and its effects on the labor market. It includes a chapter on the urban informal sector in the context of partial modernization. This chapter examines the growth and evolution of the informal sector in the 1950-80 period, its structure and composition, and the principal impediments to the development of this sector.

Romatet, E. "Calcutta Informal Sector - Theory & Reality." Economic and Political Weekly 18, 450 (1983): 2115-2128.
Not Available.

Ross, David and Peter J. Usher. From the Roots Up: Economic Development as if Community Mattered. New York: The Bootstrap Press, 1986.

This book tries to analyze, measure and describe the characteristics of the informal economy in Canada. The authors contrast the formal and informal sectors in terms of purpose and social function, and suggest changes in economic policies to strengthen the informal sector.

Roumasset, J.A. and S. Simons. "A Transaction Cost Model of Formal and Informal Markets for Rural Credit." American Journal of Agricultural Economics 68, 5 (n.d.): 1377.

This paper develops a model which describes formal and informal rural credit markets in terms of transaction costs of lenders. Stimulating agricultural investment with subsidized formal loans is shown to incur significant efficiency costs by drawing credit away from high productivity investments in the unsubsidized sector.

Sanchez, Vicente. "Estructuras de lo cotidiano y funcionamiento de la "economía real" en las ciudades: más allá de la dicotomía formal-informal. Revista Interamericana de Planificación. Sociedade Interamericana de Planificación (International) 22 (January-March 1988): 8-17.
Not Available.

Schneider, Friedreich. The Development of the Shadow Economies for Denmark, Norway and Sweden. Arrhus, Denmark: Institute of Economics, University of Aarhus, 1986.

Seiber, H.D., and M.T. Marx. Dual Financial Markets in Africa: Case Studies of Linkages Between Informal and Formal Financial Institutions. Ft. Lauderdale: Breitenbach Publishers, 1987.
Not Available.

Sethuraman, S.V. "Basic Needs and the Informal Sector - the Case of Low-Income Housing in Developing Countries." Habitat International 9, 3-4 (n.d.): 293-316.
Not Available.

Sethuraman, S.V. "The Informal Sector in Indonesia: Policies and Prospects." International Labour Review 24, 6 (November-December 1985): 719-735.
This article finds that over half of all non-agricultural laborers in Indonesia are engaged in the informal sector, mainly in the cities and largely in the trade and services sectors. It points out, however, that many lack essential facilities to exercise their activities and have very low levels of income. If the informal sector is to continue to play a significant role in absorbing labor, policy-makers must take steps to facilitate this sector's access to credit, training, technology and raw materials. They must also strengthen the links between the informal and formal sectors, and encourage the former to enter productive activities in the manufacturing and construction sectors.

Sethuraman, S.V. "Urban Informal Sector in Africa." International Labour Review (November-December 1977).

Sethuraman, S.V., ed. The Urban Informal Sector in Developing Countries. Geneva: International Labour Office, 1981.
This book is a collection of studies conducted under the auspices of the ILO with the objective of identifying appropriate measures for promoting urban employment and the

environment on the one hand, and to improve the incomes of the urban poor on the other. It is the largest survey of the informal sector undertaken using a common methodology. The studies were conducted in the major cities of selected Asian, African, and Latin American countries, including Freetown (Sierra Leone), Lagos and Kano (Nigeria), Kumasi (Ghana), Colombo (Sri Lanka), Jakarta (Indonesia), Manila (The Philippines), Cordoba (Argentina), and Campinas (Brazil). The principal issues dealt with in the studies are: the conditions under which the informal sector absorbs labor and generates income; the implications to the urban environment of promoting the informal sector; the linkages between formal and informal sectors; the evolution over time of informal enterprises; and the productive efficiency of the informal sector.

Shaw, A. "The Informal Sector in a Third World Urban Economy: A Case Study of Calcutta, India." Bulletin of Concerned Asian Scholars 17, 1 (1985): 42-53.

