Elitism and the Informal Economy in the Age of Globalization

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Abstract. This paper discusses elitism and the informal economy in the age of globalization. It probes the divergent meanings of the informal economy and elucidates on the concept of the elitist state. It interrogates globalization. A specific focus was made in the study on the Nigerian state in West Africa. Findings of the study suggest that in this country, the relationship between the informal economy and the state is marred by immense contradictions, bordering principally on elitism (in the age of globalization). The paper postulates that in the age of globalization (and always) socio-economic development remains peripheral when devoid of some backward and forward linkages between the formal and informal economies. The theoretical framework of the contribution is the elite theory.

Keywords: Elitism, informal economy, formal economy, elitist state, elite theory, Globalization

1. Introduction

When the informal economy encounters elitism what are the consequences? The central research problem of this paper is encapsulated in this question. The research problematic is accordingly situated within the context of contemporary globalization. With respect to the diversity of regions, cultures, and actors, and also with respect to the diversity of analytical approaches that can be employed to study it, globalization is a very broad concept (Sheffield, Korotayev & Grinin, 2013, p. xx). The analytical approach of this paper is framed on the elite theory. For further empirical assurances, the work is focused on the Nigerian nation state in West Africa. The first section of the work elucidates on elitism as analytical framework. The second section juxtaposes the concepts of informal economy and the informal sector of an economy, interrogating the embedded semantics, the probable conceptual confusion and finally vouchsafing some clarifications. The third section focuses on globalization as a key variable of the research effort, invariably for further conceptual explications. The fourth section, on discounting the cornerstone, attempts to highlight the criticality of informality in the generic economic system. The fifth of the sections: from informality to semi-formalism (focusing on globalization) is a prognosis. There is finally a conclusion.

2. Elitism as Analytical Construct

Conceptualizing elitism necessarily begins with arriving at the meaning of “elite”. This invariably leads the social scientist to discourses on the elite theory. Higley (2010) in Okeke (2014, p.322) thus highlights that elite theory’s origins lie most clearly in the writings of Gaetano Mosca (1858-1941), Vilfredo Pareto (1848-1923), and Robert Michels (1876-1936). Henry (2001) also in Okeke (2014, pp.322-323) suggests that perhaps, the classic expression of elite theory can be found in C. Wright Mills’s The Power Elite. Then having established its original sources, what are the tenets of the elite theory? From its history to its current usages, it is posited in this paper, the elite theory is about the bifurcation of society into subaltern members on one hand, and the men and women of means and influence on the other hand. The influential ones create the policies that govern societies and usually reflect their wishes and needs (even greed) in such policies, before other considerations. The elites also ensure that subject policies are implemented according to their wills and caprices Usually, the elites have more money, more education and more statuses than the masses. Over the years, the spheres of elite influence have expanded to reach finance, business, bureaucracy, the military,
education and different other areas. Types of elite therefore include: the power or political elite, the military elite, business elite, economic elite, bureaucratic/administrative elite, educational elite, social elite and even sports elite (Henry, 2001, p. 299; Parry, 2005, p. 5; Okeke, 2014, p.325). This paper is however focused on the power or political elite, the economic elite, and the bureaucratic/administrative elite. Elitism is accordingly used in this work to refer to the scenario of the elite arrogating to their class, special rights of knowledge about potent public policies, and superior understanding of morality questions, and issues of justice, than the rest of society.


Scholars sometimes strive to justify their conceptual orthodoxies. And the process usually leads to either our engagement with semantics or the intended investigations being embedded in conceptual confusion. The narratives of the informal economy and the informal sector of an economy are certainly characterized by such conceptual scenarios. Becker (2004, p.8) thus posits that:

The informal sector is increasingly being referred to as the informal economy to get away from the idea that informality is confined to a specific sector of economic activity but rather cuts across many sectors. “Informal economy” also emphasizes the existence of a continuum from the informal to the formal ends of the economy and thus the interdependence between the two sides.

