

The London School of Economics and Political Science

The Politics and Institutions of Informality and Street Vending in Mexico: The Case of Mexico City

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DECLARATION

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ABSTRACT

The informal sector—which includes informal street vending—comprises any economic activity that takes place outside the regulatory norms of the state—the evasion of tax codes, zoning ordinances, etc.—but does not include the provision of explicitly illegal goods or services. The phenomenon of ‘informal street vending’ has generally been analyzed from a strictly economic point of view. This research examines informal street vending in Mexico, particularly in Mexico City, from political and historical perspectives. The thesis’ main goal is to learn how increasing political competition—resulting from democratization and alternation of political parties in power—affected the politics and policies of informality (informal street vending) in Mexico.

To this purpose, this work carries out a historical analysis of informal street vending and the policies and regulations implemented over time in Mexico City; a detailed comparative political analysis of the *ex-ante* and *ex-post* situation of informal groups and organizations going through the democratization process and the alternation in power that occurred in Mexico at city and federal levels in 1997 and 2000, respectively; and a case study to examine the largest and most powerful street vending organization in Mexico City. The thesis concludes that increasing political competition—resulting from democratization and alternation in power—did not result in an improvement in the capacity of the Mexico City government or the federal government to control informality and street vending. While democratization and political competition opened the doors for representation and more political participation by street vendors, it also set the conditions for the expansion of the bargaining power of vendor leaders, the multiplication of vendor organizations, the exacerbation of the political struggle between rival vendor groups, and the weakening of the government capacity to implement policies to tackle informality and street vending.

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LIST OF ACRONYMS

ACAM	<i>Asociación de Comerciantes de la Antigua Merced</i> / Civic Union of Merchants of the Old Merced
ALCC	<i>Asociación Legítima Cívica Comercial</i> / Legitimate Civic and Commercial Association
ALDF	<i>Asamblea Legislativa del Distrito Federal</i> / Legislative Assembly of the Federal District
ARDF	<i>Asamblea de Representantes del Distrito Federal</i> / Assembly of Representatives of the Federal District
AMOP	<i>Alianza Metropolitana de Organizaciones Populares</i> / Metropolitan Alliance of Popular Organizations
AMOPS	<i>Asociación Metropolitana de Organizaciones Populares y Sociales</i> / Metropolitan Association of Popular and Social Organizations
ARDF	<i>Asamblea de Representantes del Distrito Federal</i> / Assembly of Representatives of the Federal District
CAE	<i>Centros de Atención Empresarial</i> / Business Service Centers
CANACO	<i>Cámara Nacional de Comercio</i> / National Chamber of Commerce
CANACOPE	<i>Cámara Nacional de Comercio en Pequeño</i> / The Chamber of Commerce for Small Traders, Services and Tourism
CATIM	<i>Centro de Atención al Indígena Migrante</i> / Care Center for Indigenous Migrants
CCDF	<i>Código Civil del Distrito Federal</i> / Civil Code of the Federal District
CCTV	Closed Circuit Television
CID	<i>Corriente Izquierda Democrática</i> / Democratic Left Current
CD	<i>Convergencia por la Democracia</i> / Convergence for Democracy
CENDI	<i>Centro de Desarrollo Infantil</i> / Child Development Center
CNC	<i>Confederación Nacional Campesina</i> / National Peasant Confederation
CNOP	<i>Confederación Nacional de Organizaciones Populares</i> / National Confederation of Popular Organizations
COABASTO	<i>Coordinación General de Abasto y Distribución del Distrito Federal</i> / General Coordination of Supply and Distribution in the Federal District
CONAPO	<i>Consejo Nacional de Población</i> / National Population Council
CONCANACO	<i>Confederación de Cámaras Nacionales de Comercio, Servicios y Turismo</i> / Confederation of the National Chambers of Commerce.
CROM	<i>Confederación Regional Obrero Mexicana</i> / Regional Confederation of Mexican Workers
CTM	<i>Confederación de Trabajadores de México</i> / Confederation of Mexican Workers

LIST OF ACRONYMS

DDF	<i>Departamento del Distrito Federal</i> / Federal District Department
DF	<i>Distrito Federal</i> / Federal District
DSPPN	<i>Democracia Social, Partido Político Nacional</i> / Social Democracy Party
EAP	Economically Active Population
ENAH	<i>Escuela Nacional de Antropología e Historia</i> / National School of Anthropologie and History
ENAMIN	<i>Encuesta Nacional de Micronegocios</i> / National Survey of Micro-Businesses
ENEU	<i>Encuesta Nacional de Empleo Urbano</i> / National Survey of Urban Employment
ENOE	<i>Encuesta Nacional de Ocupación y Empleo</i> / National Survey of Employment and Occupation
EZLN	<i>Ejército Zapatista de Liberación Nacional</i> / Zapatista Army of National Liberation
FDN	<i>Frente Democrático Nacional</i> / National Democratic Front
FMOP	<i>Frente Metropolitano de Organizaciones Populares</i> / Metropolitan Front of Popular Organizations
FPP	First-past-the post system
FONDECO	<i>Fondo de Desarrollo Económico del Distrito Federal</i> / Economic Development Fund of the Federal District
FONDEDF	<i>Fondo de Desarrollo Económico y Social del Distrito Federal</i> / Economic and Social Development Fund of the Federal District
FPFV	<i>Frente Popular Francisco Villa</i> / Francisco Villa Popular Front
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product / Producto Interno Bruto
GNI	Gross National Income / Ingreso Nacional Bruto
HMRC	Her Majesty's Revenue & Customs
IDN	<i>Izquierda Democrática Nacional</i> / National Democratic Left
IEDF	<i>Instituto Electoral del Distrito Federal</i> / The Electoral Institute of Mexico City
ILD	<i>Instituto Libertad y Democracia</i> / Institute for Liberty and Democracy
ILO	International Labour Organization
ITESM	<i>Instituto Tecnológico de Estudios Superiores de Monterrey</i> / Monterrey Institute of Technology and Higher Education
IMSS	<i>Instituto Mexicano del Seguro Social</i> / Mexican Social Security Institute
INEGI	<i>Instituto Nacional de Estadística, Geografía e Informática</i> / National Institute of Geography, Statistics and Informatics
IRS	Internal Revenue Service
ISR	<i>Impuesto Sobre la Renta</i> / Income Tax
IVA	<i>Impuesto al Valor Agregado</i> / Value Added Tax
LSE	London School of Economics and Political Science
MAS	<i>Movimiento al Socialismo</i> / Movement to Socialism

LIST OF ACRONYMS

MBOP	Membership-Based Organizations of the Poor
MPI	<i>Movimiento Proletario Independiente</i> / Independent Proletarian Movement
MUP	<i>Movimiento Urbano Popular</i> / Urban Popular Movement
NAFTA	North American Free Trade Agreement
NCEUS	National Commission for Enterprises in the Unorganized Sector
OECD	The Organisation for Economic Co-operation and Development
PAN	<i>Partido Acción Nacional</i> / National Action Party
PAS	<i>Partido Alianza Social</i> / Social Alliance Party
PCD	<i>Partido del Centro Democrático</i> / Party of the Democratic Center
PFD	<i>Partido del Foro Democrático</i> / Democratic Forum Party
PGR	<i>Procuraduría General de la República</i> / Office of the Attorney General of Mexico
PJF	<i>Policía Judicial Federal</i> / Federal Judicial Police
PMCP	<i>Programa de Mejoramiento del Comercio Popular</i> / Program for the Improvement of Popular Commerce
PMS	<i>Partido Mexicano Socialista</i> / Mexican Socialist Party
PMT	<i>Partido Mexicano de los Trabajadores</i> / Mexican Workers Party
PNR	<i>Partido Nacional Revolucionario</i> / National Revolutionary Party
PR	Proportional Representation
PRCI	Programa de Reordenamiento del Comercio Informal / Informal Commerce Reallocation Program
PREALC	<i>Programa Regional de Empleo para América Latina y el Caribe</i> / Regional Employment Program for Latin American and the Caribbean
PRI	<i>Partido Revolucionario Institucional</i> / Institutional Revolutionary Party
PRD	<i>Partido de la Revolución Democrática</i> / Party of the Democratic Revolution
PRM	<i>Partido de la Revolución Mexicana</i> / Party of the Mexican Revolution
PRONASOL	<i>Programa Nacional de Solidaridad</i> / The National Solidarity Program
PRT	<i>Partido Revolucionario de los Trabajadores</i> / Workers' Revolutionary Party
PSN	<i>Partido de la Sociedad Nacionalista</i> / Party of the Nationalist Society
PSUM	<i>Partido Socialista Unificado de México</i> / Mexico's Unified Socialist Party
PT	<i>Partido del Trabajo</i> / Labor Party
PVEM	<i>Partido Verde Ecologista de México</i> / Ecological Green Party of Mexico
REPECO	<i>Régimen de Pequeños Contribuyentes</i> / Small Taxpayer Regime
RIF	<i>Régimen de Incorporación Fiscal</i> / Regime of Fiscal Incorporation
SARE	<i>Sistema de Apertura Rápida de Empresas</i> / Fast-Track Business Creation System
SAT	<i>Servicio de Administración Tributaria</i> / Tax Administrative Service
SEDESOL	<i>Secretaría de Desarrollo Social</i> / The Ministry of Social Development

LIST OF ACRONYMS

SIMPLES	<i>Sistema Integrado de Pagamento de Impostos e Contribuições das Microempresas e Empresas de Pequeno Porte</i> / Integrated System of Taxes and Contributions for Micro and Small Enterprises
SMES	Small and Medium Enterprises
STUNAM	<i>Sindicato de Trabajadores de la Universidad Nacional Autónoma de México</i> / Union of Workers of the National Autonomous University of Mexico
SUTGDF	<i>Sindicato Único de Trabajadores del Gobierno del DF</i> / Federal District Government Workers Union
UNAM	<i>Universidad Nacional Autónoma de México</i> / National Autonomous University of Mexico
UNESCO	United Nations Educational, Scientific and Cultural Organization
UPREZ	<i>Unión Popular Revolucionaria Emiliano Zapata</i> / Emiliano Zapata Popular Revolutionary Union
USA	United States of America
UK	United Kingdom
VAT	Value Added Tax
WGI	Worldwide Governance Indicators
WHO	World Health Organization
WIEGO	Women in Informal Employment: Globalizing and Organizing

I. PROLOGUE

I.1 Introduction

At some point over the course of the second half of the 20th century, the relationship between Latin Americans and their governments broke down. Large segments of the population were ‘excluded’ from basic services (such as education, health care, judiciary services) and from economic opportunities,¹ having no other option but to rely on the informal sector (Perry et al., 2007). Additionally, other segments of the population ‘opted out’ of the formal sector after sensing that laws and regulations were not serving them well, choosing which of them to comply with and which to ignore (Perry et al., 2007). In search of a way to make a living, individuals who ‘opted out’ or were ‘excluded’ from the formal sector became micro-entrepreneurs or micro-employees, all operating under the enforcement radar of the government. It is open to debate whether this hurt the economy as a whole, but it certainly created a development underclass: the informal sector or informal economy. Thus, informal sector agents in general and informal street vendors in particular emerged as a new kind of economic phenomenon and, almost simultaneously, as a new kind of political interest group.

The informal sector or informal economy (generally known as ‘informality’) is often associated with small-scale, semi-legal, low productivity, and frequently family-based enterprises, which employ between 30 percent and 70 percent of the urban work force in Latin America (Perry et al., 2007). The informal sector or informal economy in Latin America represented an average of 41.1 percent² of the region’s gross domestic product (GDP) between 1999 and 2007 (Schneider, Buehn, and Montenegro, 2010).³ Its size varies widely across Latin American countries, however. For instance, average estimates between 1999 and 2007 of the informal

¹Mainly as a result of segmented labour markets and factor market imperfections, as well as persistent levels of inequality rooted in differences in power, voice, and influence (Perry et al., 2007)

²This number (41.1 percent) is the region’s simple unweighted average informality. The average informality weighted by total country GDP in 2005 is 34.7 percent for the Latin American and Caribbean region (Schneider, Buehn and Montenegro, 2010).

³Schneider, Buehn and Montenegro (2010) estimated the shadow economies for 162 countries from different regions and different income levels, from 1999 to 2007. This paper is the best and most recent cross-country comparative study in terms of measurement of the shadow economy available to date (April 2016). The next release date will be on July 13, 2016 and will include more recent data.

sector accounted for about 66.1 percent of GDP in Bolivia, 50.5 percent in Guatemala, 39 percent in Brazil, 30 percent in Mexico, 25.3 percent in Argentina, and only 19.3 percent in Chile. Informality is also widespread in other parts of the globe. For example, the average estimates between 1999 and 2007 of informality in Asian countries ranged between 12.7 percent and 50.6 percent and between 8.3 percent and 28 percent in high income countries⁴ belonging to the Organization for Economic Cooperation and Development (OECD) (Schneider, Buehn, and Montenegro, 2010).

The growth of the informal sector corresponds to the growth of informal trade and ‘informal street vending’⁵ in the world, particularly in—but not confined to—the developing world. The informal sector—which comprises informal street vending—includes any economic activity that takes place outside of the regulatory norms of the state—such as the evasion of tax codes, labor regulations, licensing and permit procedures, and zoning ordinances—but does not include the provision of explicitly illegal goods or services (e.g. drugs or prostitution) (Cross, 1998). Typically carried out by micro-firms ignored or unnoticed by government authorities because of their size, these economic activities have been praised by some scholars as the rise of a new form of entrepreneurship and condemned by others as a new form of exploitation or disloyal competition with the formally established businesses. This is because an increasing amount of work takes place outside of the formal sector without the labor guarantees and collective bargaining protection workers have fought to achieve (Cross, 1998).

Until recently, the literature on informality for the most part omitted altogether the political questions about informality, giving priority to its economic facets. This created a gap in the scholarly knowledge of the informal sector which has only partially been addressed. It is the aim to this thesis to contribute to fill this gap. Thus, while the phenomenon of ‘informality’ has been generally analyzed from a strictly economic point of view, this thesis analyzes informality in Mexico, particularly in Mexico City—one of the largest cities in the world—as a political process and through a historical perspective. Mexico and Mexico City are ideal for the development of this thesis because it is one of the countries, and one of the cities, in which the phenomenon of informality is best documented. Therefore, the subjects of study of this research are the politics, policies and institutions of informality and street vending in Mexico. The main goal of this thesis is to understand to what extent and in what ways recent political

⁴Other countries within the OECD that do not belong to the high income bracket have larger percentages. For example, Mexico has 30 percent, Estonia 31.2, and Turkey 31.3.

⁵Throughout this thesis I will use ‘street vending’ and ‘informal street vending’ indistinctively, but at times will purposely use the term ‘informal’ before ‘street vending’ to underline its condition of informality and be more specific about this particular sub-category of informal activity, as will be later explained in this chapter.

change in Mexico—democratization and the alternation of political parties in power—has affected the dynamics between the informal sector (street vending), the state, and political parties.

1.2 Concepts and definitions

Given the importance of the formal-informal duality in the development discussion—and the underlying semi-formality that exists within these two poles—one might expect to see a clear and unambiguous definition of the concepts, as well as a fair degree of consistency across the whole range of empirical, theoretical, and policy literature. However, I found this was not the case. Rather, ‘formality’ and ‘informality’ are better thought of as metaphors or figures of speech that evoke a mental picture of whatever the author or researcher had in mind when using these terms (Guha-Khasnobis, Kanbur, and Ostrom, 2006). To illustrate this, in his paper ‘Informality: It is time we stop being Alice-in-Wonderland-ish’ Gary Fields (2011) cited some twelve different definitions of informality. Fields has been a strong advocate of the need to standardize the definitions used when discussing and researching informality and the other terms derived from it (Fields, 2012). For now—and for the purpose of this thesis—this vast collection of definitions should not be seen as an impediment but rather as an opportunity to identify significant relevant gateways for research and to select target groups for various interventions in policy-making.⁶ Thus, Ravi Kanbur summed it up in one phrase: “Informality is a term that has the dubious distinction of combining maximum policy importance and political salience with minimal conceptual clarity and coherence in the analytical literature” (Kanbur, 2009:2).

The terms ‘formal’ and ‘informal’ have shown notable endurance since their first appearance in the development literature several decades ago. Notwithstanding the claims that they have consistently been used imprecisely, and misapplied in policy areas, they have endured and even flourished during the discussion (Sinha and Kanbur, 2012), and it seems rather unfeasible and impractical to forgo them. The question, then, is how best to use the concepts that lie beneath these terms—in assembling the facts and realities they characterize—in order to advance research and propose policies to deal with the problems they underline (Sinha and

⁶In fact, the formal sector or formal economy is also defined through a broad range of sub-categories, which are tackled in different ways through various policies and programs.

Kanbur, 2012). That is why it is vital to discuss ‘what’ informality (the informal sector or informal economy⁷) is and ‘why’ it is important.

By and large, informality comprises those activities that are outside of the scope, capacity, or cognizance of the state. This notion was fundamental in the conceptualization of Keith Hart—the anthropologist recognized as the creator of the concept—in his 1973 paper ‘Informal Income Opportunities and Urban Employment in Ghana’, but the exact meaning of this term has remained open to debate until these days. In a recent publication—*Linking the Formal and Informal Economy: Concepts and Policies* edited by Guha-Khasnobis, Kanbur and Ostrom (2006)—Hart (2006) revisited his 1973 paper stating that, following Weber (1981), he argued that the ability to stabilize economic activity with a bureaucratic form made returns more calculable and regular for employees and employers. Moreover, he said that stability was in turn guaranteed by the state’s laws, but their impact was limited by the state’s inability to enforce them throughout the economy (Hart, 2006). ‘Formal’ incomes came from regulated economic activities and ‘informal’ incomes, both legal and illegal, lay beyond the scope of regulation (Hart, 2006).

Over time, Hart’s conceptualization has been used in different official definitions and measures of informality. Nevertheless, after Hart, the literature on the conceptualization of informality has continued to evolve. For instance, in his 1984 paper ‘Family, Fungibility and Formality: Rural Advantages of Informal Non-Farm Enterprise versus the Urban-Formal State’, Michael Lipton identified several features of informality, among them the overlap between capital and labor, the small size of enterprise, and the high incidence of perfect or ‘near-perfect’ competition (Lipton, 1984). However, Guha-Khasnobis, Kanbur, and Ostrom (2006) argued that these aspects or characteristics of activities—or of a sector—are the consequences of an economic process rather than core defining aspects of informality and that the core concept has to be the relationship of the informal activity to state regulation.

In this vein De Soto (1989) defined informal economy as the collection of firms, workers, and activities that operate outside of the legal and regulatory framework. Indeed, most researchers have agreed that the proper scope of the term ‘informal sector’ encompasses “those actions of economic agents that fail to adhere to the established institutional rules or are denied their protection” (Feige, 1990:990). Or alternatively, it includes “all income-earning activities that are not regulated by the state in social environments where similar activities are

⁷Other terms associated with the informal economy include the ‘black market’, the ‘shadow economy’, the ‘underground economy’, the ‘second economy’, the ‘submerged economy’, the ‘gray economy’ or the ‘unstructured economy’.

regulated” (Castells and Portes, 1989:12). Later, Sinha and Kanbur (2012) stated that informality of an employment relationship or informality of a production unit is generally defined as the lack of one or more forms of state mandate regulation such as enrollment into a social security system, registration for tax payments, or minimum wage regulation. Evidently, details vary from country to country, which makes cross-country comparison difficult and precarious, but the concept of informality ought to be unambiguous (Sinha and Kanbur, 2012).⁸

These definitions do not make a judgement on whether such activities are good or bad, leaving the matter to empirical investigation. However, a key distinction must be made between ‘informal’ and ‘illegal’ activities because each of them have different characteristics that sets them apart from each other (Centeno and Portes, 2006).⁹ An ‘illegal’ activity involves the production and/or commercialization of goods and/or services that are defined in a specific society as ‘illicit’, while an ‘informal’ activity deals, for the most part, with ‘licit’ goods and/or services (Centeno and Portes, 2006). Thus, the basic difference between ‘formal’ and ‘informal’ relies not on the character of the final product, but on the manner in which it is produced or exchanged.¹⁰ By explicitly distinguishing these three categories (formal, informal and illegal activities) it is possible to explore their mutual relationships systematically, a task that becomes difficult when ‘illegal’ and ‘informal’ are confused (Centeno and Portes, 2006).

Moreover, the elusive nature of the informal activity has also contributed significantly to the challenge of defining and measuring it accurately. The necessity to measure, quantify, and made internationally comparable the informal sector led the International Labour Organization (ILO) in 1993 to recommend, in the 15th International Convention of Labour Statisticians the use one or more of the following three criteria when defining informal sector: (i) no registration of the enterprise; (ii) small size in terms of employment; and (iii) non-registration of the employees of the enterprise (ILO, 1993). The ILO was aware that, given the conceptualization of the informal sector, the process of turning the concept into an empirical measure

⁸The definition of ‘informal sector’, ‘informal worker and ‘informal firm’ may vary from country to country, as the definition depends on the laws and regulations of individual countries. Santiago Levy (2008) does a very good job of defining these concepts for Mexico in light of his quantitative research, but this definition might not be appropriate for other countries and may limit the scope of qualitative research since he uses job security as the measure of formality, defining participants in the informal economy as those who do not have employment security, work security, and social security.

⁹Centeno and Porter (2006) point out that the legal and criminal, like the normal and abnormal, are socially defined categories subject to change.

¹⁰Thus, clothing, food, or computer chips—all perfectly licit goods—may have their origins in legally regulated production arrangements or in those that bypass official rules (Centeno and Portes, 2006)

could vary from country to country. As a guideline, the ILO presented a general definition or general concept of informal sector:¹¹

The informal sector may be broadly characterized as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organization, with little or no division between labour and capital as factors of production and on a small scale. Labour relations—where they exist—are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.

(ILO, 1993:2, 2013:14)

The appeal of the term ‘informality’ most likely lies in its ability to signify a collection of circumstances, such as the absence of regulation, the irregular or undefined status of a worker or firm, the smallness of size of an enterprise, and so on, that in general go hand in hand (Husmanns, 1996).

Thus, there are two specific reasons why informality—understood as the vaguely defined collection of characteristics considered above—has endured in development and policy discussions.

The first is the high correlation between poverty and informality. Even though some mainstream research—such as that by Castells and Portes (1989) and Martha Chen (2006)—has pointed to the existence of heterogeneity in the informal sector, recent empirical economic research—including Chen’s (2006) article, Jutting and de Laiglesia (2009), and the National Commission for Enterprises in the Unorganized Sector (NCEUS) (2007) report on the ‘unorganized’ sector—illustrates that the individuals operating in the informal sector have a high incidence of poverty and are largely poor according to both income and non-income measures (Sinha and Kanbur, 2012).

The second reason why informality is fundamental to the development discussion is because several development theories predict, directly or indirectly, that informality will fade away as development advances. For example, this can be concluded to be the forecast of the

¹¹Some scholars have used the ILO’s guidelines to reach their own definition of the informal sector. For example, in their book *Trade Liberalization and India’s Informal Economy*, Harriss-White and Sinha (2007) use the ILO’s guidelines to describe the informal sector as consisting of units involved in the production of goods and/or services working characteristically at a low level of organization, with very low or no division between capital and labor as factors of production—or between labor and ownership or management—and generally on a small scale, in order to preserve its condition of informality through anonymity.

so called ‘Lewis Model of Development’, drawn up by William Arthur Lewis in his 1954 paper ‘Economic Development with Unlimited Supplies of Labor’, in which labor is removed from the ‘traditional sector’ and put into the ‘modern sector’ during the process of development (Lewis, 1954). In fact the share of the informal sector in total output (gross domestic product or gross national product) or total employment is frequently utilized as an indicator of a nation’s development. For example, Flodman Becker (2004) used those terms of reference to define the informal economy (or informal sector) as that part of an economy that is not taxed, monitored by any form of government, or included in the gross national product (GNP), unlike the formal economy. Nevertheless, informality has not diminished significantly over the last years but might even have risen in a number of nations (Kanbur, 2011).

