The informal sector and development
Objectives

- Explain and discuss the distinguishing characteristics of informal sector activities
- Explain how the role of the informal sector in a developing economy has been conceptualized in different ways at different times
- Discuss the locational characteristics of different types of informal sector activities
Evolving ideas about the informal sector

- The bazaar economy
- Sir Arthur Lewis – traditional sector of dual economy
- Keith Hart (1971) introduces the term “informal sector”
- Milton Santos (1979) - Upper and Lower Circuits
- Neo-liberalism and micro-business enterprises
Characteristics of the two circuits
(after Milton Santos, 1979)

- **Upper circuit (formal sector)**
  - Capital intensive
  - Bureaucratic organization
  - Fixed prices
  - Substantial fixed costs
  - Impersonal customer relations

- **Lower circuit (informal sector)**
  - Labour intensive
  - Primitive organization
  - Negotiable (haggling)
  - Negligible fixed costs
  - Direct personalised customer relations
Milton Santos

Diagram showing linkages between the circuits

Other terms introduced by geographers like David Drakakis-Smith

Capitalist versus petty commodity trading/production

Figure 5.2 indicates the links between petty-commodity production and the rest of the urban economy, and also to the rural economy. The principal characteristics of each are listed briefly below.
Spatial and Sectoral interactions/linkages

Figure 8.1 Spatial and sectoral interactions in a Third World economy
Source: After Taylor, 1981
NOTE: most of published literature is in books and articles about the Third World cities and Third World urbanization

- Potter et al. (2004) *Geographies of Development*, sections of Chapter 9