But it appears challenging to understand the relationship or differences between the concepts of the informal economy and the informal sector of an economy from Kristina Becker’s position indented in the preceding lines. Some analysts may view the submission as either bordering on semantics or further conceptual confusion. Carr & Chen (2001, p.4) then narrates that some observers feel the sector (informal sector) is simply too varied or heterogeneous to be meaningful as a concept. Then additionally, given its large size and diversity, as well as the increasing ties and overlaps with the formal sector, many have expressed the opinion that it is not a ‘sector’ at all and that informal ‘economy’ is the more appropriate term. And what then is the difference between sector and economy? Attempting to provide answers to this question may indeed take the discourses away from the realm of the social sciences to the field of semantics. Carr & Chen (2001, p.5) further argues:

Some observers, including the international network called Women in Informal Employment: Globalizing and Organizing (WIEGO), recommend an employment-based definition of the informal sector that would include all non-standard wage workers who work without minimum wage, assured work, or benefits, whether they work for formal or informal firms. These observers have begun to use the terms ‘informal employment’ and ‘informal economy’ rather than the term “informal sector”.

And it remains problematic to figure out how the terminology of informal economy is more employment-based than that of the informal sector. But beyond dimly attempting to differentiate between the two conceptions of the informal economy and the informal sector of the economy, Becker (2004, p. 11) further posits lucidly that in very general terms, the informal economy is the unregulated nonformal portion of the market-economy that produces goods and services for sale or for other forms of remuneration and it refers to all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Becker (2004, p. 11) still asserts:

The vast majority of informal economy activities provides goods and services whose production and distribution are perfectly legal. In addition, informal economy activities are not necessarily performed with the deliberate intention of evading the payment of taxes or social security contributions, or infringing labour legislation or other regulations. The informal economy can however include restricted illegal and restricted legal operations or legal and irregular operators, but no criminal operators. The informal economy should therefore not be confused with the criminal economy.

There are indeed many ways of defining / describing the informal economy. It could be through the specific occupations of its participants, for instance: street traders, rickshaw drivers, construction workers and waste pickers, etcetera. And this variety of descriptions should not be seen as an obstacle but a possibility to identify relevant entry points and to select target groups for various interventions. The formal economy is after all also defined through a range of sub-categories, which are engaged with in different ways, through various policies and programmes. But to refer to the informal economy without further specification easily creates misinterpretations. Consequently, it must be clarified which groups or segments are referred to when the
informal economy is under discussion (Becker, 2004, p.15). La Porta & Shleifer (2014, p.110) copiously used the concepts of informal firms, the informal economy and informal sector interchangeably. It appears however as if what these scholars set out to interrogate were informal firms (certainly a different concept from the generic informal economy connotation). But the two concepts of informal firms and informal economy were generously interspersed in the undoubtedly far-reaching contribution.

The truth is that as a concept, informal economy is not exactly nebulous, yet it remains something we all know the meaning in varieties. According to Bromley & Wilson (2018, p.6), in the ensuing decades, the literature has moved toward a broader definition of the informal economy that includes all noncriminal and non-peasant income-generating activities and jobs that are not part of the formal economy (a certainly befuddling contribution to the inexpert). Specifically addressing the issue of statistical approach to this subject matter. Vanek, Chen, Carre, Heintz & Hussmanns (2014, p.6) conclude that:

The “informal sector” refers to unincorporated enterprises that may also be unregistered and/or small; “informal employment” refers to employment without social protection through work both inside and outside the informal sector; and the “informal economy” refers to all units, activities, and workers so defined and the output from them. Together, workers identified in these categories form the broad base of the workforce and economy, both nationally and globally. These official statistical definitions endorsed by international agreements need to be followed by both official statisticians and researchers.

The assertion of Vanek et al that “together, workers identified in these categories form the broad base of the workforce and economy, both nationally and globally” is additionally unhelpful in arriving at the needed disambiguation. The conceptual disorder therefore remains. And truly, the informal economy encompasses very different phenomena (La Porta & Shleifer, 2008, p.5). It is accordingly in these phenomenal differences (no puns intended) that the classificatory toga of informality is hoisted on this section of the economy. In any case, this paper refers to street traders, market women, agricultural produce and food vendors (in specificity) as notable participants in the informal economy. The informal sector (of the economy) and the informal economy are essentially referring to the same scenarios of all categories of persons and activities outside the officially recognized and regulated section of the economy (the formal sector of the economy or the formal economy).