Thus, because of its inherent heterogeneity in conceptualization, there are several ways of defining informality, the informal sector or informal economy. Among the several definitions used in the literature there is a distinction between those that look at informality from the firm’s perspective (the ‘productivity’ view), and those that consider rather the status of the firm’s employees (the ‘social protection’ view) (Perry et al., 2007). The first view focuses on the type of firm and its legal status, and it includes small-scale production units with no legal separation from their owners (i.e., firms not legally registered as businesses), such as family-based businesses in which one or more family members participate, and micro-enterprises with at most five employees (Gërxhani, 2004; Oviedo, Thomas, and Karakurum-Özdemir, 2009). This definition has been used in important contributions to the literature, such as the seminal work of De Soto (1989) for Peru. The ‘social protection’ or ‘legalistic’ view focuses on employment, recognizing that in many cases larger, formally registered firms establish informal working contracts with their employees, thus avoiding payment of social security contributions, severance payments, and other penalties in case of dismissal (Oviedo, Thomas, and Karakurum-Özdemir, 2009). An example of this is the definition used by Levy (2008) who uses job security as the measure of formality, defining participants in the informal economy as those who do not have employment security, work security, and social security.¹² This second view allows for informality to take place both in informal and formal production units. The ILO (1993) definition aforementioned contemplates both types of informality, and it includes also households producing goods for their own final use, as well as households employing paid domestic workers, as parts of the informal sector. Yet another dimension of informality relates to firms’ compliance with regulations, for instance tax evasion. Several studies con-

¹²Or Anton, Hernandez and Levy (2007:11) who define informality as “the inobservance of contributive social insurance”.

sider lack of regulatory compliance as a part of informal economic activity (Schneider and Enste, 2000; Gatti and Honorati, 2008).

For the purpose of this research I will use a general definition of informality, in line with the concepts presented above.¹³ I have decided to use the definition given by Oviedo, Thomas, and Karakurum-Özdemir (2009:3) which states: ‘

Informality’ means legal economic activity taking place below the radar of government.¹⁴ It takes many forms, from the unregistered small firm, to the street vendor, to the large, registered ‘formal’ firm that employs a share of its workers without offering them written contracts with access to benefits and unemployment protection.¹⁵ Thus the importance of being precise as to what kind of informality one refers to—unregistered firms, unprotected workers, the self-employed—because the appropriate [research, regulation, and] policies are likely to differ depending on the aspect under consideration.

I use the term ‘informality’ in the definition for practical reasons. My view in this work is nominalist and I see no particular difficulty in substituting this term for ‘informal economy’ or ‘informal sector’.¹⁶ In the following chapters, I use these terms as synonyms. The reasons for deliberately opting for the concept of informality were the existence of an extensive prior research literature under this label and the desire to build on this literature rather than challenge it.

Moreover, there are still more practical distinctions—within the informal sector and its sub-categories—that could be made for any specific purpose in research, but in particular for policy-making. It must be clear which groups, segments, or sub-categories are referred to in a work when the informal sector or informal economy is discussed. This thesis deals primarily with street vendors but throughout its analysis it also deals with other groups, segments, or sub-categories of informality (e.g. metro vendors, commercial plaza vendors, etc). The narrative will make clearer to the reader what the relationship is between these other groups and street vendors (and with informality in general) as well as their relevance for this study. Thus,

¹³I will not use the ILO (1993) definition on informal sector since this is not a quantitative research and also to leave open to discussion some aspects of informality such as scale and level of organization.

¹⁴Hence, the term *informality* refers to activities that are normally subject to taxation and other regulations, and thus excludes all kinds of activities explicitly considered illegal (e.g. drug trafficking, etc.).

¹⁵According to Levy (2008) evidence shows that in Mexico minimum wage laws are not binding, and therefore, we can ignore this in the definition.

¹⁶In other words, I will use almost indistinctively the expressions ‘informality’, ‘informal sector’ and ‘informal economy’ throughout this thesis to refer to the same idea or notion; even though, strictly speaking, these concepts may not be the same thing.

throughout this work, I will generally refer to ‘street vending’ as ‘informal street vending’ to underline its condition of informality and to refer specifically to this group or sub-category of the informal sector that will be primarily analyzed in this thesis, as it will be explained later in this chapter.

1.3 Literature review on the informal sector, informal economy, and informality

This chronological literature review is a selection of the most relevant and influential works I reviewed throughout the period of research. These are: the original works on the subject, which developed the concepts of the informal sector, informality, and the informal economy; the works that marked a milestone in the study of the informal sector, informality, and the informal economy; those studies which share a similar political, social, or economic research approach to this thesis; and finally those works that cover the same geographical location (Mexico and Mexico City), analysing specific policies implemented or studies performed in these locations in matters of informal sector, informality and informal economy.

1.3.1 *Initial notions of informality, informal sector and informal economy*

The first notions of the ‘informal sector’ and ‘informal labor’—using the terms ‘subsistence sector’ and ‘disguised unemployment’—are credited to the economic development model proposed by former LSE economics professor and Nobel laureate William Arthur Lewis. In 1954, W. A. Lewis published what became his most influential development economics paper: ‘Economic Development with Unlimited Supplies of Labour’, in which he identified and analyzed the idea of the informal sector and even of informal street vending. Lewis states that an unlimited supply of labour existed in those countries where population is large relatively to capital and natural resources, and then draws attention to the existence of a ‘disguised unemployment’, where many workers make a living with negligible, zero or even negative marginal productivity. Lewis points out to a whole range of casual jobs as occupations that usually have the multiple of the number they need, each earning very small sums from occasional employment. He identified ‘petty retail trade’ as one of those occupations and asserted that it was enormously expanded in overpopulated economies (Lewis, 1954).

In explaining his model of unlimited supply of labor, Lewis used the concept of the ‘capitalist sector’ to define “that part of the economy which uses reproducible capital, and pays

capitalists for the use thereof” (Lewis, 1954:146). Workers laboring outside the ‘capitalist sector’ earn what they can in the ‘subsistence sector’ which is “all that part of the economy which is not using reproducible capital” (Lewis, 1954:147). Moreover, in his 1955 book *Theory of Economic Growth*, Lewis presented a model where he explains ‘employment’ or ‘livelihood generation’ mainly within the developing world (Lewis, 1955). Lewis used the expression ‘disguised unemployment’ in both publications to describe a type of employment he regarded as falling outside of the modern industrial sector (Lewis, 1954, 1955).

The theoretical model of economic development that Lewis elaborated introduced the two assumptions that there was an unlimited supply of labor in most developing countries and that, as the modern industrial sector in these countries expanded, this large pool of surplus labor would be absorbed (Lewis, 1954). The optimism of the Lewis model of economic development led many scholars in the 1950s and 1960s to accept as true that ‘traditional’ forms of production and work would vanish as a result of economic progress in developing countries. As this optimism proved to be unsubstantiated, scholars turned to examine more closely what was then dubbed the ‘traditional sector’. They found that this sector had not only endured, but in fact had expanded to include new developments. Realizing that these forms of production were here to stay, scholars continued and deepened their study.

Thus, after Lewis, the conceptualization of informality or the informal sector was further refined by anthropologist Keith Hart in his 1970 paper ‘Small-Scale Entrepreneurs in Ghana and Development Planning’, in which he described the activities of small entrepreneurs in Ghana who increased their revenues by investing their savings in various short-term provisional businesses.¹⁷ Hart was worried about the increasing importance of this small-scale mercantile class and its potential impact on the overall economy. In this 1970 paper, Hart contended that these activities had been overlooked as potential sources of development because they often were outside of the overriding image of modern development, associated with large companies collaborating jointly with government officials. Hart’s paper also noted a feature that would be addressed later on by other scholars such as Hernando De Soto and John C. Cross: the vitality in the activities performed and the sense that this group of people were not only surviving individuals, but also supplying fundamental and necessary services for their country as a whole (Hart, 1970; De Soto, 1989; Cross, 1998).

¹⁷Hart also used the notion to refer to much of the inter-urban transport and residential construction in Ghana. Therefore, we could say that Hart identified three of the most representative activities in the informal sector: informal trade, informal transport, and informal housing.

The expression ‘informal sector’—although correctly attributed to the British anthropologist Keith Hart for his research on Ghana, even though the term was first published by him in 1973¹⁸ (Hart, 1973, 2006)—first appeared in an International Labour Organization (ILO) publication in 1972, a report on Kenya titled *Employment, Incomes and Inequality: A Strategy for Increasing Productive Employment in Kenya*. This 1972 ILO report, among other things, underscored the problems in the measurement of both labour force and employment. It stated that the problem with the labour force was “to define who is in it—a difficult matter given the limited opportunities for employment, particularly for women, and the difficulties of predicting how participation might change with a change in the social context” (ILO, 1972:4–5). The problem with employment was that “the statistics are incomplete, covering a major part of wage-earning employment and some self-employment in the larger and more organised firms but omitting a range of wage earners and self-employed persons, male as well as female, in what we term ‘the informal sector’...” (ILO, 1972:5).¹⁹

Almost simultaneously with the 1972 ILO report,²⁰ Hart published his 1973 paper ‘Informal Income Opportunities and Urban Employment in Ghana’ where he developed further the conceptualization of the informal sector. Hart points out to informal work and suggests that informal economic activities could include undertakings with autonomous capacity for generating growth in the incomes of the urban (and rural) poor. He denotes that the distinction between formal and informal income opportunities is based essentially on that between wage-earning and self-employment, and suggests that the key variable is “whether or not labour is recruited on a permanent and regular basis for fixed rewards” (Hart, 1973:68).²¹ Hart goes on to affirm that “most enterprises run with some measure of bureaucracy are amenable to enumeration by surveys, and constitute the ‘modern sector’ of the urban economy. The remainder—those who

¹⁸Hart justified the use of the term ‘informal sector’ by explaining: “I hoped to interest economists [in the concept of the informal sector] by presenting my ethnography in a language they were familiar with. The idea of an informal sector was taken up quickly by some of them, so quickly indeed that a report by the International Labor Organization (ILO, 1972) applying the concept to Kenya came out before my own article had been published” (Hart, 2006:25)

¹⁹The 1972 ILO report also makes a description of the informal sector: “The popular view of informal-sector activities is that they are primarily those of petty traders, street hawkers, shoeshine boys and other groups ‘under-employed’ on the streets of the big towns. The evidence presented... suggests that the bulk of employment in the informal sector, far from being only marginally productive, is economically efficient and profit-making, though small in scale and limited by simple technologies, little capital and lack of links with the other (‘formal’) sector. Within the latter part of the informal sector are employed a variety of carpenters, masons, tailors and other tradesmen, as well as cooks and taxi-drivers, offering virtually the full range of basic skills needed to provide goods and services for a large though often poor section of the population.” (ILO, 1972:5).

²⁰Chen et al. (2002) noted that many African researchers, particularly at the Institute of Development Studies, in the University of Nairobi, had been studying the sector before the ILO report and the Hart papers were published.

²¹Something that Hart (1973:68) denominates the ‘degree of rationalization of work’.

escape enumeration—are classified as ‘the *low-productivity* urban sector’, ‘the reserve army of *underemployed and unemployed*’, ‘the urban *traditional* sector’, etc.” (Hart, 1973:68).

Furthermore, Hart offers a typology of urban income opportunities. In doing so, he states that the number of those outside the organized labour force is very large and that informal activities encompass a wide-ranging scale (from marginal operations to large enterprises) (Hart, 1973). Most interestingly, he acknowledges that “a consideration of income opportunities outside formal employment must include certain kinds of crime” (Hart, 1973:68) and declares that the incidence of illegitimate activity was all-pervasive, mentioning it was difficult to find anyone who had not transgressed the law at some point, frequently with some profitable results if undetected (Hart, 1973). His typology of urban income opportunities differentiates between legitimate and illegitimate activities in the informal sector: i) Formal Income opportunities; ii) Informal income opportunities: legitimate; and iii) Informal income opportunities: illegitimate (those activities that broke the law in one way or another, e.g. usury, prostitution, drug-pushing, larceny, etc.) (Hart, 1973).

He concluded his paper by opening the ideological debate about informality and by pointing out the avenues for future research. Hart stated that, while socialists may argue that foreign capitalist dominance determines the scope for informal (and formal) development, and condemns the majority of the urban population to deprivation and exploitation, liberals may see in informal activities, “the possibility of a dramatic ‘bootstrap’ operation, lifting the underdeveloped economies through their own indigenous enterprise” (Hart, 1973:89). Hart concludes that “before either view may be espoused, much more empirical research is required... historical, cross-cultural comparison of urban economies in the development process must grant a place to the analysis of informal as well as formal structures” (Hart, 1973”89). Next section will continue the debate on the definition of informality, after the initial positions of Lewis and Hart.

1.3.2 *Evolution of the informal sector debate after Lewis and Hart*

After Hart, the literature on informality and informal sector is divided into two groups. On one side, there were the policy-oriented studies of the ILO and the Regional Employment Program for Latin American and the Caribbean (Programa Regional de Empleo para América Latina y el Caribe, PREALC). These agencies viewed informality as an inexpensive way of employment creation through micro-business growth and self-employment opportunities, but

these conditions would only be effective if structural inequalities that favored large companies could be overturned (PREALC, 1978; Sethuraman, 1981; Cross, 1998).

On the other side, there was this notion that informality is bad. It is bad for poverty reduction, for equity and for competitiveness. This view was based on the common agreement that informality was linked to poverty and economic activities characterized by low productivity and low income generation prospects. This notion was framed within the so called neo-Marxist literature. This literature states that entrepreneurs in the informal sector were in reality ‘disguised workers’ who were being exploited in many and different ways by formal companies and, in the end, by international capital (Birbeck, 1978; Gerry, 1978; Alonso, 1980; Portes and Walton, 1981; Lopez-Garza, 1985). For the most part, this line of reasoning was that the situation in the informal sector could not get better since informal workers were in some kind of ‘informality trap’, living in a state of exploitative, unethical, and disadvantageous relations with the formal sector and unable to break away from it (Cross, 1998).²²

These two visions portrayed people working in the informal sector as passive economic and political agents rather than active economic and political actors, as those who had failed to win the race for formal jobs rather than individuals making an effort to have an honest and decent living. At this time, those writing on informality saw the phenomenon as a ‘refuge occupation’ and failed to notice the ‘human ingenuity’²³ (Hart, 1970; Cross, 1998) behind it—understood as the process of applying clever, original, and inventive ideas to solve problems or meet challenges—which would be later underlined by De Soto (1989) and Cross (1998). By the same token, while the conceptualization of informality was vaguely defined as an activity not registered or not regulated by the state, a few authors—among them Whiteford (1974) and Bromley (1978)—discussed, even if only partially, the particular matter of state regulation (De Soto, 1989; Cross, 1998).

Analytical work on informality in matters of state regulation was necessary as it was precisely the informal agent’s ability to circumvent the law and avoid paying fees and taxes that made the activity lucrative and favorable for them. However, these factors presented a moral and a political quagmire: people working in the informal economy can make a living mainly because they are infringing the law (Cross, 1998). Moreover, this opened up a whole new arena

²²An ‘informality trap’ is a set of conditions—regulatory, economic, social, or even political—which makes it very difficult for workers or firms to escape informality. Informality impedes firm development or increases in firm size, by undermining investment and productivity growth. Contrary to the common belief, informal firms do not always develop and join the formal sector. Instead, they are caught in an informality trap, excluded from markets for funding, and forced to evade taxes and other regulations in order to be able to compete with more productive or formal competitors (Kenyon and Kapaz, 2005; Kanbur, 2011).

²³This ‘human ingenuity’ is an integral part of the culture of informality.

of political and economic implications not only between the informal and formal economies, but also between informal agents, the state, and political parties.

1.3.3 *State regulation and the informal sector*

The book *The Other Path*²⁴ by Peruvian economist Hernando De Soto, published in 1989, is a milestone in the field of the informal economy. This seminal work is not only a detailed description and study of the informal economy in its many forms and fronts in Peru, but also the first systematic effort to analyze the role of state regulation in the configuration of the informal economy. De Soto argued that the regulatory system itself is responsible for the outburst and rapid growth of the informal economy. He acknowledged that by determining the legal basis of formality, the state was effectively defining what activities were informal (De Soto, 1989). He also maintained that the state in fact encouraged informality by setting up ‘semi-formal’²⁵ administrative rules for many informal agents, such as informal transport (informal taxis), informal trade (street vendors), and informal housing (informal settlers) (De Soto, 1989; Cross, 1998).

De Soto portrayed informal economic activities as the ‘other’ path towards development and as an economic alternative to both the guerrilla group (the Shining Path) and the state’s inability to satisfy basic needs. In thinking of the informal economy as a form of development, De Soto advanced previous work done by the ILO. In thinking informal economy as an economic alternative, De Soto gave a viable option versus the guerrilla’s alternative²⁶ and acknowledged the underlying conflict between the state and the informal sector (De Soto, 1989). However, he did not thoroughly discuss or analyze the political implications and consequences of the informal economy (Cross, 1998).

²⁴The title of the book, *The Other Path*, or “El Otro Sendero”, alludes to Sendero Luminoso, the guerrilla movement in Peru called the Shining Path. The title evokes the opening of economic opportunities for the poor by formalizing the informal economy, as an alternative to the proposal of the guerrilla, which was that of regime change by any means possible, including violence and terrorism. Many poor people who did not find opportunities for a better life joined the guerrilla hoping to get these opportunities once the guerrilla took over the state.

²⁵This thesis further develops the idea of ‘semi-formality’, as it refers to not only to the establishment of administrative rules that are only partially enforced (as De Soto suggested), but also to a more elaborate ‘semi-formal status’, as described in the following chapters.

²⁶The *Sendero Luminoso* (Shining Path) guerrilla movement is a Maoist insurgent organization in Peru. Its objective was to substitute the existing ‘bourgeois democracy’ with what the guerrillas named ‘new democracy’. The Shining Path believed that by imposing a dictatorship of the proletariat, its members could achieve pure communism. In 1980, the movement started a guerrilla war in the countryside (in the Ayacucho region) and gradually moved to Peru’s urban areas. It was supported by peasants and the urban poor by filling the political void left by the central government and providing ‘popular justice’. In 1992, after the capture of its leader, Abimael Guzmán, the Shining Path’s activities declined (Gorriti, 1999).

Almost simultaneously to De Soto's work, Castells, Portes, and Benton (1989) edited *The Informal Economy: Studies in Advanced and Less Developed Countries*. The contributors to this book took an international perspective and included several case studies from different countries in different regions to present an innovative multicountry comparative study in spite of the different methodologies and disciplinary approaches used. The authors reviewed the existing literature, presented findings from studies in fourteen cities and ten different countries, and analysed the implications of their research for practical attempts to respond to the informal economy, helping readers to understand informality better. Contributors of this work pointed out that informality is not exclusive to the poor and reflects an economic and political rearrangement between workers and employers, and a shift in the regulatory mission of the state. In this book, Castells and Portes (1989) outlined the general theoretical framework of the cases presented—which would become influential in future research on the subject—and stated that since the informal economy does not result from the inherent characteristics of activities but from the social definition of state intervention, the boundaries of the informal economy vary in different context and historical circumstances. Furthermore, these boundaries of informality are determined by the dynamics of social struggles and political bargaining, which involve but are not limited to the changing conflict between labor and capital. These authors state that the social challenge posed by these developments lies in the choice between the advantages of a new society based on the relationship between unrestrained capital and primary social networks and those of a society in which public institutions extend control over the logic of capital by incorporating into a new social contract workers and entrepreneurs operating outside the legal realm. In addition, Fernandez-Kelly and García (1989) challenged the existing understanding of the regulatory functions of the state by examining the behaviour of state agencies and their representatives in two North American cities: Los Angeles and Miami. Their analysis further expanded the literature on the relationships between the informal economy and the state by contending that informality developed from complicated relationships between government regulations, semi-regulations, and economic agents.

1.3.4 *The emergence of politics in the informal sector debate in Latin America*

In 1994, a book edited by Cathy Rakowski called *Contrapunto: The Informal Sector Debate in Latin America* was published. Two of the most valuable contributions to this book are the chapters by Moser (1994) and Rakowski (1994) who comprehensively evaluated the opposing postulates that made up the theoretical debate on the informal sector until the mid

1990s. Both authors provide overviews of the issues at the center of the informal sector debate, comparing periods 1970–1983 and 1984–1993, respectively. Moser (1994) argues that the early debate emerged from studies of unemployment, employment, and poverty and they mainly focused on whether or not—and under what conditions—the activities identified as an informal sector could generate economic growth and employment. Moser discussed how progress on addressing this question got stuck on three problems: the first one was conceptual or definitional (is the informal sector synonymous with poverty? Is informal sector one half of a dichotomy or a segment on a continuum of activities?); the second problem was methodological (how to operationalize and conduct research on the sector—survey and census data sets, case studies, ethnographic research); and the third one focused on the type of linkages with modern activities (i.e. independent, subordinate). Moser argued that the third issue is the most important for policy making and is in itself dependent upon definitions and methods. Hence, Moser articulated the critical issues between 1970 and 1983 and underlined their relevance for understanding the relationships between the state, capital-intensive development strategies, and the persistence of the informal sector.

Rakowski (1994) argued that one critical shift in the debate was from a view of the informal sector as resulting from the failure of development theories to a view of the informal sector as a potentially rational and efficient opportunity for genuine development (Rakowski associates this shift to the increasing exposure given to the ideas of De Soto and to the greater visibility of NGOs and other microenterprise programs). The relevant academic and policy questions then were: which informal activities generate economic growth and employment?; which serve as a buffer against unemployment?; and what policies promote which informal activities? It is argued that this shift in the debate contributed to the clarification of the different roles of the informal sector and encouraged actors involved in the debate to talk to each other and avoid getting lost in arguments over semantics and labels. Another change discussed by Rakowski (1994) is the growing attention placed on ‘people’ (informals—people who engage in informal activities) as opposed to a ‘sector’ (i.e. subcontracted workers, workers (entrepreneurs) and owners of microenterprises, the under and unemployed). The resulting policy debate split into a focus at the macro level on economic issues and how state bureaucracies obstructed entrepreneurship; and at the micro level on the best means for promoting microenterprise development.

This discussion helped to create a framework to elucidate the work of the other contributors in the book, who analyzed empirical research findings and policies at the macro and micro levels on the informal sector, bringing to the forefront the subjects of policy research and the

role of the state. Some of the chapters in this book dealt broadly with politics, power, ideology, exploitation, poverty, and entrepreneurship; setting up the basis for further research to come on these topics.

Among the topics discussed by scholars carrying out research in the 1990s were the fairness of regulation and enforcement, and the indirect benefits informality had for the state and the formal sector. For example, if the state executes the law and enforces the payment of taxes on some economic agents (the formal ones) but not on others (the informal ones), the non-compliers are in a way being subsidized by the compliers, which should lead to demands for fair and equal enforcement. Alternatively, informality may also help the state by reducing the public demand for formal employment and economic benefits. Informality may also serve the formal sector by making available low-cost inputs—including cheap labor—and providing more efficient distribution channels. Nevertheless, the acknowledgement by scholars of the role of the state in the informal sector led only to hints, insinuations, and suppositions of the political position and interests of informal economic agents.