This paper examines whether linkages between the informal and formal sectors result in a net transfer of value from the informal sector, ie. a) to what extent does the informal sector serve as a source of undervalued goods and services for the formal sector and b) by what specific mechanisms is value transferred from the informal to the formal sector. Analysis of Calcutta's urban economy indicates the vital roles of both wage subsidies and unequal trade in the process of value transfer from informal to formal sectors.

Silva, N.D., and A.D. Souza (PT). "Intersectorial Mobility and Homogeneity of the Informal Sector: the Case of Brazil." Revista Brasileira Economica 38(4) (1984): 327-356.

Simon, D. "Informal Sector Research: Note and Comment." South African Journal of Economics 49, 3 (1981): 295-298.

This article provides a critique of papers on the informal sector by Truu, Black, Zarenda, Rogerson and Beaven, and suggests appropriate avenues for future research. In particular, it recommends that research should focus on the strength and nature of linkages between the formal and informal sectors.

Simon, D. "Urban Poverty, Informal Sector Activity and Intersectorial Linkages - Evidence from Windhoek, Namibia." Development and Change 15, 4 (1984): 551-576.

This article examines linkages and related issues regarding the characteristics of the informal sector entrepreneurs, their motivations, returns and desires for the future in Windhoek. A chief contention is that informal urban economic activity largely represents a response to poverty, under- or unemployment, or lack of job security.

Smith, James D. "Measuring the Informal Economy." The American Academy of Political and Social Science, Annals 493 (September 1987): 83-99.

This article provides the results of a study on the informal economy in the United States based on a survey of about 2100 families. The most distinctive feature of this study is that it provides a systematic estimate of the size of the informal economy. The approach used was to measure the value of purchases households made from informal vendors. The study describes the scope and procedures for measuring the informal economy and the difficulties encountered.

Smith, Stephen. Britain's Shadow Economy. Oxford: Clarendon Press, 1986.

This book considers a variety of different activities within the "hidden" economy, from moonlighting and tax dodging to household activities such as baby-sitting, cleaning, and so forth. Measurement of the shadow economy is an important issue discussed in the book.

Souza, P.R., and V.E.Tokman. "The Informal Urban Sector in Latin America." International Labour Review 114 (November-December 1976): 355-365.

This article analyzes the nature of the informal urban sector and the characteristics of those who work in it in an attempt to understand the sector's present and potential contribution to employment. To assess the sector's participation in the urban economy, the authors rely on census and household survey data and more detailed information collected by PREALC. The study stresses the need for specific employment policies to enlarge the markets and raise the income and productivity levels of the informal sector.

Stearns, Katherine E. "Assisting Informal-Sector Microenterprises in Developing Countries." Cornell University, Department of Agricultural Economics, International Agricultural Economics Study No. 85. Ithaca, New York (August 1985): 1-78.
Not Available.

Suarez, Berenguela, Ruben M. Informal Sector, Labor Markets and Returns to Education in Peru. Washington D.C.: USA Development Research Department, The World Bank, 1988.
Not Available.

Sullivan, John D., ed. Building Constituencies for Economic Change: Report on the International Conference on the Informal Sector. Washington, D.C.: Center for International Private Enterprise, 1987.

This document is a compilation of the papers presented during the first International Conference on the Informal Sector sponsored by the Center for International Private Enterprise. The conference, which was held October 26-27, 1987, brought

together 250 business, political and academic leaders from 35 countries. The theme of the conference was the political and economic clout that the entrepreneurs of the informal sector can wield in the developing world today.

Sundaram, K., and V. Pandit. "Informal Credit Markets, Money and Monetary Policy - Some Analytical and Empirical Issues." Economic and Political Weekly 19, 16 (n.d.): 675.
Not Available.

Tanzi, Vito, ed. The Underground Economy in the United States and Abroad. Lexington, MA: D.C. Heath and Company, 1982.
This book is a compilation of articles on the underground or informal economy in the United States and selected countries in Europe, as well as in Colombia, Israel and Australia. A number of chapters grapple with the question of definition of the informal sector. The most distinctive feature of this study, however, is the attempt to measure the magnitude of the underground economy in several countries. The many different methods of estimation are discussed throughout the book.