4. Globalization

Most scholars agree that the origins of globalization are to be deeply traced into history. But there are divergent positions on the exact starting point (Grinin & Korotayev, 2013, p.1). This paper however, is only interested in contemporary globalization. Shmuel Eisenstadt accordingly highlights that the new very intensive processes of contemporary globalization are marked by growing interconnectedness among economic, cultural and political processes of globalization, as each of these processes entails continuous encounters between different societies and their respective sectors (Eisenstadt, 2013, p.111). According to Stros, Coner & Bukovinski (2014, p.425) globalization as an ongoing process allows and promotes the development of economy of big countries as well as developing countries that are seeking their place in the global market. Globalization, Stros, Coner & Bukovinski posit, is the last stage in a constant process of social change; and the term began to be used twenty or more years ago as an explanation for the new wave of change in the economy, technology and society (Stros, Coner & Bukovinski, 2014, p.426). By “the last stage in a constant process of social change”, these scholars are probably referring to “the current stage”. In addition, “the term began to be used twenty or more years ago” must also be referring to contemporary globalization.

Eddy Lee and Marco Vivarelli think that the currently popular and controversial issue called globalization remains a loose and poorly-defined concept. Sometimes too comprehensively, they argue, the term is used to encompass increases in trade and liberalization policies as well as reductions in technology transfer and transportation costs but as far as its impact is concerned, globalization discussions tend to consider at the same time its impacts on employment, income distribution and economic growth, - often without distinguishing between countries and intra-country inequalities – and other social effects such as opportunities for poverty reduction, human and labour rights, environmental concerns and so on. Moreover, they further depose, the debate is usually confused from methodological viewpoints by the linkages with history, economics, political science, and other social sciences (Lee & Vivarelli, 2006, p.3).

Gibson-Graham (1996/97) in Martinez (1998, p.604) sees globalization as that set of processes by which
the world is rapidly being unified into one economic space through increased international trade, the internationalization of production and financial markets, the internationalization of a commodity culture, promoted by a progressively networked global telecommunications system.

Harry Arthurs posits that globalization is not simply a matter of transnational trade, and of the state, non-state and supra-state legal regimes which, facilitate, regulate or resist it; but it also involves transnational social, cultural, intellectual and ideological forces (Arthurs, 1997, p.219). He researched the net effect of these forces in Canada, as globalization of the mind. These forces, Arthurs argues play upon strategically located knowledge based elites which play an important role in restructuring the legal fields by which public and private institutions are constituted. Canada’s experience of globalization - unique because of proximity to the United States, he continues, has been both exemplified and, in part, shaped by the fate of its knowledge-based elites, including the business community (especially that part of it involved directly or indirectly with transnational corporations), academics and intellectuals, lawyers, artists and other cultural figures, and individuals involved in politics and public administration. Because of the effects of this "globalization of the mind" upon the institutions which all of these elites inhabit, state and non-state legal fields associated with them have been transformed (We shall return to Harry Arthurs’ postulations).

5. Discounting the Cornerstone

Research provides evidence that in most regions of the global South, informal employment accounts for more than half of total employment, as self-employment (still informal employment) outweighs wage employment (Becker, 2004; Vanek, Chen, Carré, Heintz & Hussmanns, 2014; Roever & Skinner, 2016, p.359). La Porta & Shleifer (2014, p.112) also agree, asserting that particularly in the developing countries, the informal sector is large, accounting for a huge share of productivity and employment. The informal economy is the main generator of jobs and livelihoods in most cities in the developing world (Chen, 2012, p. 19). But in the Nigerian state and elsewhere, the informal economy operators have become targets of elitist intimidation.

Research provides insight into the logic (illogicality) behind the global policy choices for outright evictions, relocations to marginal trading sites, and harassment of street vendors and other traders in the informal economy. One prevalent motivation is the pursuit of the contemporarily model, clean and hygienic city. The assumption is that the scenarios created by these operators in the informal economy is symptomatic of dirt and retrogression, and is therefore a stumbling block to attracting both domestic and international investors and tourists, in the context of globalization. In the elite urban renewal parlance therefore, these vendors and traders become the new objectionables of the fashionable and desirable urban outlook (Roever & Skinner, 2016; Oz & Eder, 2012).

Roever & Skinner (2016, p.362) highlight that over a three-year period, there were over 50 cases of significant eviction of street traders reported in cities across the global South, including Bogotá, Buenos Aires, Cairo, Dhaka, Harare, Jakarta, Johannesburg, Kathmandu, Kingston, Lagos, Luanda, Manila, Medellín, Mexico City, Mumbai, San Pedro Sula, San Salvador and Tegucigalpa. There were high levels of violence in some of these cases, notably in Cairo, Harare, Luanda and San Salvador. In Latin America, there were more cases of relocation, but vendors frequently complained about the viability of these alternatives (particularly with relocations in Lima and Mexico City). Harassment of vendors was also reported in China, Angola, Egypt and Zimbabwe, and human rights. New laws banning street trading were reported in Angola, Jordan, Mali, Malawi, Nigeria, Zambia and the Philippines. In some cases, particularly prominent on the African continent, not only that bans were placed on street vending, purchasing from street vendors was also to be a criminal offence. Instances of this were reported in Malawi, Nigeria and Zambia, as well as in Indonesia (Roever & Skinner, 2016, pp.362-363).