Thus, it became evident to scholars that a number of intricate political issues and prospective interest groups were involved in the informal sector. Moreover, if we accept that informal economic agents take advantage of their status of informality, we recognize that they have the ability to defend these benefits and advantages, either individually (by means of corruption or evasion) or collectively (by means of organized resistance through a group or association) (Cross, 1998). However, while political activity by informal agents—such as informal settlers, street vendors, garbage pickers, and informal taxi operators—had been mentioned in the literature, there was no broader analysis of the political dynamics of the informal sector. This changed from the late 1990s onwards, with advances made by a few authors, some mentioned in the next section.

1.3.5 *The informal sector in Mexico*

Historian Gary I. Gordon in his doctoral dissertation ‘Peddlers, Pesos and Power: The Political Economy of Street Vending in Mexico’ (1997b), sociologist John C. Cross in *Informal Politics: Street Vendors and the State in Mexico City* (1998), and editors Patricia Fernandez-Kelly and Jon Shefner in *Out of the Shadows: Political Action and the Informal Economy in Latin America* (2006) have contributed to fill this gap, particularly in the case of Mexico. They dealt with several questions of a political, historical and social nature that had only been

considered in part by the literature until then, for example the politics of informal groups, the evolution of regulations to tackle informality, and the influence of marginal poor civil society groups on democratization. Most importantly, they have shed light on how it is possible that groups that were in general considered to be politically peripheral—such as informal street vendors—could influence state actions and decisions in the presence of potential opposition from different groups within the formal sector and the state.

In 1997 Gary I. Gordon presented his doctoral dissertation, which analyses the political economy of street vending in Mexico, at the history department of the University of Chicago. Although his research is little known in the mainstream literature on the informal sector, Gordon's work has been a valuable reference for this thesis in its historical analysis of the regulatory framework of street vending in Mexico. Gordon (1997b) argued that the conflict over street vending in Mexico City is essentially a struggle among urban interest groups over the use of public space, with established formal merchants and wealthier city residents on one side and the poor urban population on the other. Since 1929 Mexico City authorities have conducted a number of campaigns to remove street vendors from the city's historic downtown, at times with great violence. These campaigns have alternated with periods of 'corrupt toleration' by city officials. According to Gordon (1997b), these cycles of repression and toleration have been the result of changes in the city's employment situation, the changing interests of the ruling party, and transformations in the urban environment. He placed the present-day conflict over street vending in historical perspective, explaining how street vending came to be the intractable policy problem it is today. This perspective demonstrated that institutional failures in the Mexican legal and political systems bear principle responsibility for fostering conflict. This situation detracts from the efficient functioning of the city, if any, and provides political advantage and opportunities for corruption to public officials. The narrative of the street vending conflict presented by Gordon (1997b) also sheds light on the development of the state-society relationship in modern Mexico. In recent years and until the mid-1990s, street vendors (and other 'popular sector' groups) have taken on an increasingly important role in maintaining Mexico's ruling party in power. Gordon (1997b) suggested that this circumstance has favoured the vendors as a group, but has caused a situation in which the majority of vendors remain legally insecure and subject to exploitation by their own organization leaders and the political establishment.

John Cross's book is the work that most closely antedates and inspires this thesis. Using historical and ethnographic research, Cross (1998) showed how, starting in the mid 1950s and subsequently, local authorities combined harsh repression and negotiation to control the

informal occupation of public spaces in Mexico City. Street vendors responded by seeking protection from politicians in exchange for votes and political support. However, according to Cross (1998) the forging of clientelistic relationships, which is a common practice in Mexico, was only part of the story. Government officials, overwhelmed by individual applications for permits to sell goods on the thoroughfare and eager to rid themselves of continuous demands, offered to negotiate with street vendors but only if they formed organizations affiliated to the ruling party. The result was not the elimination of street vending as they had expected but the proliferation of street vendor associations, an unintentional outcome of the ambiguous interaction between state representatives and informal agents. In this case, city officials acted as a catalyst for the political mobilization of street vendors (Cross, 1998). In this way, Cross developed further the inquiry about the relationship between unregulated workers and the state.

In Fernandez-Kelly and Shefner's book the chapters by Centeno and Portes (2006), and Cross and Peña (2006) deserve particular attention. They both expanded our understanding of nuances in the relationship between government structures and informal agents. This is in contrast to earlier research which emphasized the antagonistic relationship between the state—conceived as the body responsible for the creation and implementation of legislative restrictions—and informal agents attempting to circumvent control. As these authors showed, that polarity proved to be, at best, a simplification. An important contribution of these two chapters is the elucidation of how economic behaviours intersect with regulatory structures. According to Centeno and Portes (2006) it is not only the state's ability to pass laws but also its capacity to enforce them that determines the size and shape of the informal sector. Their classification of 'frustrated', 'welfare' and 'liberal' states complements with Cross and Peña's (2006) use of the terms 'informal', 'illegal' and 'mafia' to identify different types of economic transactions among unregulated workers and entrepreneurs. The intersections of this model yield various results. In some cases, informality favours state regulation, in others, it opposes it. At first sight, the informal sector may seem homogeneous but, as these authors revealed, it is internally heterogeneous.

1.3.6 *The conceptualization of the informal sector evolves*

Conceptually speaking, things started to evolve by the end of the 1990s. In 1999, economist William Maloney published a paper titled: 'Does Informality Imply Segmentation in Urban

Labor Markets? Evidence From Sectoral Transitions in Mexico.’ In it Maloney (1999) argues that the traditionalist dualistic view of the relationship between formal and informal labor markets is probably conceptually inappropriate. He uses the National Urban Employment Survey (Encuesta Nacional de Empleo Urbano, ENEU), taking advantage of its panel characteristic, which follows individuals for fifteen months, to examine earnings differentials and mobility patterns as workers move from formal salaried employment to three modalities of informal work: self-employment, informal salaried employment, and contract work. He concludes that both earnings differentials and mobility patterns indicate that much of the informal sector is a looked-for alternative for workers. Therefore, these modalities of informal work can exist in unsegmented labor markets, and they can be actually well-integrated.

A few years later, in 2004, Maloney published ‘Informality Revisited.’ Maloney (2004) is related to Maloney (1999), going against the dualistic view of labor markets and offering a different view for the countries in the Latin American and Caribbean region. The author revisits the segmented labor markets view, citing evidence from his previous panel data analysis on Argentina, Brazil and Mexico, to conclude that, as a first approach, we should view the informal sector as an unregulated, developing country equivalent of the voluntary entrepreneurial small firm sector found in advanced countries (opposed to the view that the informal sector is a residual composed by disadvantaged workers rationed out of formal jobs). After presenting evidence to sustain this point, the author concludes that policies towards decreasing informality in the Latin American and Caribbean region should gear towards increasing the size and productivity of the formal sector.

Thus, during the first decade of the 21st century, as the phenomenon of informality was more widely recognized and studied, there has been a series of publications—papers and books with different approaches and from different disciplines—that advance the research on the topic on several fronts.²⁷

²⁷Further work by Fajnzylber, Maloney and Montes (2006), examine whether micro-businesses in developing countries have a similar or different behaviour from their industrial counterparts for the case of Mexico. Using the National Urban Employment Survey (ENEU) and the Mexico’s National Survey of Microenterprises (Encuesta Nacional de Micronegocios, ENAMIN), they conclude that the self-employment sector in Mexico corresponds to the dynamic models of voluntary entrepreneurship that is described in the mainstream literature, that correspond to the one existing for industrial countries.

1.3.7 *Recent developments on the evolution of concepts and policies of informality*

In 2006, a multidisciplinary group of distinguished scholars led by Guha-Khasnobis, Kanbur, and Ostrom contributed to *Linking the Formal and Informal Economy: Concept and Policies* (2006). The book revisits the concepts and measures of the formal and informal economies and then provides some empirical studies of policies and inter-linking between informality and formality. Among its main postulates are the proposal of moving beyond the formal-informal dichotomy and the suggestion of taking a more subtle or ‘nuanced’ approach, and considering the conceptual and empirical advances and past policy failures when characterizing informality as disorganized or unsystematic. Particularly useful for this thesis are chapters 5, 7 and 14. Chapter 5 (written by Martha Chen) starts comparing the old and new views of the informal sector: the new views do not longer describe the informal sector as a traditional economy, marginally productive, and clearly separated from the formal sector. On the contrary, Chen argues that the new views have as a central characteristic a continuum of economic relations, where labor relations tend to fall in the middle of a continuum between a pure ‘formal’ relation (regulated and protected) and a pure ‘informal’ one (unregulated and unprotected). She also claims that workers and production units can work simultaneously at different points of the continuum. Moreover, Chen proposes that the two extremes (formal-informal) are often dynamically linked: formal enterprises hire informal workers and many informal firms have a direct relationship with formal enterprises (e.g. buying them products or services). This ‘continuum’ proposal has an interesting corollarium for public policy design: the formalization debate should take into consideration that, depending on the segment of the informal economy that is being considered, there can be different meanings of the word ‘formalization’. According to this author, even though it is the desired way to go, the feasibility of formalizing the informal sector is unclear, and it is unlikely that all informal producers and workers can be formalized. Her main point is that, at the end of the day, the policy challenge is to decrease the costs of working in the informal sector and to increase the benefits of being formal. In chapter 14 (written by Sally Roever), illustrated by a study about street markets and informal traders in Lima (Peru), Roever claims that there is a need for a more stable and coherent regulatory framework. In the absence of such framework, there exists a high level of mistrust between leaders of vending organizations and policy-makers. Interestingly, this mistrust does not translate directly into unwillingness to formalize their businesses, which opens the door to discuss formalization. As in Chen’s chapter, Roever explains that the meaning of formalization varies, in her case, among street vendors, but in general, they agree that they could

be better off formalizing their businesses (that in many cases means owning or renting an off-street space instead of being in the streets). Chapter 7 (written by Norman Loayza, Ana María Oviedo, and Luis Servén) is also an interesting contribution to the literature because it helps understand the linkages between informality and regulation. More specifically, it concentrates on the role of business regulation on economic growth and informality. Through regression analysis of data for more than 70 countries around the world, Loayza and his co-authors conclude that high levels of regulation are associated with lower growth, especially clear in the case of product and labor market regulation. They also point out the importance of taking into consideration the ‘quality’ of regulation: stronger institutions help mitigate the adverse impact that regulations have on growth. In terms of the impacts of regulation on informality, the authors conclude that an increase in either product or labor regulation leads to a rise in informality, but they also point out the importance of regulatory quality to attenuate this effect. Even though the authors find these results in terms of growth and informality, they do not recommend eliminating regulations, because they make sense from other points of view (social, environmental, etc.), but rather evaluating regulations in a more comprehensive way to understand both their economic and welfare implications.

In 2007, the World Bank published *Informality: Exit and Exclusion* (Perry et al., 2007), in which several specialists and economists examine informality in Latin America and the Caribbean. The authors continue the discussion started by Martha Chen and William Maloney about the informal sector in this region, deepening the analysis of the reasons for and causes of the emergence of informality and the implications of its growth. They describe informality as a manifestation of a flawed relationship between the state and its citizens and use two distinctive but corresponding perspectives to explain what drives informality. These are informality driven by ‘exclusion’ from state benefits or from the circuits of the modern economy, and informality driven by voluntary ‘exit’ decisions resulting from private cost-benefit estimates that lead firms and workers to opt out of formal institutions (Perry et al., 2007). The authors argue that both perspectives contribute to our knowledge of the causes and consequences of informality in Latin America. They conclude that reducing the levels of informality and overcoming the culture of informality will entail actions to increase aggregate productivity in the economy, improve and correct poorly designed social policies and regulations, and advance the legitimacy of the state by improving the quality and impartiality of state policies and institutions (Perry et al., 2007). Particularly useful for the theoretical conceptualization of this thesis was chapter 8, by Jaime Saavedra-Chanduvi, which refers specifically to the relationship between the informal sector and the state and presents an enriching study of

institutions and social norms where he argues that the state-society interactions underlying informality, whether leading to exit or to exclusion, ultimately represent an indictment of the general effectiveness and legitimacy of the state (Perry et al., 2007).

1.3.8 *Political organization in the informal sector*

In 2007, yet another group of scholars, led by Chen, Jhabvala, Kanbur, and Richards, contributed to *Membership-Based Organizations of the Poor* (2007), or MBOP, a term the authors use to refer to organizations whose governance structures respond to the needs and aspirations of the poor because they are accountable to their members. Through its chapters—some theoretical, some empirical, and comprising specific case studies from South Asian, African, and Latin American countries—the book elucidates several aspects of grassroots organizations, including: what activities and structures characterize them; what their internal governance structures and leadership styles are; why some organizations are successful while others are not, and what factors account for the success; whether these factors are replicable across countries or even within the same country; and what constraints there are of successful MBOP organizations that want to expand and/or of new ones being formed. While informality is not exclusively a phenomenon in which only the poor participate, the associations of informal street vendors have their origins in this type of civil society or grassroots organizations and that is why the views expressed in this book are valuable for the purpose of this thesis. Relevant for this work have been the introductory chapter 1 (written by the editors of the book) and chapter 14 (written by Sally Roever) on Lima’s street vending organizations.²⁸ In the introductory chapter, the authors summarize the findings of the different study cases showcased in the book, but they do not stop there: they also extract from the compiled research the internal and external determinants of success factors and challenges faced by MBOPs around the world.²⁹ In addition, the authors claim that there is an important role played by these

²⁸In a previously cited book (Guha-Khasnobis, Kanbur, and Ostrom, 2006), Sally Roever also analyses informal street vending in Lima, Peru, but does so in relationship to the need for a more stable regulatory framework. In the case of Chapter 14 in Chen, Jhabvala, Kanbur, and Richards (2007), Roever analyses street vending organizations in relation to its main success factors and challenges.

²⁹According to the authors, the external factors behind successes and failures include: “functioning democratic structures; capacity to run the organization; a moral code that guides actions; an enabling legal, political and policy environment; diversified sources of finance and support that do not themselves undermine the MBOP”; and the internal and external challenges that MBOPs face, as they grow and become more complex include: “enhancing management capacity; maintaining accountability of organization to members; ensuring an enabling, rather than debilitating, flow of external finance and support; changing the policy and regulatory environment so it becomes more enabling of MBOP operations and of the members of MBOPs.” (Chen et al., 2007:19).

organizations in terms of their impact on the country's development. To preserve them and maximize their development impact, the authors claim that there should be a set of reforms in terms of their regulation, financial support, and inclusion in national and international deliberation and policy making. Chapter 14, written by Sally Roeber, looks at twelve street vendors organizations (classifying them as MBOPs), assessing their ability to achieve organizational success. Even though she claims that some of these organizations can reach success in terms of influencing the policy-making process and obtaining benefits for their members, she concludes that a lack of compliance with the internal governance structure limits the success of these organizations.

Also in 2007, a book was edited by John Cross and Alfonso Morales *Street Entrepreneurs: People, Place and Politics in Local and Global Perspective*. The book is a collection of works by several contributors focusing on the dynamics of street vendors and street markets worldwide, and includes case studies from Latin America, Asia, and Africa as well as the USA and Europe. The book centers on the political and social regulations of street markets and their business strategies, methods of operation, and survival tactics. Its main line of argument is that street vendors are reviving after several decades in which they were supposed to disappear, to be replaced by more modern, efficient, and formal alternatives (supermarkets). However, policy-makers and consumers are finding that street vendors and street markets animate and revitalize social landscapes, and provide an important source of employment and a useful supply of essential goods, particularly for the overlooked urban poor. While street vendors are no longer generally seen as outcasts, they still face significant persecution and abuse from government officials in many places in the world, and are generally perceived only to be relevant at the local level as a curiosity or as a mechanism for survival. The chapters in this book address several issues, such as the struggles that street vendors have faced to legitimize their activity, the role they play in helping societies to adapt to or survive crises, and the functional role that street vendors play in the social and economic systems at global and local levels. The authors also analyze the ways in which street vendors can challenge the prevailing system of control of space and the concept of property rights by different means at their disposal (Cross and Morales, 2007).

1.3.9 Evaluation of policies and proposals to address informality in Mexico

This section presents an analysis of certain policies that have been recently tried in Mexico in order to reduce the size of the informal sector, or rather, to increase formality. In that sense, in 2007, Kaplan, Piedra and Seira published the paper ‘Entry Regulation and Business Start-ups: Evidence from Mexico’ (2007, 2011). They evaluate the Fast-Track Business Creation System (SARE)³⁰, a federal program implemented during the Fox administration aimed at reducing start-up regulatory costs. The program, targeted at municipalities, ensures that micro, small and medium enterprises can register and begin operations in only two days. Apart from speeding the registration process, the SARE clearly defines the procedures, fees and identities of entities involved in the registration process. This type of programs were designed and implemented with the objectives of decreasing informality and increasing tax revenues. Using three sources of data (INEGI census data, industrial classification data, and IMSS data) Kaplan et al. (2007, 2011) show the SARE program in Mexico generated 5 percent more new formal firms per month in the eligible industries in the municipalities that were implementing this program. Even though the effect of the program is positive and significant, they also conclude that these programs alone will most likely have a small effect on informality and firm creation. More comprehensive programs are necessary to have a sizeable impact on informality in countries such as Mexico, which have a relatively large informal economy.³¹

A few months later, Miriam Bruhn published ‘License to Sell: The Effect of Business Registration Entrepreneurial Activity in Mexico’ (Bruhn, 2008, 2011). Concurrently to Kaplan et al. (2007, 2011), Bruhn (2008, 2011)³² analyzes the effects of the SARE reform on registration, employment, prices and income.³³ While Bruhn (2008, 2011) shows that the reform increased the number of registered businesses by 5 percent in eligible industries, Kaplan et al (2007, 2011) found an estimated increase that is 7.6 times smaller. An important point is that both papers coincide in that the Mexican reform had a small impact on increased formal firm creation. Programs like this one will most likely have a small effect on informality, firm creation and

³⁰Fast-Track Business Creation System (Sistema de Apertura Rápida de Empresas, SARE).

³¹I speak more about SARE and this paper in Chapters 2 and 5.

³²Both Kaplan et al. (2007) and Bruhn (2008) published revised versions of their respective papers in 2011. I am including that year (2011) in the in-text citation for the reader’s reference.

³³The main difference between Bruhn (2008, 2011) and Kaplan et al. (2007, 2011) is that, instead of using the IMSS data, Bruhn uses the National Employment Survey (Encuesta Nacional de Empleo, ENE). She claims that the selection of this data set instead of the IMSS allows her to give a more precise estimate given that: (a) one disadvantage of using the IMSS data is that it does not capture registered firms without employees; and (b) not all registered firms with employees are included in the IMSS database. Additional differences mentioned by Kaplan et al. (2007, 2011) include the fact that the length of exposure to the program differs between the two papers.

growth. Other aspects such as the cost of paying taxes, and the small benefits of being formal should be addressed in order to find a sizeable effect in the economy.³⁴

Beyond policies that target individuals or enterprises, providing information or incentives to register as formal businesses, or increasing enforcement, there are also proposals that are broader in scope. This second type of proposals takes the own definition of informality, criticizing the fact that people with different labor statuses are treated differently at the fiscal level, and goes for the disappearance of this differential treatment of individuals according to their ‘labor status’, which automatically makes informality disappear (by definition).³⁵ One of the most important leaders of this type of proposals has been Mexican economist Santiago Levy. In 2008, he produced a seminal work on informality called *Good Intentions, Bad Outcomes: Social Policy, Informality, and Economic Growth in Mexico*. Levy analyzes the period between 1997 and 2006—the same period as that discussed in detail in this thesis—and finds that despite various reforms Mexico has become more economically stable but has had insignificant growth. He points out that the Mexican government has directed a growing number of resources into subsidizing the formation of informal jobs. These social policies and programs have hindered growth, promoted illegality, and provided unreliable social protection to workers, trapping many of them in poverty. Levy observes that at present more than 50 percent of Mexican workers are working informally, and about one-quarter of them are considered poor (Levy, 2008). He claims that informality has cornered Mexico into a two-sided quandary: provide benefits to informal workers at the expense of lower levels of growth and productivity, or leave millions of (informal³⁶) workers without benefits. To solve this state of affairs, Levy proposes that the existing social security system for formal workers should be transformed into universal social entitlements (Levy, 2008). To achieve this, he suggests eliminating wage-based social security contributions and increasing consumption taxes on high-income households to concurrently raise the GDP’s rate of growth, decrease levels of inequality, and enhance workers’ benefits (Levy, 2008). The most valuable contribution

³⁴There is additional evidence of the impact of “formalization policies” for countries other than Mexico. For the case of Brazil, De Andrade, Bruhn and McKenzie (2013) perform a field experiment in the state of Minas Gerais (Brazil), in order to test different policy instruments, such as: providing information about how to register, giving exceptions to some registration fees, and sending inspectors to the firms or sending inspectors to neighbour firms (to detect potential spillovers). The main finding of the paper is that giving information and reducing the costs of formalizing does not have a significant impact on formalization, but sending inspectors to the firms did result in a small increase in municipal registration.

³⁵A necessary caveat: a broader reform like to one proposed by Mexican economist Santiago Levy is much more difficult to pass politically. A long-term agenda with intermediate steps would be an essential part of such approach, because of the profound fiscal and economic impacts that it entails.

³⁶In Mexico, the social security system only covers salaried workers. Self-employed individuals and people employed by a company in a non-salaried capacity are excluded from receiving government benefits (Levy, 2008).

of Levy's book is that it issues a course of action to reform economic and social policy in Mexico, which is undoubtedly a fundamental element of introducing a fairer and sustainable development strategy for the country.³⁷

Drawing on Levy's theoretical model (2008), in *The End of Informality in Mexico? Fiscal Reform for Universal Social Insurance* (2012), Anton, Hernández and Levy analyzed the phenomenon of informality in Mexico from an economic perspective, defining informality as "the inobservance of contributive social insurance" (Anton, Hernández and Levy, 2007:11). The authors develop an economic model to study the implications of the dual social insurance architecture³⁸ existing in Mexico and propose a reform to shift taxation for social insurance from labor to consumption. The authors argue that this reform—consisting of setting up a value added tax (VAT) of 16 percent—will make it possible to provide all workers—regardless of their status of formality or informality—with the same health and pensions benefits, and to compensate poor households for the VAT increase, among other positive effects brought about by the reform.

In 'A Tale of Two Species: Revisiting the Effect of Registration Reform on Informal Business Owners in Mexico', Bruhn (2013) argues that there are different views that have been put forward in terms of explaining why many firms operate in the informal sector. One of them explains that informal business owners are being held back by registration processes in their desire of becoming formal entrepreneurs (De Soto, 1989). The other point of view, in contrast, proposes that informal business owners are so because they are in a transition period, they are trying to earn a living while searching for a wage job (Tokman, 1992). Using panel data from the Mexican National Employment Survey (Encuesta Nacional de Empleo, ENE), Bruhn (2013) follows the approach of De Mel, McKenzie and Woodruff (2010) to classify informal business

³⁷On July 22, 2013, Mexican president Enrique Peña Nieto announced the Program for the Formalization of Employment 2013 (Programa para la Formalización del Empleo 2013), a federal government program based on the principles laid down by Levy's work on informality. The initial stage was limited to 200,000 workers (less than 1 percent of the total number of informal workers in Mexico) and was in a pilot phase in December 2013. On September 8, 2014 President Enrique Peña Nieto launched a program to grant fiscal and social security benefits to those working on the informal sector willing to formalize, in order to stop informality and increase productivity. In an event named Let's Grow Together. Being Formal, It Is Good For You! (Crezcamos Juntos. ¡Ser formal, sí conviene!) the President signed the decree for the Regime of Fiscal Incorporation (Régimen de Incorporación Fiscal) and the Regime of Incorporation to the Social Security (Régimen de Incorporación a la Seguridad Social) which includes benefits such as access to health and social services, pension benefits, housing credits, income tax discounts, economic aid for the small entrepreneurs, credits for businesses, and training programs (Hernández, 2014).

