The Informal Economy in Developing Countries

What is the informal economy? What are the main factors that drive the size of the informal economy in developing economies? Is the informal economy a positive phenomenon for the well-being of people living in the developing world? These are some of the questions that we will address in this class.

Objectives:

1) To gain a clear understanding of the motives and challenges of informal enterprises in developing countries.
2) To understand the relationship between the tax systems and government regulations and the informal economy.
3) To understand the connections between informal enterprises within and across countries.
4) To understand the way in which the formal economy in developed countries affects the informal economy in developing countries.
5) To understand the main institutions that make the informal economy possible.

1. Source: Wikimedia Commons
Method of Evaluation:

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<th>Method</th>
<th>Weight</th>
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<tr>
<td>Quizzes</td>
<td>25%</td>
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<td>Participation in class</td>
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Quizzes

Students should expect a quiz every class, usually at the beginning (sometimes even two quizzes per day). The purpose of the quizzes is to provide an incentive for students to prepare themselves properly for each class, to learn the material, and to be ready for class discussions.

Participation in Class

The purpose of class participation is to stimulate analytical, logical, and accurate participation from students.

Our class encourages, expects, and requires intense class participation from students. We will use the Socratic Method. This means that I will not teach in the traditional way; students will read in advance the material and will bring comments and questions to class. Our purpose is to explore ideas by intensely discussing the content of the readings. I will ask questions in class to motivate discussions. Students can gain a clearer perspective of our class dynamic by reading this article about the Socratic Method at the University of Chicago [http://www.law.uchicago.edu/socrates/soc_article.html](http://www.law.uchicago.edu/socrates/soc_article.html).

Term Paper

The paper must be six to eight pages long, doubled spaced. Students are expected to supplement sources with at least three academic sources (journal articles or books), at least two must be from the reading list.

Papers will be analytical in nature, rather than descriptive or historical. The purpose of the term paper is to think through the student’s ideas on the readings and field visits, and to present reasoned arguments on a topic related to the informal sector.
**Class Material:**

**Book:**


*** Students should read the first two parts of the book before the first day of class. ***

**Calendar:**

**Day 1 – Informal Economy, Definitions, and Indigenous Entrepreneurship**


**Day 2 – Technology, Institutions, and the Informal Economy**


**Day 3 – The Informal Economy Across Nations**

Video: Robert Neuwirth on our “shadow cities.”

*Ghetto at the Center of the World* (Part 3)

**Day 4 – Paradoxes of the Informal Economy**

Day 5 – Linkages, Crafts, and Creative Indigenous Economies


Day 6 – The Informal Economy and the Government


Day 7 – The Informal Economy and Drug Markets

Video: Steven Levitt: “The Freakonomics of McDonalds vs. Drugs.”


Ghetto at the Center of the World (Part 4)

Day 8 – Informal Economy in Africa


Day 9 – Informal Economy and Poverty Alleviation


Day 10 – The Future of Informal Economic Systems

Ghetto at the Center of the World (Part 5)