We consequently make illustrations from the Nigerian cities of Enugu, Abuja and Lagos (as population samples). Therefore, following certain safety concerns raised by the country’s Federal Airports Authority on potential air hazards in and around the Akanu Ibiam International Airport, located in the city of Enugu (South-East, Nigeria), the Enugu State Executive Council ordered the immediate closure of Orie Emene Market, near the airport (Adekunle, 2019). The informal economy operators in the market were left in disarray. In the format of contemporary globalization (as made out by elitist policy thinkers), informality must give way to normality. In the Abu commercial city of Nigeria’s Abia State (still South-East of the country), cases of demolition of the shops of traders have become perennial. The demolition squads of the State Government drive the informal economy operators,
(in the spirit of globalization) into the newly constructed Mega Malls, so that their current locations could be remolded into markets of international standards (Alaribe, 2016; Ikokwu, 2017).

In Lagos (South-West Nigeria) also there is an anti-street trading law (Eribake, 2015). The street traders are perceived by the elite lawmakers as constituting environmental nuisance, and also posing security threat to other citizens. So in order to keep the city clean (according to global orthodoxy) and also ensure that the police have less work to do in crime prevention, the street traders are to be arrested and punished under the law. Persons interested in doing business in the state are to ask for space in the various “modern” markets redeveloped by the state government (Eribake, 2015).

But the Nigerian elite who make and implement these rules and laws also patronize the street traders, market women, and agricultural produce and food vendors in these markets. Their direct families and extended family members all patronize the informal operators; even as the elite-dreams remain making the nascent shopping malls and the international markets, the national grocery destinations (in the spirit of globalization). Save the new malls, doubling as global markets for selling and buying of sundry items from Asia, Europe and America, there are hardly any large scale farms and industrial outlets for the purchase of locally created products. There is also the gender dimension to these scenarios. Many of the informal operators affected by these demolitions and provocations are women (particularly in the Oye Emene market case) while most of the elitist policymakers are men. The local market women were viciously ejected from their native locations so that the international airport could function in truly global standards.

6. From Informality to Semi-Formalism: Focusing on Globalization

The informal economy challenge, under the globalization framework therefore, does not critically border on how to dislodge the informal operators, it should rather be about how to make the invisible groups in informality, so visible that they can claim their rights as well as contribute to the development of their countries (Becker, 2004, p.4). The informal economy, continues Becker, can no longer be considered as a temporary phenomenon. Moreover, it is clear that the informal economy has a significant job and income generation potential, and that the existence of the informal economy also helps to meet the needs of poor consumers by providing accessible and low-priced goods and services (Becker, 2004, p.10).

Bromley & Wilson (2018, p.20) contend that the various sectors of the informal economy will continue to be significant for decades to come. Chen (2012, p.20) also declares: *In today’s global economy, not enough formal jobs are being created and many existing formal jobs are being informalized....The informal economy and workforce, need to be recognized as the broad base of the global economy and workforce. Both informal enterprises and the informal workforce need to be valued for their contributions and integrated into economic planning and legal frameworks.*

Becker (2004, pp.10-11) argues that it has increasingly become clear that there are many interdependencies between the informal and the formal economies, as market links exist through the trade of goods, raw materials, tools and equipment and the acquisitions of skills and know-how. Informal actors accordingly provide services to formal actors on a sub-contracting basis. In addition, individuals can even participate both in the formal and the informal economies. Some also highlight the informal economy’s role in for instance, stimulating the growth of the market economy, promoting a flexible labour market and absorbing retracted labour from the formal sector (Becker, 2004, pp.10-11).