³⁸The 'dual social insurance architecture' discussed by Anton, Hernández and Levy (2012) comprises the following components: First, firms and workers in salaried contractual relations are obligated to pay for a bundled set of health, pension and related programs. Second, nonsalaried workers benefit from an unbundled set of parallel programs paid by the government. These two parts compose the 'dual social insurance architecture' that exists in Mexico.

owners in two species: (i) ‘the formal business owners’, and (ii) ‘the wage workers species’, according to their potential for becoming formal business owners. The author uses the context of the SARE reform in Mexico that simplified registration procedures for start-ups to provide further evidence for the existence of these two species of informal business owners. She also examines the impact of the SARE reform on the two species to conclude that informal business workers from the ‘wage worker species’ are less likely to become formal business owners but they are 22.3 percent more likely to become wage workers. The impacts of the reform on the other species, namely, the ones that are called ‘the formal business owners species’ are less clear. In municipalities with low constraints to entrepreneurship, there were no effects; but in municipalities with high pre-reform constraints to entrepreneurship, the SARE program had an impact: informal business owners from the ‘formal business owner species’ are 26.2 percent more likely to register their business due to the reform. These results support the idea that there are two types of informal business workers that react differently to simplifying regulation reforms: some operate informally due to stringent regulation and they would react positively to these reforms; while others are looking for a job and they would switch to being a wage earner as soon as the opportunity arises. Bruhn (2013) again points out to the fact that the impacts of these reforms are positive but small. In the case of this particular paper, Bruhn stresses that policies that try to increase incentives to formalize affect certain types of informal workers (but not others). Therefore, they do not have the broader impact that is necessary or desirable.

Overall, there is still a need for broader and more effective policies to reduce the size of the informal sector, stimulating the growth of formal employment. A policy agenda should take into consideration political challenges that have to be addressed in order to be able to pass a broad and sustainable reform.

1.4 Research questions and general goals of this work

As mentioned earlier, there is a gap in the scholarly knowledge of the informal sector (in Mexico and worldwide) due to the omission of political questions. One of the most important questions that has not been addressed refers to the impact that political change and democratization have over the dynamics of the informal sector and its agents. In the particular case of Mexico, neither Gordon (1997a, 1997b) nor Cross (1995, 1996, 1998), the two authors who have dealt more in depth with the politics and political economy of informality in Mex-

ico, tackle this issue fully; and it is tangentially treated or dealt with in a different light in Fernandez-Kelly and Shefner (2006).³⁹

Addressing this question is important in terms of understanding a process of change. In Mexico, before democratization the informal sector (i.e. informal street vendors) was part of the corporatist structure of the Mexican state; after democratization it is part of a relatively more pluralist set up. This has potentially ambiguous effects on the informal sector: On the one hand political competition can give political market power to the informal organisations/leaders to bid for protection and welfare. On the other hand electoral competition also gives voice to citizens and business organisations that demand the eradication of the informal sector, among other things. The understanding of these phenomena and the potential avenues for research and policy-making is what give relevance to this thesis.

Thus, the main goal of this thesis is to learn to what extent and in what ways recent political change in Mexico—democratization and the alternation of political parties in power—has affected the dynamics between the informal sector (street vending), the state, and political parties. For this, this thesis uses the process of democratization and the alternation of political parties in power as a natural experiment that offers variation in terms of which party is in power, and hence the opportunity to observe how linkages between politicians, government officials and street vendor groups are made and unmade as power changes hands. Thus, the articulation between politicians, government officials and informal workers and their leaders is the main focus of this dissertation. Therefore, the research question this thesis asks is:

How did increasing political competition, resulting from democratization and alternation of political parties in power, affect the politics and policies of informality (informal street vending) in Mexico?

In searching for the causality and the specific details of the research question, the following set of four enquiries also follows the main research question:

1. How is the relationship between state and individual in an informal sector framework? What is the ‘culture of informality’? What is ‘semi-formality’? Can informality be viewed as the outcome of a broken social contract? What have been the policy responses towards informality and why they have not been effective? (Discussed in Chapter 2).
2. What are the general characteristics of street vendor groups and organizations? How do street vendors interact with the government to get what they want, or not? How

³⁹Particularly the chapters by Centeno and Portes (2006), Cross and Peña, (2006), Ramírez Saiz (2006), and Shefner (2006).

do these interactions alleviate or exacerbate the problems of the informal sector? Did alternating politicians capture street vendors organisations/leaders? Or did their leaders capture politicians? (Discussed in Chapter 3).

3. How has been the development of informal street vending through modern history in Mexico? What role has politics played on informality and informality on politics? How are policy formulation and programs towards the informal sector affected by the involvement of public agencies, local business leaders, (informal) grassroots groups, or others? How linkages between politicians, government officials and informal street vendors vary as power changes hands? (Discussed in Chapters 4 and 5).
4. How does a well-organized and powerful informal vendor organization work? (Discussed in Chapter 6).

These questions are answered through a qualitative research method based primarily on historical, political, and case study research analysis.

1.5 Methodology, research design, techniques and information sources

To answer the *how* and *why* of the research questions, this thesis is committed to empirical enquiry because it seeks to establish relationships between two or more concepts in an effort to explain the occurrence of observed political phenomena (Landman, 2007). This thesis follows a qualitative research method, mainly because it aims to respond to political questions of informality related to human behaviour and the reasons behind it. Because of the elusive and often secretive nature of informality, it makes sense to use a qualitative method, as these characteristics—elusiveness and secrecy—limit the availability of hard numerical data. In fact, as this thesis deals only with a single country (Mexico), this research can be categorized as a single-country study. While experiments can only rarely be conducted in political science research, this thesis uses the process of democratization in Mexico and the alternation of political parties in power as a natural experiment that offers variation in terms of which party is in power, and therefore the opportunity to observe how linkages and relationships between politicians, government officials, and informal street vendors are made and unmade as power changes hands.

1.5.1 *Methodology*

Due to the particular nature of informality mentioned above, research on informal sector organizations, activities and individuals requires considerable methodological flexibility, and therefore combining different methodologies may be a useful strategy. Therefore, this thesis avoids epistemological and methodological disputes while keeping rigor and the generation of cumulative progress as its basic principles.

The first methodological tool used in this thesis is comparative research. A single-country study is considered comparative if it uses concepts that are applicable to other countries, develops concepts that are applicable to other countries, and/or seeks to make larger inferences that stretch beyond the original country used in the study (Landman, 2007). What should be recognized is that inferences made from single-country studies are necessarily less secure than those made for the comparison of several or many countries. Nevertheless, such studies are useful for examining a whole range of comparative issues (Landman, 2007).⁴⁰ Single country studies provide contextual description, develop new classifications, generate hypothesis, confirm and infirm theories, and explain the presence of deviant countries identified through cross-national comparison (Van Evera, 1997; Gerring, 2004; George and Bennett, 2005; Lees, 2006). This research achieves several of these purposes.

Comparative research in single-country studies can take many forms. In this thesis, the comparative research takes the form of a comparative historical-political analysis. This strategy involves tracking the same subjects of analysis over time. It is a chronological analysis of regulation, policies, government actions—and the general evolution of informal street vending—over an extended period of time (1929–2006). The comparative political analysis complements the historical analysis and consists of evaluating two stages in time. It presents an *ex ante* and *ex post* analysis of how the linkages and interactions between informal vendor groups and incumbent governments (and political parties) changed during the years of *alternancia* (1997 at city level and 2000 at federal level); as well as the continuation of the historical analysis of regulations, policies and government actions—now under the light of different ideologies and approaches depending on the party in power—in matters of street vending and informality in Mexico. The comparative historical-political analysis overlaps, but that was intended to attain a greater degree of validity through cross-verification (triangulation and cross-checking) (Lincoln and Guba, 1985; Seale, 2004a, 2004b; Denzin, 2006; Rothbauer, 2008).

⁴⁰For Eckstein (1975), single-country studies are the equivalent to clinical studies from medicine, where the effects of certain treatments are examined intensively.

The second methodological tool used is case study research. Case study research is useful to gain knowledge about single cases, which can then be put to comparison according to the comparative method or use the information and data gathered to use in triangulation⁴¹ and cross-checking techniques (Yin, 1989; Hamel, 1993; Stake, 1995; Gerring 2004, 2007; Creswell, 2009). Here, the case study research serves to both purposes: to gain knowledge about a street vendor organization (i.e. ALCC⁴²); and as a complement to the comparative historical-political analyses.⁴³ Moreover, case studies are useful for the development of contingent generalizations that can explain well-defined cases. However, this often comes at the expense of the parsimony and wide applicability of research findings (George and Bennett, 2005). This does not mean that one cannot say anything beyond the borders of a small-N study. Generalization can be made possible if selecting cases that are especially representative of the phenomenon under study or choosing ‘crucial’ cases (Gerring, 2004). Therefore, it is possible to identify underlining causal mechanisms at work, which is likely to be applicable to a vast number of cases with similar characteristics.

Thus, the combination of research methodologies (i.e. comparative and case study) is useful for bringing to light the causal mechanisms at work in the topic of research—to assess the impact a specific change has on existing conditions and norms—and the interaction between the independent variable (increasing political competition resulting from democratization) and the dependent variable (the politics and policies of informality (informal street vending)). Finding the empirical association of these two variables should yield a valid conclusion; and therefore greater confidence that the research has internal validity. Nevertheless, it is important to be aware that conclusions about causal relationships are difficult to determine due to a variety of extraneous and confounding variables that exist in a social environment. This means causality can only be inferred, never proven (Holland, 1986; Beebe, Hitchcock and Menzies, 2009).

In summary, this thesis carries out three types of analyses: first, an extensive historical analysis (of regulations, policies, government actions and significant events) which comprises

⁴¹Triangulation is a research technique that permit interaction in the analytical process of information by using findings and results from one kind of inquiry to enrich the analysis of findings and results from another. In other words, triangulation is a method of cross-checking data from multiple sources to search for regularities in the research data (O’Donoghue and Punch, 2003).

⁴²The street vendor organization known as the Legitimate Civic and Commercial Association (Asociación Legítima Cívica Comercial A.C., ALCC).

⁴³In other words, I use data triangulation and methodological triangulation, as it will be explained later in this section.

a general timeline between 1929 and 2006.⁴⁴ Second, a detailed comparative political analysis of the *ex ante* and *ex post* situation of informal street vendor organizations going through the democratization process and the alternation of political parties in power that occurred in Mexico, in the capital city and the federal government, between 1988 and 2006.⁴⁵ Third, it uses a case study to examine the largest and most powerful street vending organization in Mexico City, the Legitimate Civic and Commercial Association (Asociación Legítima Cívica Comercial A.C., ALCC).

1.5.2 *Historical research design*

The purpose of using a historical research design in this thesis was to collect, verify, and analyze evidence from the past to establish facts that allow to understand better the current situation of informality and informal street vendors (Howell and Prevenier, 2001; Mahoney and Rueschmeyer, 2003; Lundy, 2008). I used a variety of primary sources as documentary evidence, such as official government records, newspapers, reports, archives, and non-textual information (e.g. maps, pictures, and visual recordings). The only limitation was that the sources had to be both authentic and valid. In addition, I used secondary sources, mainly scholarly papers that shed light on particular issues related to informality or street vending during those years, particularly in the early stages of the period of study. When researching the last part of the period of analysis,⁴⁶ interviews with vendor leaders and government officials operating at that time were also used.

Historical research is unobtrusive, meaning that the act of research does not affect the results of the study (Howell and Prevenier, 2001; Mahoney and Rueschmeyer, 2003; Lundy, 2008). Moreover, since I was interested in examining not only the evolution of informality and informal street vending over time, but also the cycles of toleration and repression emanated from

⁴⁴My initial intention was to extend the analysis to 2008 or 2010. However, lack of space, lack of time, and the impossibility of coordinating a formal interview with the then head of government of Mexico City (Marcelo Ebrard) made it impossible to achieve this goal. Nevertheless, valuable information about these years was gathered; for example, an interview with Héctor Serrano Cortés, who was in charge of the Informal Commerce Relocation Program (PRCI) between 2008 and 2011 (during the Ebrard administration) and is currently secretary of government of the Federal District in the Miguel Mancera administration (2012–2018). Some of this information was included in Chapter 6, but more remains in my archives for use in forthcoming research.

⁴⁵I also intended to include a comparative analysis of street vendor associations, one affiliated with the PRI versus another linked with the PRD, but this comparison was not possible for the purpose of this work as I was unable to interview the organization of María Rosete (PRD) despite several attempts to get in touch with her.

⁴⁶Specifically, the recent period of democratic transition and alternation of parties in power in Mexico (1988–2006), to complete the comparative historical-political analysis.

policies, regulations and government decisions, the historical approach is well suited for this type of trend analysis. Historical records added important contextual background required to more fully understand and interpret the research problem. In those early years studied in this thesis, there is no possibility of researcher-subject interaction that could affect the findings.⁴⁷ It is only in the last stage of the historical research in which this thesis is focused (1988–2006) that this possibility arose, but I took particular care that no bias came into the research when a researcher-subject interaction occurred, particularly during the interview process.

Evidently, the ability to fulfill the aims of this research is directly related to the amount and quality of documentation available to understand the research problem (Lundy, 2008). Moreover, searching and interpreting historical sources can be very time consuming. In addition, original authors bring their own perspectives and biases to the interpretation of past events and these biases are more difficult to ascertain in historical resources. Due to the lack of control over external variables, some scholars argue, historical research tends to be weak with regard to the demands of internal validity (Howell and Prevenier, 2001; Mahoney and Rueschmeyer, 2003; Lundy, 2008). However, I used the technique of triangulation to avoid this problem since it facilitates validation of information and data through cross-checking from two or more sources, and the combination of other methodologies (i.e. case study) in the study of informality and informal street vending (Denzin, 1978, 2006; Seale, 2004a; Rothbauer, 2008).⁴⁸ Finally, it is rare that the entirety of historical documentation needed to completely address a research question is available. Therefore, gaps need to be acknowledged—as it happens in this thesis in the gap existent on the 1967 regulation on street vending and vehicular traffic.⁴⁹

1.5.3 Case study research design

The purpose of using a case study research design in this thesis was to reach an in-depth understanding of an informal street vendor organization. A case study is used to narrow down a very broad field of research (informal groups and organizations) into one more easily researchable example (the ALCC, a large and well-organized informal street vendor association)

⁴⁷The challenge while researching the early and middle years of the period of study (1929–1988) was to find the years where policies, regulations and/or events took place that effectively affected informality and street vendors. In that sense, the work of Gordon (1997a, 1997b) was extremely valuable.

⁴⁸I used both Data and Methodological triangulation to strengthen the validity of the results.

⁴⁹In that regard, the historical analysis presented in this thesis was slightly hampered because much of the archival information—mainly official government documents—on street vending and informality is fragmentary and at times non-existent, particularly during the early years of the period of analysis.

(Yin, 1989; Hamel, 1993; Stake, 1995; Gerring, 2004, 2007; Creswell, 2009; Hancock and Algozzine, 2011). A case study is defined as an intensive study of a single unit with an aim to generalize across a larger set of units (Gerring, 2004). In this case, the study of the ALCC aims to generalize across a larger set of informal street vendor organizations. The case study is useful for the purpose of this thesis since not much is known about the internal and external dynamics and the structure of large, powerful and well-organized informal street vendor associations. Eventually, the case study presented in this thesis may be useful for testing whether a specific theory and/or model actually applies to phenomena in the real world (Lijphart, 1971).

For the case study, I was able to apply a variety of techniques to gather information and data, and rely on a variety of information sources to investigate the research questions. The design of the case study was intended to add strength to what was already known about informal street vendor associations through previous research (Cross, 1998). Moreover, the case study helped to provide detailed description of specific and unusual practices in the informal street vendor association of study.

As mentioned earlier, a single case study may offer little basis for establishing reliability or to generalize the findings to a wider population of people, places, or things (George and Bennett, 2005). However, the fact that the informal street vendor organization analyzed is the largest, best organized, most powerful and one of the oldest that exists in Mexico should certainly qualify it as a 'key' or 'crucial' case of study and make possible a generalization of street vendors organizations of the same size, organizational-level, power and/or span; as well as an approximation of those organizations which are smaller, poorly organized, less powerful and newer than the ALCC (Gerring, 2004). The design of a case study generally does not facilitate assessment of cause and effect relationships, but this problem was generally solved by triangulation with the historical research also carried out on this thesis. This facilitated the validation of information through cross-verification from several sources. Obviously, due to the secretive nature of organizations and agents that work in informality, vital information may be missing, making the case hard to interpret in some issues; an example is the exact number of vendor members, which was never revealed to me, but that did not prevented me from finding other important features such as the structure and administrative organization of the ALCC.

The most important sources of information for the ALCC's case study were interviews with key informal street vendor leaders, political actors and experts on the subject of informality and street vending, as well as field research involving participant observation of informal street vendor groups and individuals. These were complemented with official government doc-

uments, newspaper reports, political magazine articles, and scholarly papers and publications. The interviews were particularly useful not only for the case study, but also to complete the comparative historical-political analysis.

1.5.4 Interviews and participant observation

This is a thesis about a series of practices and institutions of informal nature. This makes it very difficult to use ‘hard data’ as it can be done in research on formal institutions and processes (e.g. parliamentary practices). For this reason, the sources of information should be appropriate to the nature of these practices and institutions. This justifies the use of information and data collection methods such as interviewing and participant observation as key primary sources of information in this research.

For the process of interview selection, the criterion was to interview decision-makers (elite interviews⁵⁰) in all fronts along the spectrum of informal street vending (informal vendor leaders, public servants, government authorities, law makers) focusing on the later period of study (1988–2006) which corresponds to the period of democratization and *alternancia*.⁵¹ In addition, I wanted to learn from all those who were impartial, well-informed, and whose expertise gives them authority to explain and comment on informality issues in general and informal street vending in Mexico in particular; mainly international and national academics and journalists who have studied or reported on these topics for some time. Moreover, I also informally interviewed⁵² several street vendors in an effort to get some details on information I

⁵⁰With ‘elite interviews’ I mean discussions with people who are chosen because of who they are or what position they occupy (Dexter, 1970; Hochschild, 2009). In this case, it refers to influence and decision-making power in the many fronts of informality and street vending in Mexico. Those whose decisions and authority have a direct impact on informality and street vending. For these interviews, I prepared very thoroughly, reading material and outlining a set of questions I wanted to ask the interviewee. I normally followed this outline, but also let the interviewee expand on issues they wanted to underscore. As I was well prepared for these interviews, I was able to test or present opposing views on some issues discussed, in this way doing cross-checking during the interview itself. I made recordings of these interviews or took notes while interviewing. Later, I transcribed the recorded interviews and used the data in cross-checking and triangulations with other sources to strengthen the validity of the information gathered.

⁵¹The *alternancia* occurred at city level in 1997 and at country or federal level in 2000.

⁵²More than ‘interviews’, what I had with individual street vendors were ‘conversations’ attempting to get as much information as possible. After doing observation, I would randomly approach a stand and ask for the product offered to begin a conversation. As the conversation continued, I would ask questions related to what I was interested in knowing. Some vendors were open and cooperative but the great majority were not. Street vendors are very cautious when approached by strangers who are interested in the particularities of their activities. When a street vendor agreed to talk to me, I attempted to use the snowballing method to get more vendors to speak to me, but it did not always work. I did not make any recordings or took notes while doing these informal interviews (this would have aroused the suspicion of the vendors), but would write down my findings after I returned home.

was interested in their practices (e.g. how many days a week they work, etc.) and to get a general feeling of their own personal perspective (Marshall and Rossman, 2006). At elite level, I was successful in getting interviews with key individuals and relevant partakers, particularly those who were in executive positions before and after the alternation in power in Mexico City (Manuel Camacho Solís and Cuauhtémoc Cárdenas, respectively) as well as the leader of the most prominent street vendor organization in Mexico City (Alejandra Barrios). Information and data obtained in interviews were particularly useful for getting the story behind the participants' experience and as a complement (in triangulation) to what I found in different sources (newspapers, official government documents, scholarly research, etc.). Moreover, since interviews are a far more personal form of research than other type of research instruments, interviews were very useful in understanding the particular standpoints of the interviewees—particularly from those who are or were direct participants on informality or street vending issues. The information and data obtained in these interviews were of high value for the research and constitute one of the most valuable contributions of this thesis.

For the interview process, different interviewing techniques were applied (Marshall and Rossman, 2006; Kvale and Brinkmann, 2008). Semi-structured interviews were conducted with each of the main or elite interviewees—namely, former Mexico City mayors and heads of government, street vendor leaders, public servants, legislators, and some academics. Unstructured interviews were conducted with other interviewees—mainly former street vendors, journalists, and some academics. Informal interviews were conducted with current street vendors after the process of participant observation. In all cases, the exact wording of the interview was not critical since there was no intention to obtain a statistical sample. Rather, in each interview the aim was to try to get as deep an understanding of the subject as possible from the interviewee's point of view (Marshall and Rossman, 2006; Kvale and Brinkmann, 2008).

I spent a fair amount of time during the research doing participant observation in the streets of the Historical Center, particularly in Tacuba street (near the Allende Metro station), Correo Mayor street (behind National Palace), and the corner of Eje 1 Norte avenue and Republica de Argentina street, all in the Cuauhtémoc Delegation.⁵³ I chose this observation points because they have a high incidence of informal street vending activity, and because the vendor leaders were located there or nearby. These observations provided valuable information to document the methods and practices through which street vendor groups make sense of their world (Mar-

⁵³The first point of observation corresponds to the group of Alejandra Barrios, the second to a group associated with the PRD (likely to be related to Rene Bejarano), the third to the group of María Rosete.

shall and Rossman, 2006, Glesne, 2010).⁵⁴ For example, I was able to witness directly how the street vendors are organized in the thoroughfare, the types of stands and paraphernalia they use, the different products they sell, the type of interaction they have among members of the same association, with the authorities, and with members of other vendor groups. In one case, I saw how fees were collected *in situ* from members of an association. In addition, I witnessed a removal operation performed by the police working together with city authorities in charge of controlling street vending. All these direct observations and experiences provided an essential insight into the daily nature of informal street vending and the process of its organization and enforcement, which helped to complete the profile in the analysis of both street vendors and vendor organizations, to understand better their dynamics on the field, and to elucidate and give direction to the analysis of this work (Marshall and Rossman, 2006; Glesne, 2010).

1.5.5 Other methodological issues

Validity and reliability of the research findings have to be determined in order to evaluate their usefulness (Morse et al., 2002). Overall validity was prioritized over reliability—understanding validity as an assessment of ‘credibility’ or ‘degree of approximation of reality’ (Johnston and Pennypacker, 1980; Lincoln and Guba, 1985), and reliability as an assessment of ‘dependability’ or ‘consistency’ (Lincoln and Guba, 1985; Kirk and Miller, 1986; Seale, 2004b). Qualitative scholars have produced validity criteria which can be used to examine how well methods explore research aims. Lincoln and Guba (1985), for example, assess the validity of findings through ‘credibility’. Credibility is assessed on “prolonged engagement with the research field, triangulation, and reflexivity”⁵⁵ (Seale, 2004b:77). I have engaged with these criteria through the use of triangulation of the information gathered through interviews, written material, and participant observations to present a credible account of this research (Seale, 1999).