Teilhet, Waldorf S., and W.H. Waldorf. "Earnings of Self-Employed in an Informal Sector: A Case Study of Bangkok." Economic Development and Cultural Change 31, 3 (1983): 587-608.
This study attempts to establish if facts are consistent with the description and predictions of work behavior in the informal sector, particularly as theorized by economists. It summarizes the findings of job histories of the self-employed in three occupational groups in a Bangkok neighborhood: vendors, people working with bricks, and shopkeepers.

Tendler, Judith. "The Remarkable Convergence of Fashion on Small Enterprises and the Informal Sector: What Does it Mean for Policy? A Proposal." Cambridge: Massachusetts Institute of Technology. Mimeo.
Not Available.

Tendler, Judith. Ventures in the Informal Sector and How They Worked Out in Brazil. Washington, D.C.: USAID Special Study, 1983.
Not Available.

Thongrot, Onchan. Informal Credit and the Development of Non-farm Enterprises in Thailand. (Microfilm), Bangkok: USAID/Thailand, 1985.

Timberg, T.A., and D.V. Aiyar. "Informal Credit Market in India, World Bank Domestic Finance Studies 62." Economic Development and Cultural Change 33, 1 (1980): 43-59.
This study is based on an extended survey of some of the informal credit markets of India. The article identifies key characteristics of the intermediaries in this market which

seem to lead to lower transactions costs. These include: intermediaries' intimate knowledge of their clients which reduces their information costs versus those of commercial banks; absence of government control on lending and borrowing rates governing the intermediaries; and absence of charges on the informal intermediaries in the form of idle or low interest reserves.

Todd, D.C., and C. Shaw. "The Informal Sector and Zambia Employment Crises." Journal of Modern African Studies 18, 3 (1980): 411-425.

This article provides relevant data concerning a number of issues vital to the implementation of any measures to encourage self-employment in the informal sector of the Zambian economy. In particular, it attempts to quantify the likely flows into the labor force, particularly from the educational system, the possible growth of formal wage employment in urban areas, and the current size and composition of the informal sector.

Tokman, Victor E. "An Exploration into the Nature of Informal-Formal Sector Relationships." World Development 6, 9/10 (1978): 1065-1075.

This article analyzes the crucial question of interrelationships between the informal sector and the rest of the economy. Two principal approaches are discussed: one which assumes that favorable relations exist between the two sectors and one which assumes that subordination of the informal sector is the main characteristic of these relations. The author offers a new approach which assumes "heterogenous subordination", implying a subordinated relationship for the informal sector as a whole, but resulting from different processes occurring within it. Given such a framework, the paper predicts a declining trend in the share of income for the informal sector as a whole, but not leading to disappearance of the sector.

Trager, Lillian. "From Yams to Beer in a Nigerian City: Expansion and Change in Informal Sector Trade Activity." Markets and Marketing. Monographs in Economic Anthropology (4). Lanham, MD: University Press of America, 1985.
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This article finds that prevailing market imperfections in the formal sector of a dual economy are an important cause of the expansion of the informal sector. It considers the expansion of the informal sector as a function of market imperfections, attempts an assessment of the informal sector's general economic significance, and discusses some policy implications.

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This article tries to provide an analytical base to the highly descriptive nature of the distinction between the formal and the informal sectors. The author finds that the main distinguishing feature between the two sectors arises from their different positions vis-a-vis the State. The differential impact and enforcement of government regulation is thus a key factor in the informal-formal dichotomy.

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Zarenda, H. "Imperfections in the Urban Informal Sector Market Model." South African Journal of Economics 48, 3 (1980):297-305.

This article critiques the analysis and conclusions of Truu and Black as well as the vast array of preconceptions and generalizations of the informal sector. According to the author, the only valid generalization is that the informal sector in LDCs has grown in reaction to abject poverty, and denial of various welfare benefits that are enjoyed by people in more prosperous countries.

APPENDIX B:
SELECTED BIBLIOGRAPHY ON
TRANSACTION COSTS

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