In the viewpoints of Martha Chen, what is needed most fundamentally is a new economic paradigm: a model of a hybrid economy that embraces the traditional and the modern, the small scale and the big scale, the informal and the formal (Chen, 2012, p.20). What is required is indeed not the formalization of informality which appears idealistic. Focusing on globalization, what is needed for the informal economy is a transition from informality to semi-formalism. Lawan (2019) posits that rural people produce three-quarters of the world’s food, yet they constitute 80% of the world’s poor. Rural people in this position are substitutable with the informal economy. Why have such people remained poor? It is because the global elite policymakers require this poverty to legitimate their continuing elitism. For the sake of emphasis, the informal economy operators do not need to be conscripted into the formal economy. But in their rural abodes, they need in an age of globalization, fundamental necessities such as electricity.

It was probably Keith Hart (economic anthropologist) who originated the concept of informal economy. He
narrates in Hart (2006) how informality (as no trivial matter) could be found in bureaucratic forms as unspecified ‘content’ and workable solutions to problems of administration; and invariably contains processes that are invisible to the formal order. Hart elucidates with the analogy of a chain of commodities, from their production by a transnational corporation, to their final consumption in an African city. At several points, Keith Hart states, invisible actors fill the gaps that the bureaucracy cannot handle directly, from the factories to the docks, to the supermarkets, and street traders who supply (for instance) the cigarette-products to smokers. And these informal processes are actually indispensable to the trade, as variable content to the general form, he concludes. The import of this narrative for our purposes is that elite policy thinkers (Hart’s bureaucrats) may not ordinarily conclude that a chasm exists between formality and informality in the value chain of many essential commodities (and even the not so essential kinds, such as cigarettes).

In other words, the new global order must be made beneficial to the universal informal and formal members. It requires what Yakimtsov (2014) researched as synergetics of economic processes. Borrowing from biblical wisdom he narrates that “the time to throw stones” and “the time to gather stones” are different (Yakimtsov, 2014, pp.88-89). Synergetics are for gathering stones. For elite economic policymakers also, the age of globalization should be a time for gathering stones in the formal and informal economies. Differently denoted, extant elitist policy promoters need to realize and acknowledge that even where the relationships between the formal and informal economies are not precisely amalgamable (in the age of globalization); they entail some backward and forward linkages. Devoid of such linkages, socio-economic development remains ephemeral and peripheral.

We now return to Harry Arthurs’ concept of globalization of the mind, which he subsequently denied a completely affirmative handling, even after stating that because of the effects of this "globalization of the mind" upon the institutions which all of these elites (with globalized minds) inhabit, state and non-state legal fields associated with them have been transformed (Arthurs, 1997, p.219). Transformation in the thesis of this scholar begins to appear either confounding or cynical as he posits:

The argument of this essay…..is that the transformation of Canadian elites by globalization has in fact been quite extensive. Given the specific circumstances of Canada, globalization of the mind in particular has contributed to a convergence of ideas, policies and behaviours as between Canadian elites and their counterparts in the United States. Or, more accurately, conventional wisdom and practice in the two countries, in a number of areas, seem to have converged around American models, while distinctive Canadian ways of seeing and doing things appear to be drifting into eclipse (Arthurs, 1997, p.244).

The present essay still has inferences to make from Arthurs (1997, p.246) where he concludes that finally, we might attempt to persuade our knowledge-based elites to dilute, resist, subvert, even reverse globalization of the mind, as this is not quite so unlikely a project as it might initially appear. He opines that his attempt had been to show elites themselves as not immune from the adverse effects of globalization; hence a more jaundiced view of the process might serve their own interests. Moreover, he surmizes, the privileged position of the elites allows them to achieve subtly and by indirection what, in many ways, the state cannot achieve by formal action alone: a new set of attitudes and understandings and, ultimately, new institutions and new legalities. In other words, the elite are advised to resist any attempts to amalgamate the formal and informal economies in the form of globalization.

7. Conclusion

The elitism-informal economy linkages are invariably disingenuous, more so in the age of globalization. Elitism remains globally obstructive to the informal economy. There is an elitist “we versus them” tendency in policy attitudes between economic formality and informality. This orthodoxy is considered awkward in the age of globalization. Truly implicit in the globalization phenomenon is an assumption of global commonality. Consummate globalization therefore requires the acceptance of our domestic informal economies as parts of the nascent global order. Acceptance is underscored in this reasoning as contrasted with integration. An automatic end to the domestic informal-formal economy dichotomies is not the intention. It implies on the other hand, awareness on the part of elite policymakers that the informal economy operators also belong to the new global order, as indispensable street traders, market women, and agricultural produce and food vendors.
References


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