Thus, the main research technique used in this research was triangulation. I used both data triangulation and methodological triangulation. Data triangulation refers to the use of

⁵⁴In general, I would find a spot in the sidewalk and sit to observe the participants. I would pretend I was reading or waiting for somebody and would take notes. Duration of each observation session would range between one and four hours. I did the observations in the mornings and afternoons. I used my yearly visits to Mexico to do the observations. I would dedicate at least two days and a maximum of five of each of the two-week visits I did to Mexico. I did this in 2009, 2010 and 2012. I would try to observe patters (e.g. time at which vendors open or close) or a special event (e.g. removal operation or collection of fees).

⁵⁵Reflexivity basically means thinking critically about the research experience and process, and considering influences on the research process which affects how well the researcher has been able to gather information (Seale, 2004a).

different data sources or information (Denzin, 2006; Rothbauer, 2008). Methodological triangulation refers to the use of multiple qualitative methods to study a phenomenon (Denzin, 2006; Rothbauer, 2008). If the findings from all the methods draw the same or similar conclusions, then the validity in the findings has been established (O'Donoghue and Punch, 2003; Seale, 2004a; Denzin, 2006; Rothbauer, 2008).

Quantitative data on informality and street vending in Mexico and Mexico City included in other studies and others produced by different independent agencies and the federal and city governments, are included in this thesis for descriptive rather than quantitative analytic purposes. This is because of questions over the accuracy of the data, some of which is likely to contain a considerable bias generated by the likelihood that informal street vendors may be unwilling to give precise information about themselves or about their activities to data collectors, survey takers, and/or government officials. Equally, street vendor leaders were reluctant to share the precise number of members of their organizations under the pretext that the membership lists are not updated. In recent years, Mexico's statistical agency—the National Institute of Geography, Statistics and Informatics (Instituto Nacional de Estadística, Geografía e Informática, INEGI)—has created a database with more reliable data on informality and the informal sector—although information is generally not disaggregated into different informal activities⁵⁶—and only exists at state and federal levels.⁵⁷

Hopefully the combination of research methodologies, analytical approaches, multiple sources of information, and different viewpoints included in this thesis will go into great length in overcoming the weaknesses, intrinsic biases, and the problems that come from researching a subject of great complexity as it is informality and informal street vending.

⁵⁶The National Employment Survey (ENE) had information on the number of 'individuals working as street vendors' from 1998 to 2004, but the variable was discontinued when the ENE was substituted by the National Survey of Occupation and Employment (ENOE) in 2005. In this thesis, I use ENE's data to illustrate some points, but it is limited to the period (1998–2004).

⁵⁷The National Employment Survey (Encuesta Nacional de Empleo, ENE) was a demographic tool developed by the INEGI and implemented between 1998 and 2004. Together with the National Urban Employment Survey (Encuesta Nacional de Empleo Urbano, ENEU) (1987–2004), they provided information about the employment status of the Mexican population. The ENE had information of 'individuals working as street vendors' from 1998–2004. However, in 2005, the National Survey of Occupation and Employment (Encuesta Nacional de Ocupación y Empleo, ENOE) replaced both surveys (ENE and ENEU) as the main labor-demographic tool used by the INEGI. The ENOE did not classify 'individuals working as street vendors' (as it had been done in the ENE), instead using 'individuals working in the informal sector'. Because of this, it became harder to follow the 'street vendor' sub-category after 2004. The Informal Sector is a broader concept which also covers other sub-categories of informal activities.

1.6 Ethics and the challenges and risks of research

Research in circumstances where social conflict and conflicts of interest exist can present a number of ethical difficulties for researchers, particularly when dealing with political and economic actors on opposite sides of the conflict or with diametrically opposed interests (Sluka, 1990; Punch, 1994).

In such an antagonistic political setting, a researcher who moves to and fro between opposing sides often gains access to information about one group that could prove particularly useful or beneficial to another. In the same way, opposing sides may consider a researcher to be treacherous or disloyal if that person spends too much time with the opposite side—whether the government, a formal business, or another informal vendor group. However, my integrity was never put in doubt by any of the interviewees, although some of them—particularly government officials and the leader of one of the larger street vendor associations—were extremely cautious about the information they provided about themselves, their administrations, and/or their organizations.⁵⁸

On some occasions, individuals gave me confidential information about corruption or other unlawful activities—such as drug trafficking—perpetrated by groups, leaders, or government officials whom they opposed. Indeed, as I obtained information about most issues I researched from different viewpoints, interviewees told me directly conflicting things about each other. This placed me in danger of being misinformed and manipulated by individuals attempting to defame their enemies with false or misleading charges, and to present themselves as cleaner, fairer, and more benevolent than their opponents.⁵⁹ It is worth underlining that I have tried to be as objective as possible, avoided taking sides, and tried to state the facts I found during this research as clearly and accurately as possible. The challenge to be objective when using this kind of information was certainly difficult, but triangulation helped a great deal.

In general, detailed confidential information of this kind could not be fully corroborated without being too inquisitive and thus running the risk of damaging the established relationship with the interviewees. Fortunately, this information was mostly peripheral to the main purposes of this work, which focuses on analyzing broader political processes and not

⁵⁸Before any interview, I made sure to present and identify myself as a researcher or student to avoid interviewees (especially street vendors or their leaders) being suspicious that I was an informant of the government, the police, or any other agency or institution that could be harmful to them.

⁵⁹Such was the case between PRD's María Rosete and PRI's Alejandra Barrios; and Alejandra Barrios and Dolores Padierna.

individual cases of corruption or trafficking, although it might be important to take account of it when considering the wide extent of informality. Nevertheless, the progression of accusations and counter-accusations on itself reveals the importance of information manipulation, in addition to the patterns of convergences and divergences, coalitions and disputes, and cooperation and dissociation among government authorities, political parties, and street vendor organizations.

Participant observation of any kind usually has some impact on the behavior of the subjects of observation, even though it is not clear exactly how this influences the social and political processes under research. One benefit of doing participant observation with informal street vendor groups is that they see in the observer somebody to speak to who hardly ever disagrees with them and who is interested in everything they do. Over time, the observer may become trusted and therefore a confidant. However, gaining their confidence can be a rather difficult task. In general, informal street vendors—particularly if they sell goods that infringe or potentially have infringed the law in one way or another—are very reluctant to share information with strangers since they could be under-cover police, government investigators, or informants for the government or copy-right protection associations collecting information that could lead to detention or prosecution.

Thus, although sales take place in the thoroughfare, it is usually far too dangerous for informal street vendors to speak about their businesses with an unknown person. They are afraid that someone may set them up for money or vengeance. Only with the recommendation of the leader of their organization could they feel secure about talking about their activity, but even then they could reject the invitation. Needless to say, insisting on carrying out a conversation or interview on these issues can be very dangerous for the observer as well. In the Historical Center, where violence and crime are daily occurrences, it is better to know the limits and take precautions.

Conversely, having access to confidential information about individuals, government plans, or informal group strategies could have allowed me, deliberately or accidentally, to provide such information to the actors involved, but as far as it is possible to know, I never released any confidential information about one individual or group to another. This was important for two reasons: first, it would have prevented me from observing how opposite groups resolve their mutual problems on their own. Sharing important information would have certainly influenced the outcomes, but as the process of participant observation advanced, it became clear that informal street vendor groups were rather proficient in dealing with their problems effectively. Second, it was important for the validity and objectivity of this research not to

make value judgments about which informal street vendor group, politician, or government official was good and decent or bad and immoral, much less to provide assistance to one of the sides in any dispute.

1.7 Street vending as a representation of informality

Informality is a complex phenomenon. In order to carry out a political and historical analysis of a phenomenon of this kind, which represents a high level of difficulty, it was indispensable for practical reasons to narrow the various forms of activities included within the broader concept of ‘informality’ to only one—informal street vending. For the same reason, it was also important to concentrate on a particular geographical area—Mexico City, and specifically the Historical Center.⁶⁰ Only this approach made it possible to analyze informal street vending in detail, from different perspectives and viewpoints, using a variety of methodological instruments and research techniques.

Evidently, this approach restricts the analysis in a number of ways. Political and economic behavior differ in other forms of informal activities (such as informal housing or informal transport), which may be less or more detectable or observable than informal street vending; or that, for their own nature, may be less or more individualistic than informal street vending, respectively. In addition, as this work shows, the political nature of informal street vending (and of informality in general) is shaped—and to a certain point determined—by the specific political and regulatory systems within which it functions.

Thus, ‘street vending’ or ‘informal street vending’,⁶¹ as I will refer to it, was chosen as the main informal activity of analysis in this work for a number of reasons. First, informal street vending is the most representative informal activity of all because of its visibility, ubiquity, scope, and position in the public space. These characteristics have made informal street vending the ‘public face’ of informality. This, in turn, puts informal street vending at the forefront of the informality debate, making it also the main target of criticisms and pressures of dif-

⁶⁰Traditionally, the Historical Center of Mexico City has been a hub for commercial activity—and therefore for informal street vending—for decades and even centuries.

⁶¹Throughout this work I will generally refer to ‘street vending’ as ‘informal street vending’ to underline its condition of informality and to specify as much as possible this particular activity among the different informal activities that exist, following the recommendation of Gary Fields (2011) and Sinha and Kanbur (2012). Likewise, I use the expression ‘informal vendors’ more generally to include also those informal vendors who are not necessarily on the thoroughfare (e.g. those who sell on the Metro), and the expression ‘vendors’ in general to include individuals who may sell on commercial plazas but whose legal status is ambiguous (semi-formal) and may not be entirely formal.

ferent kinds and from different sectors, among more general criticisms of informal economic activities in general. There is a reason for these criticisms and pressures. Informal street vending has been and is accused of causing problems and creating difficulties in matters of urban planning, urban transit, rehabilitation of historical sites, urban infrastructure, public health, unfair competition, and countless other areas, generating complaints from established commercial businesses, neighbors, authorities, and citizens in general. The economic, political, and social implications of all these are among the topics of study of this work.

Moreover, informal street vendors themselves compete over street vending areas with other groups, at times through violent methods, generating a permanent state of existing or potential conflict over space on the streets. This again makes them the leading target of criticisms and complaints, and places them once more at the front line of the debate over informality in the modern urban context (Cross, 1998). Thus, the presence of informal street vending triggers an instant discrepancy between the economic realities of a country and the modern version of it that its leaders would like to convey. As we will see, all these conditions have strong political implications.

Second, the number of people working in the informal sector as informal street vendors is certainly significant. Nobody knows for sure the exact number of informal workers laboring as informal street vendors in Mexico but an approximation is possible. If we take the data from the National Employment Survey (ENE⁶²) (which has the numbers of individuals working as street vendors) and the data from the National Survey of Occupation and Employment (Encuesta Nacional de Ocupación y Empleo, ENOE⁶³) (which has the number of individuals working in the informal sector) for the Federal District, for the period 1998–2004, we can get an approximate number of the percentage of individuals working in the informal sector as informal street vendors (Table 1.1).

⁶²The National Employment Survey (ENE) was a demographic tool developed by the INEGI and implemented between 1998 and 2004. Together with the National Urban Employment Survey (ENEU) (1987–2004), they provided information about the employment status of the Mexican population.

⁶³In 2005, the National Survey of Occupation and Employment (ENOE) replaced both surveys (ENE and ENEU) as the main labor-demographic tool used by the INEGI. The ENOE did not classify ‘individuals working as street vendors’ (as it had been done in the ENE), instead using ‘individuals working in the informal sector’. Because of this, it became harder to follow the ‘street vendor’ sub-category after 2004. The Informal Sector is a broader concept which also covers other sub-categories of informal activities.

Table 1.1.: Percentage of Individuals Working in the Informal Sector as Street Vendors (Federal District, 1998–2004)

Year	Street vendors [†]	Informal workers [‡]	Percentage
1998	160,949	1,029,514	16
1999	164,151	970,844	17
2000	169,275	910,083	19
2001	163,040	936,998	17
2002	167,792	996,880	17
2003	173,964	996,319	17
2004	220,917	1,084,524	20

[†]Source: INEGI's National Employment Survey (Encuesta Nacional de Empleo, ENE) (INEGI, 2004).

[‡]Source: INEGI's National Survey of Occupation and Employment (Encuesta Nacional de Ocupación y Empleo, ENOE) (INEGI, 2010c). Data with population of 15 years or more (The minimum legal working age in Mexico is 15 years old). Note 1: I have taken the second trimester of each year and not the yearly average to complete this table.

Note 2: The INEGI has used, when possible, the data gathered by the ENE (1998–2004) and ENEU (1987–2004) to build the ENOE (InfoLaboral) series from (1995–2004), using the ENOE's criteria. The ENOE substituted both ENE and ENEU in 2005.

The average percent for the seven years available is 18 percent in the Federal District.⁶⁴ A considerable amount if we take into account that informal street vending is only one of the many different sub-categories of informal employment. In addition, informal street vending is also only a part of a broader segment which is informal trade. Informal trade includes street vending but also other informal activities related to informal commerce.

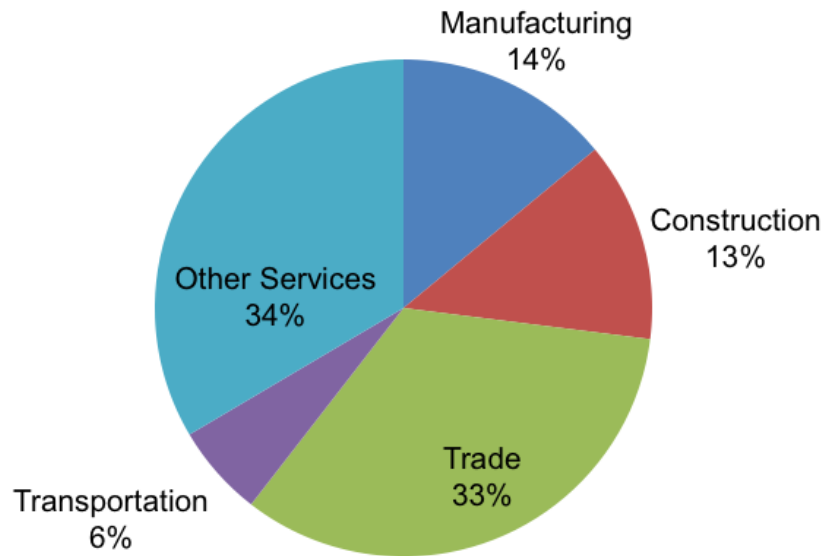
We know that informal employment outside agriculture is dominated by service activities, such as informal trade, informal transportation, and various other informal services. According to Vanek et al. (2014), informal trade is perhaps the single most important branch of economic activity in the informal sector, and informal street vending is a key component of informal trade. While Vanek et al. (2014) do not have data disaggregated by country, they do account for the importance of informal trade in Latin America (Figure 1.1).

Thus, in Latin America informal trade accounts for one third of the total (non-agricultural) informal employment by branch of economic activity.⁶⁵ Therefore, we can confirm that infor-

⁶⁴I did the same exercise for the whole country, finding that the average percentage for the seven years is of 13.45 percent. The number is smaller as a large number of individuals in rural areas do not work as street vendors (since street vending is in its large majority an urban occupation). Informal workers in rural areas work mostly on informal agricultural activities and therefore that portion of informal workers brings the percentage of informal street vendors down at the country level.

⁶⁵In Latin America, non-agricultural employment as a percent of total employment is of 82 percent. Moreover, informal employment as a percent of non-agricultural employment is of 51 percent. In Mexico, informal employ-

Figure 1.1.: Distribution of (non-agricultural) Informal Employment by Branch of Economic Activity in Latin America (Percentage, 2004/2010).



Source: Author, with data from Vanek et al., (2014).

mal trade and particularly informal street vending have great relevance in the discussion on the informal sector and informality. This information supports the argument to focus on the particular sub-category of informal street vending.⁶⁶

Third, informal street vending in Mexico is a phenomenon that is widely known and relatively well documented by the mass media, government agencies, independent organizations, and a growing number of researchers in different academic areas and institutions. Therefore, valuable and substantive material is available from different sources; and some of this material has not been thoroughly examined until now, which gives high added value to this research.

Lastly, I have made an effort to gain access to key individuals whose strong interests in informal street vending or direct participation in the events presented in this work were fundamental to the study of informal street vending in particular and of informality in general

ment as a percentage of non-agricultural employment is of 54 percent, all for the period 2004/2010 (Vanek et al., 2014).

⁶⁶According to Chen (2002), in countries where data is available, informal traders—mainly street vendors—represent a very high proportion of employment in trade (between 73 and 99 percent), and a significant share of trade gross domestic product (between 50 and 90 percent). In other words, street vendors represent an important share of total employment in the informal sector and street vending units represent an important share of total enterprises in the informal sector (Chen, 2002).

included in this research, starting with informal street vendors themselves and the leaders of their organizations, government officials and political leaders, policy-makers, law-makers, journalists, and researchers and academics who have dealt with this phenomenon in one way or another before and during the period of study.⁶⁷

1.8 Contributions of this thesis

This thesis makes several distinct contributions to the literature on informality and street vending, as well as the literature on Mexican politics, history, and political economy.

Theoretically, it contributes to the discussion on the definition of informality concepts. It elaborates on the conceptualization of the ‘culture of informality’ defining it as something broader than just a “social norm of noncompliance” (Perry et al., 2007:13). Moreover, it introduces a third notion of ‘semi-formality’ (see Chapter 2)—different from De Soto’s (1989) and Cross’s (1998) definitions—which is based on the legal status of informal organizations (civil associations). It supports the view that informal activity should be understood as a continuum of compliance rather than a well-defined and unambiguous dichotomy (Moser, 1994; Maloney, 1999, 2004; Chen, 2006); therefore, formalization can be a gradual process that does not involve moving from one fixed state to another.

Empirically, it contributes to the knowledge of the informal sector by providing a historical analysis of the evolution of informality and street vending in Mexico, an approach that very few scholars have used—Gordon (1997a, 1997b) and Cross (1998) among the exceptions, whose works this thesis expands and updates. It studies how past regulations, programs, policies—as well as governments and political regimes—have influenced and shaped present events on the area of informality and in particular street vending. Research for this thesis covers a period of 77 years, from 1929 to 2006. Most of this time—68 years at city level and 71 years at the federal level—Mexico was under a one-party rule regime. It particularly concentrates on the democratic transition period, from 1988 to 2006,⁶⁸ comprising two of the most

⁶⁷In particular, this work presents significant testimonies from Manuel Camacho Solís—the last Institutional Revolutionary Party (PRI) Mexico City mayor, who dealt competently with informal street vending—and Cuauhtémoc Cardenas—the first head of government of Mexico City, a member of the Party of the Democratic Revolution (PRD), who had to face informal street vending as a problem of considerable proportions and did so using a new ideological approach.

⁶⁸During this period, little by little, opposition parties won some significant electoral victories in Mexico, starting in 1989 with the victory of PAN’s Ernesto Ruffo Appel in the elections for the state governor of Baja California Norte, making him the first opposition governor in modern Mexican history. Also during this period, opposition parties won a dominant position in the Mexican Chamber of Deputies. Elected in 1997, the LVII

important democratic alternations in power in the country: at Mexico City level in 1997 and at federal level in 2000.

This thesis uses the process of democratization and the alternation of political parties in power as a natural experiment that offers variation in terms of which party is in power, and hence the opportunity to observe how linkages between politicians, government officials and street vendor organizations/leaders are made and unmade as power changes hands. By focusing on these two alternations in power (1997 at Mexico City level and 2000 at federal level) it is possible to observe the different political implications of these democratic transitions on informal street vendors (groups and individuals), and analyze how these transitions affected their relations with the state. Moreover, it sheds light on the ability of informal street vendors organisations to adapt to all these new political scenarios and how it worked for them. Far from weakening the power and influence of street vendor organizations and their leaders, democratization and the alternation in power increased their power and influence, as well as their participation in politics.⁶⁹

More specifically, this thesis adds to the literature of the politics of informality by mapping out the politics of informal street vending in relation to governance structures. It analyses the interrelations and interactions between informal street vendor leaders/organizations and politicians, public servants, and other informality partakers.⁷⁰ Evidence shows that subtle forms of corruption, tampering, evasion, and maneuvering may truly be the key to explain, from a political point of view, the resilience and expansion of informal street vending in present-day Mexico.

In order to complement and illustrate the study of the relations between street vendors and governance structures, as well as contributing to our knowledge of informal and street vend-

Legislature was the first in 68 years in which the PRI failed to obtain an absolute majority in the Chamber of Deputies. The deputies of the opposition parties—PAN, PRD, PT, and PVEM—together formed a majority and took control of the chamber, marginalizing the PRI. That year, PRD's Cuauhtémoc Cárdenas was elected as head of government of the Federal District; it was the first time the post had been elected by popular vote rather than appointed by the president.

⁶⁹Ramírez Saíz (2006) and Shefner (2006) speak about democratization in Mexico but with a different perspective. Ramírez Saíz (2006) analyses democratization by tracing the evolution of a left-wing grassroots organization (Movimiento Urbano Popular) between 1977 and 2002. Shefner (2006) accounts for the development of an organization of neighbourhood residents (Unión de Colonos Independientes) between 1993 and 2001 in Guadalajara, Jalisco State. These authors deal with informal political organizations in times of democratization but not with street vendor groups (or informal trade groups), and therefore their work is only partially related to the work of this thesis.

⁷⁰It is worth noticing that the structure of the state's co-optive methods (e.g. corporatism, clientelism) is especially important in the case of Mexico. Ironically, such co-opting methods make up the power base of informal street vendor organizations and most likely of other informal agents as well, as Cross (1998) has correctly pointed out.

ing organizations, the thesis presents a case study of the Legitimate Civic and Commercial Association (ALCC), the largest, best organized, and most powerful street vendor association in Mexico. The case study goes into details of the internal workings of such organizations. It provides information about the way informal street vendor organizations work, their origins, how they develop, how they are organized, what their mechanism of control and self-regulation are, what their legal status is, how much money they potentially handle, and how powerful they have become. Furthermore, it shows the levels of sophistication that some informal groups achieve when they are well-organized to deal with the state and how, ultimately, informal organizations may *de facto* take on the role of the state in some key areas (i.e. ‘informal social security’).⁷¹

This thesis also compares the distinctive policies to control and reduce informal street vending in Mexico implemented by different administrations coming from competing and ideologically-opposite political parties; as well as those implemented by different levels of government—delegation, city and federal government policies—which were almost never coordinated and therefore may partially explain why they were unsuccessful. While ideologically there is a difference in how informal street vending is viewed by different political parties, in practice governments of different parties have oscillated between periods of toleration and repression. The current basic processes of political maneuvering in PRD city governments and PAN federal governments do not seem very different from those that occurred under the old PRI regime, but the options and speed of change have increased significantly.

Finally, although this thesis deals specifically with Mexico, in particular Mexico City, the issues analyzed in the thesis have a broader relevance since informality and street vending are phenomena that are present in nearly all developing countries, in Latin America and beyond. Therefore, the conclusions, considerations, and recommendations of this thesis could be applied to other developing countries—always bearing in mind that every case is different and the applicability will depend on how similar are the cultural, institutional and regulatory settings with respect to Mexico—or they can at least be used as a source for comparative analysis.

⁷¹Similar to what was noted by Cross and Peña (2006:59) when they say that, in a mafia regulatory model, criminal organizations have become “alternative providers of public services.”; and by Fernandez-Kelly and Shefner (2006:5) when they say that “informal actors not only fill the demands for illegal goods and services but also assume state-like functions.”

1.9 Description of chapters

Following this introductory chapter, Chapter 2 provides some practical general views of informality to understand better the concepts and dynamics of the culture of informality and informal street vending. In addition, it sets up the theoretical framework under which this thesis will develop. For this, the chapter conceptualizes the relationship between the state and the individual within the framework of the informal sector, presents an assesment of the pros and cons of being formal, and outlines the perceptions about the state's performance and informality. Then, it examines tax compliance and the social contract in Latin American countries, and discusses the different concepts of semi-formality. Finally, it analyses the different policies to reduce informality worldwide, with emphasis in Mexico and Latin America.

Chapter 3 presents the general characteristics, structure, political arrangements and interactions of informal street vending organizations in Mexico; and in that way illustrates the culture of informality that exist in this country. The chapter starts by describing the general characteristics of street vendor groups and organizations in Mexico. It follows by explaining the corporatization of informal street vending and how it developed in clientelistic practices, and accounts for the emergence of authoritarianism in street vendor organization. Moreover, it describes the forms or methods of interactions, control, and influence between goverment authorities, political parties, and street vendors leaders and organizations. Additionally, it points out to the emergence of commercial plazas as new spaces for democratic practices. Finally, it analyses the role of women in informal street vending in Mexico.

Chapters 4, 5 and 6 constitute the empirical core of this thesis. Chapter 4 presents a historical-political analysis of the evolution of informality and street vending in Mexico, with a particular emphasis in Mexico City, through a time span of 68 years (1929–1997), corresponding to the years the Institutional Revolutionary party (Partido Revolucionario Institucional, PRI⁷²) was in power in Mexico City. Following a chronological order, the chapter looks at the different political, economic, and social events that have affected and defined the conditions of informal street vendors; as well as the different regulations and policies implemented by the government to control them throughout these years. The chapter looks into the different political and social scenarios over different periods, and develops an overall account of how they influenced informal street vendors in different ways. The chapter is divided in two

⁷²The Institutional Revolutionary Party (Partido Revolucionario Institucional, PRI) and its predecessors—the National Revolutionary Party (Partido Nacional Revolucionario, PNR) (1929–1938); and the Party of the Mexican Revolution (Partido de la Revolución Mexicana, PRM) (1938–1946).

section: the first gives a general analysis of the 1929–1988 period; the second analyses in detail the period between 1988–1997, preceding the alternation in power in Mexico City.

Since this thesis uses democratization as a natural experiment that offers variation in terms of which party is in power, and hence the opportunity to observe how linkages between politicians, government officials and street vendor groups are made and unmade as power changes hands, Chapter 4 uncovers the basic patterns through which the Mexican state operated during the last years of the PRI regime that preceded the dual democratic transition in Mexico, at city level in 1997 and at federal level in 2000. This chapter establishes the grounds for a comparative analysis in the next Chapter 5 of how policies and their implementation can vary when informal street vending is dealt with from contrasting perspectives, ideologies, political actors and governments.

Chapter 5 continues the historical-political analysis of informality and street vending in Mexico and specifically Mexico City. It focuses on the period between 1997–2006, years after the alternation in power (at city level in 1997 and at federal level in 2000), which saw the arrival of opposition political parties to power (the Party of the Democratic Revolution (PRD) at city level, and the National Action Party (PAN) at federal level). The chapter analyses in detail the political, economic, and social events that affected and defined the conditions of informal street vendors; as well as the different regulations and policies implemented by the city and federal governments during this period in which democratic transformations and new political cycles were taking place in Mexico. The chapter is divided in two main sections: the first analyses the period between 1997–2000, corresponding to the Cárdenas city administration; the second analyses the 2000–2006 period, corresponding to the López Obrador city administration.

Chapter 6 presents a case study of the Legitimate Civic and Commercial Association (ALCC)—the largest and most powerful street vendor association that exists today in Mexico City—and its leader—Alejandra Barrios, one of the historic leaders of the informal trade in Mexico—to illustrate empirically the functioning of informal street vendor organizations. The chapter describes the background of Barrios and the origins and foundation of the ALCC. Then, it explains the current situation of the ALCC and details its size, process of affiliation, payment of fees, and potential revenues. It briefly describes the demographics and socio-economic characteristics of ALCC members, and then discusses the particularities of the merchandise and products sold by them. The chapter elaborates on the organizational structure of the ALCC and discusses the administration of its finances through trust funds. It continues by examining the benefits of being a member of the ALCC, in particular the ‘informal social

DESCRIPTION OF CHAPTERS

security' ALCC members get from their association. It follows a discussion on the political liaisons the ALCC and Barrios have forged over time, with governments from different parties and at different levels of government, and the political resources obtained from them. Finally, the chapter ponders recent political events that confirm the rising power and influence of the ALCC and its leader, and of leaders of large informal street vendor organizations in general.

Chapter 7 sets out the conclusions of this work by making some considerations regarding the informal sector and informal street vending. It presents the answer to the research question and suggests future avenues for research on the subject of the informal sector in general and informal street vending in particular.

2. INFORMALITY: CONCEPTS, ATTRIBUTES, PERCEPTIONS, AND POLICIES

2.1 Introduction

This chapter provides the theoretical and conceptual framework for the development of the following empirical chapters. It reviews the most relevant theoretical concepts in what refers to the relationship between state and informal agents, to the individual decision to be or not to be informal, to the perception of the state and its relation with informality, and to the importance of tax and regulatory compliance; as well as the general dynamics of informality. In addition, it reviews recent policies to tackle informality around the world.

The chapter starts with the conceptualization of the relationship between state and individual in an informal sector framework. It analyzes the reasons and causes of the emergence of informality (exit and exclusion). Then, it follows a reassessment and an improvement of the definition of the culture of informality. It assesses the pros and cons of being informal and the relationship between (the perception of) state's performance and informality. It underlines the relevance of tax compliance in the context of the social contract in Latin American countries and relates how certain social norms and social interactions may affect informality and can place countries in different types of social equilibria. It discusses the concept of semi-formality and presents a newer notion of it which is related to the importance of organized groups and political organization, and with the understanding of informal activity as a continuum of compliance rather than a well-defined and unambiguous dichotomy. The chapter concludes by analyzing in detail each of the different policies used in several countries in the world to reduce informality (increasing tax compliance, encouraging business creation and growth, strengthening enforcement, creating inclusive social protection systems, and building trust and collective incentives), with a particular emphasis in Mexico and Latin America.¹

¹As explained in Chapter 1, this thesis will center on informal street vending—the most visible and widespread informal activity of all the various informal activities—to illustrate the features and workings of the culture of informality in Mexico. This chapter, however, aims to give a more general and theoretical view of informality. The following chapter (Chapter 3) will center on the details of informal street vending in Mexico.

2.2 Conceptualizing the relationship between the state and the individual in the informal sector

A recent milestone in the field of informality is the World Bank's publication *Informality: Exit and Exclusion* (Perry et al., 2007), in which a group of experts examine informality in Latin America. The authors analyze the reasons for and causes of the emergence of informality and the implications of its growth. They describe informality as a manifestation of a flawed relationship between the state and its citizens and use two distinctive but corresponding perspectives to explain what drives informality. These are informality driven by 'exclusion' from state benefits or from the circuits of the modern economy, and informality driven by voluntary 'exit' decisions resulting from private cost-benefit estimates that lead firms and workers to opt out of formal institutions (Hirschman, 1970; Perry et al., 2007). The authors argue that both perspectives contribute to our knowledge of the causes and consequences of informality.²

Several experts have analyzed the phenomenon of informality as the relationship between economic agents and the state. Some have discussed how specific policies in the areas of social protection, business regulation, labor legislation, and taxation can have a significant impact on (individual) decisions and how these policies could encourage or prevent people's participation in the formal sector. These policies delineate a set of incentives to which informal agents (individuals and groups) respond by weighing the costs and benefits of participating in different sectors (informal and formal), taking also into account the enforcement efforts and capabilities of the state. These responses are also influenced by how people—individually and collectively—perceive and define a relationship with the state (Perry et al., 2007)

Social norms are defined as “the pattern of behavior that constitutes a customary rule that coordinates actions among people and is sustained by social approval” (Young, 2006³; Perry et al., 2007:218). As Perry et al. (2007:215) state:

In some situations, there are social norms that are influenced by the perception of the effectiveness of the state and the collective projects it represents, and that foster willingness to comply with taxes and other regulations. For instance, the high tax compliance rates observed in developed countries cannot be explained

²They conclude that reducing the levels of informality and overcoming the culture of informality will entail actions to increase aggregate productivity in the economy, improve and correct poorly designed social policies and regulations, and advance the legitimacy of the state by improving the quality and impartiality of state policies and institutions (Perry et al., 2007).

³Young (2006:1) states that “*Social norms* are customary rules of behaviour that coordinate our interactions with others”.

only by the deterrent effect of the chance of being caught evading and the ensuing penalties.

It also has to do with political and/or civil culture, perception of society towards evading the law, levels of morality in society, the size of the society, cultural traditions, etc.

2.2.1 *Incentives to ‘exit’ the formal sector (in other words, incentives to select entering on not entering the formal sector)*

In Mexico and other developing countries with large informal sectors, the individual decision leading to ‘exit’ from taxation and other regulations, and from participating in the formal system of taxes and transfers may be influenced by a collective perception that the action of the state is “ineffective, inefficient, and unfair” (Hirschman, 1970; Perry et al., 2007:215; Saavedra and Tommasi, 2007). From a social exchange theory⁴ point of view, a person’s willingness to comply with regulations may be affected by the individual perception of the effectiveness of the state in providing public services.

Furthermore, collective perceptions—understood as the ‘feelings or sentiments’ within a group—about the functioning of the state influence the social norm regarding compliance. For example, if more people operate in the informal sector, the collective perception is that it might be easier for each person to do so. In other words, when a government enforces a tax or regulation, one person will be less likely to be sanctioned if a large number of other people also evade taxes or do not comply with regulations. In the words of Perry et al (2007:216): “the psychological [or] ethical costs of evading will be lower if most people in one’s peer group do so, and hence one’s tax morale⁵ and disposition to comply with regulations will be lower”.

⁴Social exchange theory is a sociological and social psychological perspective that explains social change and stability as a process of negotiated exchange between parties. It posits that all human relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives. The theory has roots in economics, psychology, and sociology. Social exchange theory is tied on one hand to rational choice theory and on the other to structuralism, and features many of the main assumptions of these theories (Emerson, 1976).

⁵Tax morale is defined as the motivation of a country’s citizens to paying taxes, in addition to legal obligations (Torgler and Schneider, 2007).

This might generate what Glaeser et al. (2003:346) called a “social multiplier”,⁶ which might make a specific social norm more widespread.

2.2.2 Definition of the culture of informality

Thus, the ‘culture of informality’ or ‘culture of the informal sector’ emerges from the “collective perception [‘feeling or sentiment’] of ineffectiveness, unfairness and, ultimately, illegitimacy of the state’s actions, in terms of whom it represents and serves” (Perry et al., 2007:215). In other words, the culture of informality appears when the state does not represent ordinary people or serve their interests. Perry et al. (2007:215) define the culture of informality as “a social norm of noncompliance with taxes and regulations, which further undermines the state’s capacity to enforce the law and to provide effective public services [and ultimately could question its legitimacy]”.

However, the culture of informality also involves other behaviors, customs, and practices carried out by informal agents like communication channels, tacit language, unwritten rules, ways of living, and forms of operation of the agents (e.g. corrupt practices, self-regulation, forms of organization, etc.). In fact, adding these behaviors, customs, and practices to the original definition brings to us a new concept, where the culture of informality includes *non-compliance plus a set of forms and expressions that characterize in time to workers and firms operating in the informal sector*. By a set of forms and expression I mean customs, beliefs, common practices, rules, regulations, codes, clothing, rituals and ways of being that prevail in the people that integrates it. Thus, this form of informal *modus operandi* and *modus vivendi* distinguishes itself from other groups through its social norms, but also through its beliefs, morality, customs, institutions, politics, methods of enforcement, language and paraphernalia, among other qualities.

⁶Glaeser et al. (2003) analyze recent empirical work that tries to identify social multiplier effects. Their results indicate that social interactions may be large. The authors hypothesize that, if one person’s proclivity to certain behaviour influences her or his neighbour’s behaviour, policy changes to address that behaviour will have a direct and indirect effect through social influence. In Glaeser et al. (2003:346) theoretical framework, “if an individual’s outcome rises “x” percent as his neighbor’s average outcome, then the social multiplier roughly equals $1/(1-x)$ for large enough groups”.

2.2.3 The reasons of 'exclusion' from the formal sector

There is also a clear relationship between informality and inequality. High levels of inequality manifest in having large segments of the population 'excluded' from basic services such as education, health care, and legal services; and from other services that allow citizens to access better economic opportunities. Lack of access to services and opportunities finally impact on differences in the exercise of power and the possibility of having a voice in society, that seem highly related with informality (Perry et al., 2007).

Low levels of trust in the government might be a reflection of a 'broken' social contract. Since the government does not perform effectively the delivery of public services, citizens are not willing or do not have the incentives necessary to opt for being included in the formal system.

The expression 'social contract' is used by Perry et al. (2007) to refer to "some degree of societal consensus over basic aspects of the operation and role of the state relative to the private sector and among citizens. In this usage, 'social contract' refers to key aspects of a social equilibrium, including beliefs and actions of citizens, organized groups, and state actors" (Perry et al., 2007:216).

There are two types of social equilibria where a polity can be situated: a 'bad equilibrium' where there is a *discrepancy of purposes*, a government that is ineffective, unable to enforce well its regulations nor to provide public services efficiently to attract informal agents (firms and individuals) to the formal sector (Perry et al., 2007), leading to situations of high informality (such as it is the case of Mexico); or a 'good equilibrium' where there is an *agreement of purposes*, a government that performs its duties of enforcing the law and providing public services efficiently and economic and social actors that react positively to those incentives, abiding the law and engaging in formal labor market activities.

As pointed out by Perry et al (2007), some of the features that relate to different measures or dimensions of informality and that, in fact, are manifestations or symptoms of a systemic failure are:

- Low levels of participation in the social security system (system that would allow them to have access to future pensions and health care).
- Low coverage of many social insurance schemes, especially among poor people.

- A large number of small firms that partially or completely evade tax, labor, and business regulations.
- Excessive complexity of bureaucratic procedures, which results in delay or inaction.
- Exclusion in the access to property rights, judiciary/legal services, and other public services.
- Low-quality public provision of social services (such as health care or education).
- Low levels of trust in the state and in the fairness of existing arrangements.
- Low and uneven enforcement of regulations.
- Low levels of tax collection, related to low compliance and low tax bases.

Each of the features mentioned above are expressions of the so called bad equilibria, and all of these factors are found in the Mexican case. The following sections will take a look at pros and cons of being formal, explore the relationship between informality and governance indicators, and analyze the different concepts of semi-formality.

2.3 Assessment of the pros and cons of being formal

Mexico's high level of informality might be a reflection of the disconnection between Mexican citizens and the state. To frame this analysis, this section will follow an outline presented in Perry et al (2007) in order to discuss the different dimensions of the decision to participate in the formal sector.

2.3.1 *To be or not to be formal*

Let's consider an economic agent (individual or group) who has two jobs or business opportunities that are comparable but only differ in that they require or not to follow regulations. From this agent's point of view, the choice implies having an opinion about different aspects relevant to her or his interests, taking into account different factors. As Perry et al. (2007) describe in their book, these factors to be taken into account can be as follows:

1. Obtaining the protection of labor laws, paying contributions, and getting social security benefits for the agent and her or his family;

2. Avoiding the costs of being caught not complying with regulations, given state enforcement technology;
3. Contributing to the provision of public goods and services to society as a whole, and trusting the state in doing it; and
4. Avoiding the peer-pressure costs of being pointed out as a cheater.

Thus, to assess costs and benefits, this economic agent will consider all these factors and come up with a selection of her or his choice. As pointed out by Perry et al. (2007), her/his decision might be affected by:

THE DIRECT COSTS AND BENEFITS OF FORMALITY: The assessment of point (1) above depends on the costs of labor market regulations and a comparison of those costs with the valuation of the benefits provided to the individual (i.e. comparing payroll tax payments with health benefits received).

STATE ENFORCEMENT CAPACITY: The assessment of point (2) will depend on the perceived capacity of the state to enforce labor, tax, and other regulations.

INDIVIDUAL PERCEPTIONS ABOUT GOVERNMENT EFFECTIVENESS: The assessment of point (3) might depend on how effective and fair the individual perceives government institutions are in fulfilling their role.

SOCIAL NORMS AND THE SOCIAL MULTIPLIER: The assessment of point (4) depends on what others believe about the role and performance of the state, that is, the social norm⁷ that influences collective behavior toward the state.

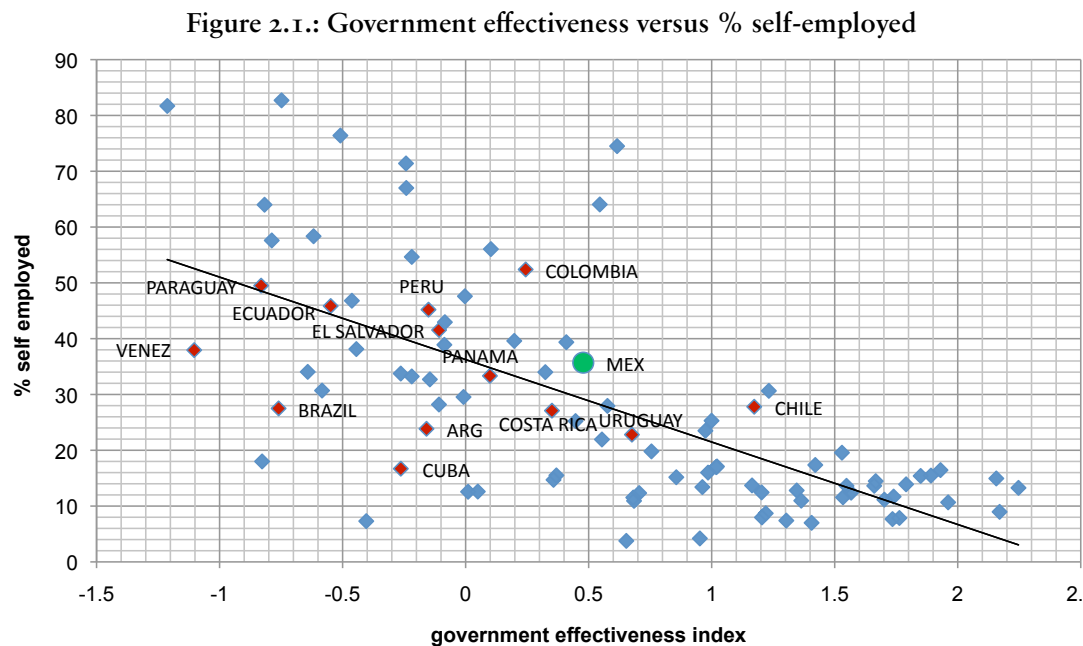
The revision of these dimensions of the formality decision illustrates that informality connects to issues related to the reality of and perception about the state. The answer to each of the questions above presented hinges on some characteristics and capabilities of the state and the services (and benefits) it provides, which affect the assessment of the private benefit of engaging with the state (formal sector). But it also hinges on a system of individual and collective beliefs about the efficiency and fairness of the existing arrangements (Saavedra and Tommasi, 2007).

⁷Social norms are the set of patterns of behaviour that constitutes a customary rule that coordinates actions among people (Young, 2006) and is sustained by social approval.

2.4 Perceptions about the State's performance and informality

Mexico, as many other Latin American and developing countries, could be characterized as a state that excludes parts of its population as a result of an imperfect social contract. This is reflected the negative perceptions that individuals have about the state and its performance.

Data across countries shows that there is a negative relationship between a proxy for informality (share of self-employed) and a measure of government effectiveness (government effectiveness index).⁸ As it can be seen, Figure 2.1 shows a significant negative correlation between government effectiveness and share of self-employment. In general, for countries in Latin America, as observed in the graph, perceptions of effectiveness of the government with respect to its function of providing public services is low, and self-employment is high (with the exception of Chile and Uruguay).

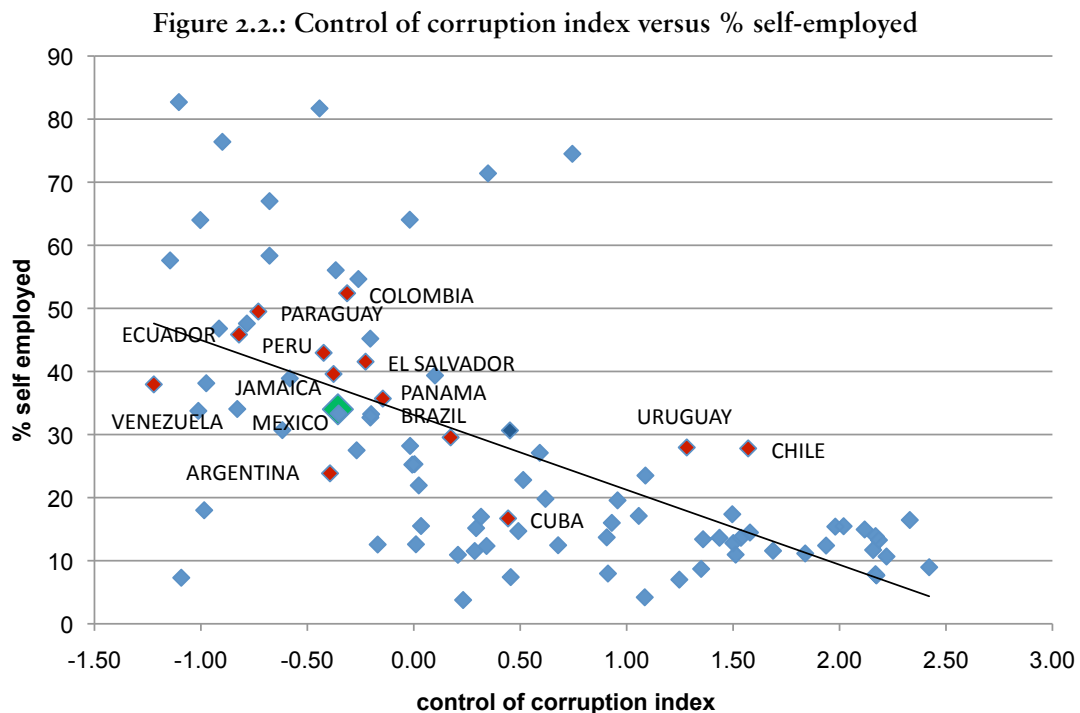


Source: Own calculations based on Worldwide Governance Indicators (2011) and World Development Indicators (average between data from 2008, 2009 and 2010).

Informality also tends to be higher in countries that are perceived as more corrupt (Figure 2.2). Data suggest that the perception of corruption (measured by the control of corruption

⁸The Government Effectiveness Index is a measure of the quality of public service provision, the quality of the bureaucracy, the competence of civil servants, the independence of the civil service from political pressures, and the credibility of the government's commitment to policies (Perry et al., 2007; Kaufmann, Kraay, and Mastruzzi, 2006, 2009, 2011).

index⁹) is positively and significantly related to informality. In the case of Mexico and several Latin American countries, perceptions about control of corruption is low (perception of the existence of corruption is high), and self-employment is high at the same time. Not only Mexico shows such behavior, but also countries such as Venezuela, Paraguay, Peru and Ecuador are in bad equilibria, where it can be seen that the proxy for informality is high, as well as the perception of corruption.



Source: Own calculations based on Worldwide Governance Indicators (2011) and World Development Indicators (average between data from 2008, 2009 and 2010).

At the same time, judicial systems in Latin America are perceived as unfair, and Mexico is not the exception, situation that generates very low levels of trust in the judiciary. According to Perry et al. (2007:220–221):

On average, firms in Latin America are less confident that their judicial system will enforce contractual and property rights disputes than are firms in other regions in the world. Within the Latin American region, there are large differences, with more than 70 percent of firms being confident in the judicial system in Chile

⁹The Control of Corruption Index from the Worldwide Governance Indicators (WGI) is a measure of perceptions, where corruption is defined as the exercise of public power for private gain, with higher values corresponding to less corruption (Perry et al., 2007; Kaufmann, Kraay, and Mastruzzi, 2006, 2009, 2011).

and Costa Rica compared with less than 30 percent in Ecuador and Guatemala. Evidence presented by Biebesheimer and Payne (2001) shows that even though 65 percent of citizens were reasonably confident in their judicial systems in Europe, only 35 percent expressed such confidence in Latin America. In questions asked in recent Enterprise Surveys [previously called Investment Climate Surveys], which included a larger sample of small firms, the percentage of firms that perceived courts as fair, impartial, and uncorrupt was less than 25 percent in Panama, Mexico¹⁰, Argentina, Bolivia, and Peru.

Other authors have analyzed the concept of informality as related to the previous notions. For example, a related one, as presented by Centeno and Portes (2006), proposes the concept of a ‘frustrated state’, which suggests that informality is the consequence of weak states that assign themselves an unbearable and unmanageable regulatory load, with a scope that goes beyond their enforcement capacity.¹¹ Finally, another part of the literature underlines the potential existence of a ‘captured state’, where a political equilibrium is preserved such that specific groups of the population that make up the elites (business, public sector, or labor) interact implicitly or explicitly with the state to maintain rents, even if that implies the exclusion of certain segments of the population (De Ferranti et al., 2004; Perry et al., 2006; Perry et al., 2007).¹²

2.5 Tax compliance and the social contract in Latin America

One of the main aspects that affects the decision to participate in the formal or informal labor market has to do with the tax system. In general, tax systems of Latin American countries have certain particularities that make it difficult to comply with them. Frequently, countries in the region have complex administrative procedures associated with tax and regulatory compliance. A large informal sector both reflects inequities and inefficiencies of these tax systems, and it imposes the challenge of improving the tax base. This section of the chapter will sum-

¹⁰Mexico’s percentage of firms that perceive the courts as fair, impartial, and uncorrupt was of 22 percent (Perry et al., 2007).

¹¹Centeno and Portes (2006) argue that the liberal reforms implemented in the mid-1980s in Latin America were an attempt to reduce the regulatory intent and, at the same time, increase regulatory capacity.

¹²The perfect example is that of a populist government with a political base in the middle and low-middle classes, that is reluctant to eliminate subsidies to public services, even if that forces out expanding the services to the poorer segments of society with less political influence and power (Perry et al., 2007).

marize the main aspects of Latin American tax systems, highlighting specific policy aspects related to them.

2.5.1 *Tax compliance in Latin America*

Latin America shows tax revenues that are below OECD countries. As discussed by Lledo, Schneider, and Moore (2004), the average tax take has been continuously smaller in Latin America than in OECD countries, while it has been comparatively similar to the Asian average.¹³

Moreover, Perry et al. (2007) state that indirect taxes—in the form of taxes on domestic and internationally traded goods and services—represent the biggest share of tax revenues in Latin America. They comprise about 60 percent of total tax revenues; almost twice as much as taxes on income, profits, and capital gains. Comparatively, in developed countries tax revenues from international trade and from domestic goods and services constitute 40 percent of total tax revenues (Bird and Zolt, 2005; Perry et al., 2007)

Direct taxation (meaning taxation on income, property and wealth) is below what is expected if the level of development of the region is taken into consideration—in Latin America direct taxes are about a third of tax collections; in Europe, 50 percent; and in North America that figure is of 80 percent (Perry et al., 2007). The difference is explained by individual income taxes. These are a third of total tax collections in Europe and more than 60 percent in North America. In Latin America, the figure is in the single digits, lower than any other region of the world (Perry et al., 2007). On the other hand, the share of corporate direct taxes is not small. This situation is an indication of a very low capacity of the state to observe and monitor (individual) incomes; and it is consistent with a concentration of taxes on businesses, most likely medium size and large businesses that are easier to monitor (Perry et al., 2007). In that sense, the percentage of corporate income tax revenues is three times the percentage of personal income tax revenues.

One important aspect that needs to be highlighted in the informality analysis is the existence of tax exemptions. These are especially widespread in the region, and it is an indication

¹³As explained by Perry et al. (2007:223): “The median country in the Latin American region collects 4 percentage points of GDP less than would be expected, given its level of development (Perry et al., 2006). The average number for the Latin American region stands at 14.2 percent of GDP in 2000–2003 (15.8 percent of GDP including social security contributions). Only Brazil, Nicaragua, Trinidad and Tobago, and Jamaica have tax burdens—without social security contributions—above 20 percent. Guatemala, Paraguay, and Venezuela barely reach 10 percent.”

that some specific groups have ‘special access’ to benefits, or ‘special privileges’.¹⁴ There are also important disparities among countries in their tax administration capacity. For example, the Chilean tax administration practices appear to be about three times more effective than those in Guatemala in raising VAT revenues (Alm and Martínez-Vazquez, 2007). Therefore, the relatively low levels of tax revenues in most Latin American countries come as an outcome of poor capacity of the tax system, excessive tax exemptions, and small tax bases.

Interestingly, the wealthy in Latin America pay a larger share of taxes than the share paid by the wealthy in developed countries (Perry et al., 2007). Some comparative empirical analyses also confirm the view that the higher the tax burden, the larger the informal sector (Johnson, Kaufmann, and Zoido-Lobaton, 1998; Loayza and Rigolini, 2006). This may be explained, as mentioned before, because there is a concentration of taxes on businesses, which may be relatively high.¹⁵ For example, Johnson, Kaufmann, and Zoido-Lobaton (1998) perform a cross country comparative research using indicators of perceptions of the tax burden—including how high tax rates are and the discretionary power of authorities in administering and operating the tax system—and find a large positive effect on informality. They also explain (as it was pointed out before) that what really matters to explain informality are the management and operation of the tax system rather than the established tax rates.¹⁶ In this sense, Friedman et al. (2000) find that higher tax rates are not correlated with a larger informal sector. As a matter of fact, the opposite might be true: countries with high tax rates may be those with high benefits of formality.

2.5.2 *Informality: broken social contracts and bad equilibria in Latin America*

Countries can settle in different *social purposes*—or equilibria—if social norms and social interactions that lead to specific collective behaviors are strong.¹⁷ As Perry et al. (2007:239) neatly put it: “You make the queue or skip the line. You stop at the red light or you keep moving.” As it was mentioned previously, tax and regulatory compliance may be highly impacted by social interactions. Economic agents will be more willing to pay taxes, and be included in the formal labor market if they think that the state is doing its job well, complying with

¹⁴Tax exemptions are common in Mexico and I will briefly discuss them in Chapter 5.

¹⁵According to Johnson, Kaufmann and Zoido-Lobaton (1998:387) “the unofficial economy should be larger when there is a bigger tax burden on firms in the official sector, where ‘burden’ on the firm is the outcome of how the tax system is administered as well as what the rates are.”

¹⁶In other words, the size of the informal sector increases with the regulatory burden but diminishes with the efficiency in the provision of services and with compliance enforcement (Loayza and Rigolini, 2006).

¹⁷This section draws on Saavedra and Tommasi (2007) and on Kahan (2005).

its share of the social contract and using effectively public resources. Also, economic agents will be more willing to comply if they believe others do so, generating what is also called a ‘virtuous cycle’ where everybody is paying taxes and doing what they should do in this social contract, establishing a highly cooperative state of affairs. On the contrary, a ‘vicious cycle’ can be found in the case that people will be inclined to evade tax obligations whenever they believe others are inclined to do so, too. Those ‘interdependencies’ tend to generate patterns of collective behavior with specific reinforcing mechanisms (Kahan, 2005; Perry et al., 2006; Saavedra and Tomassi, 2007).

Mexico is in a ‘bad equilibrium’: trust in the state is low and tax collection and compliance with regulations are low. At the same time, the public provision of public services is of low quality and unequal if different socioeconomic groups are considered. The case of Mexico is not a stand alone case. This unfavorable depiction repeats across most countries in Latin America and reflects an unsolved problem of high inequality of opportunities associated with an extremely high level of income inequality. This occurs in the context of a structure of taxes and transfers that does not redistribute effectively (Perry et al, 2007).

2.5.3 *Why rich and poor alike opt out of formality*

Feelings about how valuable public services are for an economic agent may influence the fact that they opt out of the formal system. In that sense, in Mexico, as well as in other Latin American countries, analyzing different parts of the income distribution reveals that the poor, the middle class and the rich feel that they are not getting a fair deal by the existing arrangements, and try to ‘exit’ the system when possible. Therefore, an important amount of ‘exit’ (using Hirschman’s (1970) terminology) is observed, particularly from both ends of the income distribution. In the case of the wealthier individuals, many times they are more likely to ‘opt out’ (using Perry et al.’s (2007) terminology) of public services and move into private provision of services (such as buying private education, health care and pensions), in search of higher quality. Not only individuals opt out of the formal system because they individually feel that public services are of very little value to them. When assessing how valuable such public services are for the population at large, they collectively may share the perception that these services are of little value for other people in other socio-economic strata. Also, these feelings can be exacerbated by a generalized perception of corruption and patronage in the

government in general and in social assistance in particular; and by the social norm externalities that implicitly validate generalized tax evasion (Bergman, 2002, 2003).¹⁸

High levels of socioeconomic segregation difficult the arrangement of a social contract: rich and poor do not share the same schools, health, pension and security services. Also, some of the rich may as well be capturing the state and using their influence to have particular privileges in the tax system or maintain oligopolistic arrangements. At the same time, corporatist groups and certain unions may use political pressure to preserve privileges that perpetuate unequal structures of power and of opportunities (Perry et al., 2007).¹⁹ All in sum, weak and incompetent governments are combined with influential and powerful groups (Guerrero, López-Calva, and Walton, 2006) which makes even more difficult for the poor to feel engaged in the economic and social system. The Hirschmanian concept of ‘exit’ is also valid to the lower end of the socioeconomic distribution: the poor may not pay many direct taxes, but they also do not get much from the state. They feel “an adverse differential access to public goods, to property rights, to protection under the law and to judiciary services” (Perry et al., 2007:241). This promotes the use of informal mechanisms (as it will be seen in Chapter 6) and diminishes incentives to participate in the formal system. Thus, the poor organize themselves in groups for self-protection, invade public property and, at times, take justice in their own hands. In contrast to the wealthy, the poor are more prone to informality, to participate in clientelistic networks, and to have a negative opinion of the government and the existent social arrangement and organization. Many of the poor have never been part of the formal system; more than ‘exiting’ the formal system, some of the poor have never actually ‘entered’ it (in other words, they have been ‘excluded’). This situation is part of a culture of informality in which the state is basically absent and there is no social contract in place (Perry et al., 2007).

2.6 Semi-formality: the gray area between formality and informality

An important issue in the discussion on the informal sector is whether and how the informal economy and formal economy are linked. Through the years, the discussion on the informal sector took form into three main schools of thought regarding the informal economy: dualism, structuralism, and legalism. Each of these has a different perspective on how the informal and formal economies are linked (Chen, 2006). The dualists argue that informal units

¹⁸Bergman (2002, 2003) argues that, in many cases, there is a negative peer-pressure effect in which tax evasion has wide social acceptance, particularly among the wealthier populations.

¹⁹This is when the political factor comes into play, as it will be shown in the following chapters.

and activities have few (if any) linkages to the formal economy but, rather, operate as a distinct separate sector of the economy; and that informal workers constitute the less-advantaged sector of a dualistic labour market (Sethuraman, 1976; Tokman, 1978). The structuralists see the informal and formal economies as inherently linked. To increase competitiveness, firms in the formal economy choose to reduce their input costs, including labour costs, by promoting informal production (which provides them with cheap intermediary or final goods) and informal employment relationships. According to structuralists, both informal enterprises and informal wage workers are subordinated to the interests of capitalist development, providing cheap goods and services (Moser, 1978; Portes, Castells and Benton, 1989). The legalists focus on the relationship between informal entrepreneurs/enterprises and the formal regulatory environment, not formal firms. But they recognize that capitalist interests—what De Soto called ‘mercantilist’ interests—plot jointly with the government to establish the bureaucratic ‘rules of the game’ (De Soto, 1989). There may be some degree of truth in each of these perspectives, given the heterogeneity of the informal sector. However, the reality of informality is more complex than what these perspectives propose (Chen, 2006).

Some scholars have proposed to move beyond these perspectives (in particular the formal-informal dichotomy) and take a more ‘nuanced’ approach when characterizing informality, more in accordance to reality (Moser, 1994; Maloney, 1999, 2004; Chen, 2006). Under this new view, the informal sector is no longer described as a traditional economy, marginally productive, and clearly separated from the formal sector. This new view of the informal sector has as a central characteristic a continuum of economic relations, where labour relations tend to fall in the middle of a continuum between a pure ‘formal’ relation (regulated and protected) and a pure ‘informal’ relation (unregulated and unprotected) (Chen, 2006). Moreover, workers and production units can also work simultaneously at different points of the continuum. It is observed that the two extremes of the continuum (formal-informal) are often dynamically linked: formal enterprises hire informal workers and many informal firms have a direct relationship with formal enterprises (e.g. buying them products or services). The continuum proposal has interesting implications for the design of public policies. Under this new concept, the formalization discussion should take into consideration that, depending on the segment of the informal economy that is being considered, there can be different meanings of the word ‘formalization’. According to Chen (2006), even though formalization is the desired way to go, the feasibility of formalizing the informal sector is unclear, and it is unlikely that all informal producers and workers can be formalized. Chen’s main point is that, at the end of the day, the

policy challenge is to decrease the costs of working in the informal sector and to increase the benefits of being formal.

In this research, I have reached the same conclusion after observing and analysing some empirical cases: that informality/formality is not a dichotomy but a continuum, with agents opting to remain informal on some instances in which they do not perceive the benefits of formality, and formalize on others where they see clear advantages of becoming formal. The following sub-section will present different takes on the concept of semi-formality, two existing ones and a new one. The novel concept will show that informal and formal characteristics can be present in an agent at one point in time, simultaneously. This new concept will be explained providing an example of what it means in the real world.

2.6.1 *The concepts of semi-formality*

The concept of ‘semi-formality’ has been used to define two notions. The first one, developed by De Soto (1989), refers to a semi-formal economy or sector that comprises activities that are partly regulated, often because state officials have recognized and sanctioned a certain degree of informality in exchange for a degree of control over them (informal agents). In other words, for De Soto, semi-formality means that the government actively negotiates the implementation of regulatory norms without changing the actual regulations. Thus, street vendors, collective taxis, land invaders, and garbage collectors have, in many cases, been given either tacit or explicit permission to carry out their informal activities—at times in exchange for support for the current regime—but without completely bringing them within the formal system. Frequently, this may lead to a continual process of conflict and renegotiation between the government and these informal agents that politicize the sector (Cross, 1998). What is clear in each of the cases mentioned above—and not necessarily so in other types of activities within the informal sector—is that they involve organized groups. While De Soto implicitly recognizes this, he never explains or analyzes it in depth.²⁰

The second notion of ‘semi-formality’ has been pointed out by Cross (1998, 1999) and refers to the case when informal firms may begin to formalize in some respects while remaining informal in others. For example, a firm owner may obtain a permit for her or his firm, but remain outside the tax system, fail to comply with labor regulations, and otherwise operate

²⁰However, the importance of group organization is fundamental in the third concept of semi-formality I present a little further down.

informally. The potential for this type of semi-formality, which is still individualistic in nature, will depend to a large extent on the degree of coordination between government agencies enforcing the different regulations as well as, again, the overall visibility of the firm. Size in this regard holds a double danger: it not only makes the firm more visible to regulatory officials and therefore easier to sanction, it also increases the number of third parties—such as employees, neighbors, clients, or suppliers—who might use existing regulatory norms to reinforce their own claims upon the firm (Cross, 1998, 1999).

I would like to introduce a third notion of ‘semi-formality’ which is related to the notions developed by Cross (1998) and De Soto (1989) but with important differences. This new notion of semi-formality refers to that status and form of operation that some informal agents (particularly organized informal groups) have, which shows or presents them as being informal, when in reality they make use of formal instruments (among them their ‘legal status’) in order to sort out better the problems brought about by regulations and avoid the authorities reprisals, while at the same time taking advantage of the benefits of informality (i.e. such as tax avoidance). In other words, they are informal and formal at the same time; informal in their *modus operandi*, and formal in their (legal) status. An example, which may be compelling in terms of the importance of this new notion, refers to the status of ‘independent civil associations’ or *Asociación Civil* that some informal groups obtain in order to have both legal personality (and therefore legal recognition from the government) as well as the prerogative to demand certain rights (such as the right to sell on the streets). This condition—which is no longer individualistic and demands a greater degree of group organization—of being legally recognized while still behaving and operating informally may represent a real problem for the state.

Thus, the specific experiences regarding all the different aspects of exit, exclusion, formality, informality and semi-formality that are behind the large informal sector in Latin America vary notoriously, country by country, and have different policy implications.

2.7 Policies to reduce informality

In theory, successful policies to reduce informality will promote a “voluntary accommodation between private enterprise and the state” (Kenyon, 2007:2). In practice, however, this accommodation is quite difficult to reach because the right policy not only requires regulatory reforms that facilitate the formalization process, but more importantly, formalization requires

building a ‘culture of compliance’ (Oviedo, Thomas, and Karakurum-Özdemir, 2009). In other words, informal agents must be adequately informed about the increased benefits of formalization (as well as the increased costs of not formalizing); they must have enough trust in the public sector that reforms will not be reversed, or promises broken, after they have formalized (e.g. tax breaks that never materialize); and they must know that, because formalization offers net benefits, most informal agents (including competitors) will also decide to formalize (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Due to the fact that informality takes many forms and depends on many variables, policies that succeed in one place may fail in another. Therefore, policy packages can comprise a series of ‘sticks’ and ‘carrots’ that need to be adapted to the nature of informality in the locality, province, or country where they will be implemented. In some places, regulatory reform might be more relevant, while in others it could be regulation enforcement and administrative reforms to strengthen information flows among agencies in charge of enforcement and implementation. Furthermore, given the costs and benefits of increased enforcement, optimal policies do not necessarily entail reaching full compliance; rather, the objective should be to make formality the most desirable—and accessible—situation for the individual. In any case, policies need to take into account the level of trust of informal agents and actors in their institutions, and make sure that they are being listened to, and included in the process of policy design (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

In the last decade, international experience in policies to reduce informality has greatly expanded. From the compliance perspective, high-income OECD countries have fought informality most aggressively even when, it seems, they suffer the least from it. Their policies have mainly targeted tax evasion on the part of formal businesses, as well as the use of undeclared or undocumented workers. Equally, in recent years, a growing number of developing countries have also implemented policies with the aim of increasing the efficiency of factor re-allocation. Particularly, there have been wide-ranging labor regulation reforms, as well as simplification to registration procedures, and tax simplifications for small businesses, especially in Latin American countries (Oviedo, Thomas, and Karakurum-Özdemir, 2009). Table A.1 in Appendix A.1 lists some of the policies that have been recently implemented in several countries in the world and the area of informality they target.²¹ A summary of these policies and a discussion of studies that evaluate some of them follow below. Each of the policies discussed below targets one or more of the following objectives:

²¹This list draws in part from Kuddo (2008), OECD (2004), USAID (2005), Oviedo, Thomas, and Karakurum-Özdemir (2009), and others.

- facilitate the formalization process
- create a framework for the transition from informality to formality
- lend support to newly created firms
- reduce or eliminate inconsistencies across regulation and government agencies
- increase information flows
- increase enforcement.

2.7.1 *Increasing tax compliance*

Several countries have introduced reforms to their taxation systems with the purpose of reducing informality. In OECD countries, reforms have mainly targeted undeclared work. They include, for example, reduced tax rates for low-wage earners (e.g. Belgium, Bulgaria, The Netherlands, and France) (Mayville, 2008); tax exemptions and reductions in sectors that rely on undeclared work (e.g. Hungary, Sweden, Belgium, and France) (Kuddo, 2008; Leibfritz, 2008, 2011); and reduced VAT in labor-intensive sectors (e.g. The Netherlands). Other measures taken by OECD countries to encourage tax compliance include researching the motivations of informal firms and workers through surveys as part of a comprehensive compliance policy (e.g. Australia and Sweden); targeted educational campaigns at specific sectors (e.g. home repair and maintenance or small businesses) and cooperating with trade associations to tackle industries with a high incidence of non-compliance (e.g. Australia, Hungary, Belgium, and Sweden) (Kuddo, 2008); offering voluntary disclosure schemes (e.g. UK, Belgium, and Australia); media campaigns and follow-up surveys (e.g. Australia, Canada, and Sweden); community visits, workshops, and specific internet sites to encourage individuals into the formal economy (e.g. Australia and Canada); and schemes to undermine informal activities such as the use of work ‘vouchers’ (e.g. Belgium)²² (UK-NAO, 2008). Other actions recommended

²²Belgium offers a good example of an innovative scheme aimed at undermining the informal economy. It introduced service or work ‘vouchers’ to subsidize the cost of household services. A household buys vouchers which pays for an hour of work from certified companies, who employ people who were previously unemployed. The company can employ people on a part-time temporary basis. After six months, however, the company has to offer them a permanent employment contract for at least half-time employment if the person was formerly registered as officially unemployed. The employee can do the following activities: house-cleaning, washing and ironing, sewing, running errands, and preparing meals. The household can pay for the cost of the work using the vouchers. The federal government pays the value of the voucher to the company. The households can recover 30 percent of the price of the vouchers in their tax return (UK-NAO, 2008).

by an OECD (2004) report put emphasis on increasing access to information, as well as administrative reforms that improve enforcement activities.

In developing countries, particularly in Latin America, reforms tend to focus on encouraging owners of micro and small firm to formalize and pay their contributions. Latin American countries have been very proactive in improving their tax legislation to encourage compliance. In Chile, Costa Rica, the Dominican Republic, Guatemala, Honduras, Mexico, Nicaragua, and Paraguay presumptive taxes²³ levied on gross corporate revenues have replaced either VAT or income taxes. In Argentina, Bolivia, Brazil, and Peru, a single tax has replaced VAT, income tax, and social security contributions (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Notwithstanding the large amount of simplification, some of these systems have gone further and have been more successful than others. For example, in Brazil the Integrated System of Taxes and Contributions for Micro and Small Enterprises (Sistema Integrado de Pagamento de Impostos e Contribuições das Microempresas e Empresas de Pequeno Porte, SIMPLES) implemented in 1997 unifies the collection of federal tax payments and social security contributions. All firms with revenues below US\$1 million that work in services, manufacturing, trade, or agriculture are eligible, which represents 75 percent of the business register and 7 percent of the Gross National Income (GNI) (Kenyon and Kapaz, 2005; de Paula and Scheinkman, 2007; Santa María and Rozo, 2008; Fajnzylber et al., 2009). The SIMPLES program substitutes six types of federal taxes and five types of social security contributions with a progressive tax levied on gross revenues. An important feature of this program is that it has de-linked social security contributions from the number of (declared) workers employed or the wage bill, instead making the contributions proportional to the firm's revenues. As a result, it has eliminated certain incentives to employ workers without a contract (Oviedo, Thomas, and Karakurum-Özdemir, 2009). The Brazilian streamlining model may be a good example to follow. By several accounts, this program has been a successful one: for example, it increased the registration rate of firms by an estimated 10 to 30 percent (de Paula and Scheinkman, 2007; Fajnzylber et al., 2009).

²³Presumptive taxation is a form of assessing tax liability using indirect methods such as income reconstruction or by applying base-line taxation across the entire tax base (Thuronyi, 1996). Presumptive methods of taxation are thought to be effective in reducing tax avoidance as well as equalizing the distribution of the tax burden (Thuronyi, 1996). The term 'presumptive' is used to indicate that there is a legal presumption that the taxpayer's income is no less than the amount resulting from application of the indirect method. This presumption may or may not be rebuttable. A useful description is provided by Ahmad and Stern (1991:276): "The term presumptive taxation covers a number of procedures under which the 'desired' base for taxation (direct or indirect) is not itself measured but is inferred from some simple indicators which are more easily measured than the base itself."

Argentina presents a comparable case study. In Argentina, the simplified tax regime for small taxpayers—known as *Monotributo*—was implemented in 1998. The system applies to services firms with maximum revenues of US\$24,000 and retail firms with maximum revenues of US\$48,000. Eligible firms cannot have more than three establishments. The presumptive tax is levied on gross income but also takes into account the consumption of certain inputs (e.g. electricity) and the scope of the business activity. This regime substitutes VAT, federal income taxes, presumptive minimum taxes, taxes on assets, and social security contributions. In return, firms must pay a flat fee of 33 percent of the equivalent tax due by a firm outside the *Monotributo* system; that is, in the normal tax regime. This new system has successfully created tax incentives for small firms in Argentina (Santa María and Rozo, 2008).

Equally, Bolivia and Chile have also introduced simplified tax systems for small taxpayers; though, their systems are much more complex. In particular, each country has introduced parallel taxation schemes for firms in different areas of activity (i.e. Bolivia), or to substitute for different taxes (i.e. Chile). Even though it is argued that the goal of these reforms is to facilitate compliance, introducing too many different schemes and complexities is likely to reduce the positive impact of these reforms, especially where the access to information and the level of education of informal agents is limited (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

More broadly, in developing countries increasing tax compliance depends on enhancing three main areas: registration, audit, and collection. i) Registration can be made more efficient by sharing information between public and private agencies (e.g. social security, the banking system). This has been done in several EU countries, where firms and individuals usually have a unique ID number in various agencies, which also exchange information to make sure they are registered in all agencies. It is argued that offering tax amnesties can also add to the incentives of informal firms to register (USAID, 2005) but opinions are divided on this issue (Farrell, 2004). ii) Governments can also improve their audit technologies, as Spain and Chile have done successfully (e.g. Databases containing taxpayer information were updated by cross-checking information with other public agencies, and all companies with government contracts were automatically audited. Additionally, administrative agencies experienced transformations to be made more effective in the audit and collection process (Bermeo, 1994; Isbell, 2004; Perry et al., 2007). iii) Lastly, tax collection can be increased significantly by enhancing enforcement, as Spain did in the 1970s by criminalizing certain tax offenses. Spain's comprehensive tax reform led to a subsequent doubling of the ratio of tax revenue to GDP during the 1980s (Bermeo, 1994; Isbell, 2004). There is a warning to the last argument, though. If informal firms in fact

have low productivity and profitability, their formalization, though desirable, does not necessarily imply automatic increases in tax collection.²⁴ In fact, this is what happens in the Mexican case. Flores et al. (2004) used Mexico's National Survey of Micro-Businesses (Encuesta Nacional de Micronegocios, ENAMIN) data to compute potential changes in tax collection if informal workers were taxed. They found that in fact tax collection would not change and net spending would increase, as most informal salaried and self-employed workers in Mexico would then be eligible for transfers (negative taxation) as their income is below the threshold for taxable income. Their analysis did not consider potential increases in income after formalization, so in this sense they took the standpoint of the 'worst case scenario' (Flores et al., 2004; Oviedo, Thomas, and Karakurum-Özdemir, 2009).²⁵

2.7.2 *Encouraging business creation and growth*

Since De Soto (1989) emphasized the importance of the costly and burdensome registration procedures as a key barrier to firms from accessing the formal sector, policy-makers have given more attention to this matter, implementing radical reforms in many cases to reduce the cost and simplify registration procedures. Therefore, simplified firm registration may be of help.²⁶ Increasing evidence suggests that offering greater access to registration does encourage informal agents to formalize. For example, USAID (2005) reports that after Montenegro reformed its registration process the number of registered firms went from 6,001 in 1999 to 21,724 in 2003.

There are several examples of reforms and programs that have simplified the registration process. Among those, Mexico is one of the countries that implemented programs of this type to encourage formalization. In 2002 the Mexican government implemented the Fast-Track Business Creation System (Sistema de Apertura Rápida de Empresas, SARE). This program guaranteed that micro and small firms could complete the registration process in two days, by reducing the number of procedures from eight to two. Even though most firms are eligible, those in the food sector and those whose activity represent environmental risks need to obtain

²⁴This is what occurs in the particular case of Mexico, as we will see in detail in Chapter 5 with the testimony of Alma Rosa Moreno Razo, head of the Tax Administration Service in 1999.

²⁵On September 8, 2014 the Mexican government announced a set of measures with incentives to attempt to formalize about 750,000 informal agents (individuals and firms). The government intends to provide them with social security, housing and other benefits to those who formalize and pay reduced taxes (Soto, 2014).

²⁶In this sense, it is worth pointing out that the Doing Business project at the World Bank has documented the nature of regulations around the world, and has been influential in advocating regulatory reforms in a large number of countries. For more information, see www.doingbusiness.org.

prior clearance from health authorities. Kaplan et al. (2007, 2011) and Bruhn (2008, 2011) have estimated the impact of the introduction of the program on the number of new firm registrations, concluding that it has been positive. According to Kaplan et al. (2007, 2011), registrations increased by 4 to 8 percent, while Bruhn (2008, 2011) finds the impact to be even more significant. The data do not make a distinction between the creation of new firms and the formalization of existing ones, so Kaplan et al. (2007, 2011) try to estimate which effect is more important. Since the increase in registrations took place predominantly within the first ten months after the introduction of SARE, they conclude that its success was to encourage informal firms to formalize rather than to promote the creation of new firms. Even though the effect of the program is positive and significant, they also conclude that these programs alone will most likely have a small effect on informality and firm creation. More comprehensive programs are necessary to have a sizeable impact on informality in countries such as Mexico, which have a relatively large informal economy (Kaplan et al., 2007, 2011; Bruhn, 2008, 2011).

Colombia also took actions for the simplification of firms' registration process. Business Service Centers (Centros de Atención Empresarial, CAE) were established within the premises of the local chamber of commerce in six Colombian municipalities. The goal was to ensure business registration in "one step, one day, one place, with one interaction, one prerequisite, and at a minimum cost" (Cárdenas and Rozo, 2007:13). The general goal of the project was to promote a more efficient and transparent relationship between the public sector and private enterprises. The first phase of the project (comprising six municipalities) was carried out between 2001 and 2004. In a second phase, the creation of CAES was extended to an additional 15 municipalities. As of 2013, there were 21 municipalities included in the project and ten more were in the process of joining (OECD, 2013). The CAES offer a number of services to entrepreneurs that range from information and business counseling to registration facilities. According to an evaluation carried out by Cárdenas and Rozo (2007) the introduction of the CAES increased registrations by 5.2 percent.

Reforms are not only important at national level but also at sub-national level. For example, in the municipality of Entebbe, Uganda, the government implemented a project for the introduction of a simplified licensing process. The new system required informal agents and entrepreneurs to provide only basic information and pay a fee, after which they immediately received their license. This reduced average registration time from two days to 30 minutes, and it cut the registration cost by 75 percent. Moreover, administrative costs went down by 10 percent and staff time used in registration also decreased by 25 percent (USAID, 2005). Most importantly, these reforms were implemented without changes to national level legislation,

which would have been too slow and difficult to achieve. Instead, other legal ways were found to introduce the changes (USAID, 2005). This example suggests that it is important to consider red tape at sub-national levels in order to get at all the potential obstacles to formalization that firms face (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Labor regulations are important when considering policies to combat informality. Together with costly and cumbersome entry regulations, labor regulations have been identified by scholars as important barriers to firm expansion, and there is compelling evidence in the literature that excessive worker protection has adverse effects for employment in general, suggesting that in the majority of cases employment protection legislation only benefits a minority of workers, at the expense of the majority (Kugler, 2007). For example, high severance payments and other firing costs considerably reduce incentives of firms to hire, hurting primarily women and young people. In extreme cases, they are segmented out of the formal sector, with only informal jobs available to them. In addition, stringent employment protection legislation can also encourage exit from the formal sector for small entrepreneurs who cannot afford to offer such protection to their employees (Perry et al., 2007). Lastly, there is also evidence suggesting that when the interaction of labor and entry regulations is strong enough, reform in only one area may not produce the desired effects (Blanchard and Giavazzi, 2003).²⁷

There are several examples of successful reforms to labor regulations. Some of the reforms implemented in the last years by European and Latin American nations such as Colombia and Spain have been successful according to various studies (Kugler, 2007). Particularly, reducing firing costs have increased worker turnover, indicating that firms can more easily adjust their labor force according to the current economic environment.

Moreover, there are many areas where reforms can improve firm expansion and in this way economic growth. Contract enforcement can be improved with a more transparent and efficient judiciary, trade tariffs and restrictions can be reduced to encourage exports, financial markets can be better regulated to open access to finance for small firm owners while protecting the economy from generalized financial crises, bankruptcy costs can be reduced, etcetera (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Furthermore, single reforms frequently need to be followed by other regulatory and administrative reforms to be effective. For example, increased access to land titling for rural workers

²⁷Blanchard and Giavazzi (2003) also argue that determining the source of rents is crucial to design the optimal policy. For example, lowering the bargaining power—and thus rents—of workers might lower real wages in the short run, creating clear winners and losers. On the other hand, decreasing entry costs has positive effects for all in the long run. These considerations alter the political economy of enacting reforms, and should be taken into consideration.

in Bolivia did not result in significant increases in the demand for credit from individuals, in part because of the still burdensome business registration procedures and the lack of support for micro and small entrepreneurs (Santa María and Rozo, 2008). Similarly in Peru, a study conducted by Winterberg (2005) found that of the 512,000 families that received titles to their properties between 1996 and 2000, only about one percent subsequently obtained a mortgage from a bank. There are also success stories, such as the city of Johannesburg, South Africa, which encouraged the formalization of enterprises in the garments sector by providing them with office and storage space in a designated ‘fashion district’, while giving them training and counseling on marketing and business development (Rogerson, 2004; Kenyon, 2007). According to Rogerson (2004), this initiative led to increased output, employment, product diversification, and competitive advancement in these firms.

2.7.3 *Strengthening enforcement*

Better enforcement is an important element of any successful policy package to reduce informality. In fact, while the ‘carrot’ element implies making formality more attractive, the ‘stick’ element can effectively raise the expected costs of being informal for individuals and firms. Nevertheless, too much emphasis on the latter may also have detrimental effects in sectors, activities, and regions where informal jobs are plentiful and the formal sector is not able to incorporate informal workers in significant numbers (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Several OECD countries have implemented various actions to enhance the efficiency of detection. For example, Australia and the UK have used telephone hotlines to facilitate the public to report people working undeclared; Canada and Sweden have employed the regular use of data matching to target specific sectors and informal activities, particularly where there is a high incidence of non-compliance; along the same lines, Australia, Canada and the United States are making a wider use of external data in data matching to increase the rate of detection. Additionally, sanctions are being used more methodically, and countries are now adjusting penalties for inflation to increase deterrence. Some governments (e.g. Sweden) are also researching how people perceive sanctions as a deterrent (UK-NAO, 2008; Oviedo, Thomas, and Karakurum-Özdemir, 2009).

In Latin America, there is also evidence of increased enforcement, but with potential unwanted side-effects. The evidence of a deterrent effect of regulations enforcement on infor-

mal behavior found in Panama by Perry et al. (2007) is also found for Brazil by Almeida and Carneiro (2006), and for Argentina by Ronconi (2007). In those countries with stringent formal employment regulations—which translates into high costs of hiring and firing workers—hiring workers informally might be a way for formal firms to adjust their employment level cheaply and swiftly according to the business cycle—similarly for workers, self-employment is always preferable to unemployment in the absence of unemployment benefits (Oviedo, Thomas, and Karakurum-Özdemir, 2009). Consequently, preventing firms from using this ‘illegal’ adjustment margin might indeed reduce informal employment within formally registered firms, but at the expense of firm performance, if formal employment is kept highly protected. Almeida and Carneiro (2006) analyze this in Brazil by using census data, Enterprise Survey data, and data from the Ministry of Labor with enforcement information at the municipality level. In particular, they examine how the number of labor inspections in the city affects the performance of formally registered firms, along with the level of informal employment in the municipality²⁸ (Almeida and Carneiro, 2006; Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Thus, research shows that increased enforcement by itself, without complementary policies, may result in a reduction of output. It also shows that labor inspections affect firm performance negatively along several dimensions. They considerably reduce employment, output, sales, capital stock, and job creation as measured in new hires (Almeida and Carneiro, 2006; Oviedo, Thomas, and Karakurum-Özdemir, 2009). In addition, Almeida and Carneiro (2006) calculate that each additional inspection per 100 firms reduces output per employee by about 2.5 percent and capital per employee by about 4 percent. When analyzing the impact of inspections on informal employment at the city level, they find that a one percentage point increase in labor inspections in the city leads to a 1.5 percent reduction in informal employment, which corresponds to an elasticity of informal employment with respect to enforcement of 0.15 (Almeida and Carneiro, 2006). They conclude that “stricter enforcement of regulation reduces the access of firms to informal employment, thereby increasing their employment tax costs, their employment adjustment costs, and adversely affecting their output and investment” (Almeida and Carneiro, 2006:22).

²⁸Informal workers are defined as workers employed without a contract and self-employed workers (Almeida and Carneiro, 2006). They instrument labor inspections with the average distance between the location of the firm (city) and all cities within the state that have a labor inspections office. While it is sensible to think that this distance itself does not affect firm performance, there is still a potential bias coming from the fact that larger cities usually have labor inspections offices, and better performing firms are more likely to choose a larger city for its operations.

In Argentina, increased enforcement may have actually increased employment. Ronconi (2007) assesses the effects of changes in enforcement of labor regulations on the percentage of private sector workers with legally mandated benefits. Ronconi (2007) uses labor data from 1995 to 2002 for the 24 jurisdictions in Argentina taken from the Argentine Permanent Household Survey, while inspection data comes from the Ministry of Labor. In order to estimate the causal effect of enforcement, he takes advantage of the fact that enforcement—measured as the number of labor inspections—is positively correlated with the electoral cycle in Argentina (he finds that there are on average 19.7 percent more inspectors during election years) (Ronconi, 2007). Thus, using the election year as an instrument, he finds that an additional labor inspector per 100,000 people increases the share of formal private-sector workers by about 1.4 percentage points. In addition, he finds that increased enforcement has a net positive effect on formal jobs—that is, more formal jobs are created than informal jobs destroyed—and a close to zero effect on the average wage (Ronconi, 2007). The mechanism for the increase in formal employment appears to be through the replacement of overtime work—above the maximum allowed—with additional workers. Following these results, Ronconi (2007) concludes that increased enforcement is a desirable policy in the dataset studied, as it creates formal jobs with no significant costs to workers. Nevertheless, Ronconi’s analysis does not assess the effects of increased enforcement on firm performance, as Almeida and Carneiro (2006) did for Brazil. While it is unclear whether enforcement harms firm performance in Argentina as much as in Brazil—since labor regulations are not as strict in Argentina—it is still possible that higher employment in combination with wage rigidity result in lower output per worker and lower total factor productivity (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Thus, summing up, strengthening enforcement will work best when the right incentives to formalize are created, so that informal agents (firms and individuals) have a viable transition path from informality into formality. Additionally, it is important to acknowledge that increased enforcement might have negative effects on productivity and formal employment, even though this will not necessarily always be the case (Almeida and Carneiro, 2006; Ronconi, 2007; Oviedo, Thomas, and Karakurum-Özdemir, 2009).

2.7.4 *Creating a more inclusive social protection system*

Undergoing systematic exclusion from societal arrangements may have long-term negative effects on human capital and economic development (IADB, 2008). One important compo-

ment of exclusion in numerous developing countries is the lack of access to basic protection and safety nets that allow people to deal with the risks associated with shocks such as job loss, illness, and disability. In countries where these types of social protection are provided by social security agencies funded primarily through payroll taxes, informal salaried and self-employed individuals are automatically excluded from receiving any protection, while formal employees and firm owners are subject to expensive contributions that often result in poor and unsatisfactory services (Oviedo, Thomas, and Karakurum-Özdemir, 2009). This type of systems not only create a fragmented society where only a few benefit from protection, but their intrinsic inefficiencies often also discourage people from working formally because the costs are greater than the benefits. Furthermore, the fact that in many countries workers move back and forth between formal and informal jobs often makes them ineligible to receive benefits, given that they have not contributed for enough time to be able to claim these benefits. In this instance, contributions may be perceived by workers as pure taxation with little compensation, so that workers have little incentive to participate (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Thus, universalizing the structures of social protection can help diminish the risks to informal workers. Following this logic, recent policy recommendations advanced by scholars such as Santiago Levy (2008) and by institutions such as the World Bank emphasize de-linking social protection programs from labor contracts, in particular the provision of health service. Health shocks can have serious consequences for the poor, as treatment costs are compounded by revenue losses for sick people and their family (Perry et al., 2007). There have been successful cases of reform in this direction, for example in Spain (Bermeo, 1994; Isbell, 2004; Perry et al., 2007; Santa María and Rozo, 2008), and in other European countries that have reduced contributions for low-income workers and shifted the responsibility of contributions from employers to employees, successfully de-linking the coverage of certain benefits from holding a formal labor contract (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Concurrently, it is important to remember that universal social protection policies have to be designed with great care to avoid undermining incentives to participate in the formal sector. For instance, at present there is a debate as to whether non-contributory pension systems²⁹ discourage workers from participating in saving schemes before retirement. Policies such as conditional cash transfer programs implemented in Mexico (*Oportunidades*) or Brazil (*Bolsa Família*), which tie cash transfers to enrolling children in school, are less likely to alter the in-

²⁹Non-contributory pension system is a type of pension scheme where the employee makes no contributions for her or his pension. Instead, the employer makes all contributions on the employee's behalf. This contrast with most pension systems, where both employees and employer make contributions (contributory pension systems).

centives of poor people to take formal jobs, while still offering basic protection against income shocks (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

2.7.5 *Building trust and collective incentives*

Social trust in public institutions is a key element in the success of policies towards informality. In addition to carrying out administrative and regulatory reforms to improve the benefits of formality and the costs of informality, governments can vigorously work on strengthening their relations with the public and building public trust. In spite of not being the most obvious element of a strategy towards informality, public trust is in fact fundamental, because people will be willing to participate in formal activities only if they firmly believe that their contributions will ultimately be used to improve their well being in the future, either by a good provision of social services, or by an efficient use of taxes (Oviedo, Thomas, and Karakurum-Özdemir, 2009). As Lledo et al. (2004) indicate for Latin America, even though tax reforms have been comprehensive in many countries, governments still face challenges in matters of redistribution and equity, and most countries still “lack an (implicit) social contract between governments and the general population of the kind that is embedded in taxation and fiscal principles and practices in politically more stable parts of the world” (Lledo et al., 2004:39).

In the same vein, administrative improvements can be complemented with better government communication efforts. As part of these efforts to build trust with the public, governments can upgrade their communications strategies to notify the public about reforms and their related benefits. The lack of an effective communications strategy may result in poor results even if the reforms are well-designed. For instance, the new simplified taxation scheme launched in Tanzania in 2001 to promote formalization was not properly disseminated. As a result, informal agents and entrepreneurs did not know about this reform and it was left to the initiative of tax administration officials to tell people about the program (USAID, 2005). Equally, the land titling initiative in Peru mentioned before does not appear to have achieved great success in improving people’s access to credit for the same reasons (Kenyon, 2007). From these examples, it can be observed that it is crucial that governments take their messages regarding the benefits of formalization—and the costs of informality—to the general public in a systematic manner, with the purpose of maximizing the positive impact of their reforms (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

In general, any society where the social contract is strong has stable and reliable institutions. In this regard, improving the transparency of the judiciary system is frequently a priority in order to restore confidence in the quality of institutions (Oviedo, Thomas, and Karakurum-Özdemir, 2009). Many countries have been making efforts to improve their credibility and reliability towards their citizens. For example, in Ukraine, efforts to reform administrative procedures for business licensing have been accompanied by specific actions to increase civil society participation and to fight public sector corruption (USAID, 2005).

Increasing trust in public institutions may take time but can be done simultaneously with administrative and economic reforms. However, as Locke (2007) argues, countries where confidence in institutions is low are not necessarily doomed to failure. Building trust can be difficult but may still be possible if the society follows “a sequential process that blends together elements of (encapsulated) self-interest, government intervention, and the development of mechanisms of self-governance and monitoring by the actors themselves” (Locke, 2007:9).

To sum up, the policies described in this section are important parts of a well-planned strategy in order to build a ‘culture of compliance’. First, a good policy package can facilitate the functioning of small enterprises, by simplifying procedures, reducing the cost of compliance, and offering support and counseling to informal agents and entrepreneurs. Second, the costs of informality can be increased by raising penalties and enhancing enforcement. Third, public trust and awareness are indispensable to make sure that these policies are maintained in the long term, so that the people know it is in their own interest to comply. Lastly, the provision of basic social protection benefits could in many cases be extended to the whole population, instead of being conditioned to having a formal job (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

None of these policies is likely to work on its own; rather, a package of policies to achieve a number of goals—economic growth, social protection, inclusion, and trust—may work best. Specific policies to reach these goals include:

- Simplifying taxation schemes and reducing taxes on micro and small firms
- Reducing barriers to entry (costs, time, procedures)
- Allowing for more flexible hiring and firing of workers (e.g. temporary contracts)
- Offering flexibility to make payments (e.g. via financial institutions, one-stop shops)
- Partnering with business associations to offer information and counseling on how to develop businesses

- Informing firms about the benefits of formalization, and about regulatory reforms
- Strengthening enforcement and raising penalties
- Fighting public corruption and improving customer service in public administration
- Improving and expanding the coverage of social programs through cash transfers and universal health systems.

Thus, any policy package to reduce informality can contain both ‘sticks’ and ‘carrots’. Evidence tells us that the most successful cases of countries reducing informality have included a comprehensive policy package containing both of these elements, and that it will be the most effective way to offer a sustainable transition from informality to formality (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Lastly, attaining ‘full compliance’ might be too costly to be a rational objective. A more sensible approach might rather target, as a starting point, increasing formalization there where the benefits can be greater; that is, in sectors and activities that may suffer the most from the restraints imposed by informality, but that have the most evident potential to grow (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

2.8 Conclusions

This chapter tries to highlight the fact that, to understand why informality is so widespread in the region, and especially in Mexico, it is very important to take into account how individuals interact with each other and how they react to how the state performs its assigned duties of providing quality public services in a fair and efficient way. For that, the chapter shows that individuals both make cost-benefit analyses of their choices and select which one is better for them, and also take into consideration the general feelings of their peers about the state to make those choices.

Comparative, cross-country evidence based on microdata suggests that perceptions of government effectiveness and of the performance of public services in the Latin American region are lower than those in other regions, and perceptions of corruption practices are higher. As it was shown in this chapter, these low levels of trust are also correlated with high levels of informality. A specific section of the chapter is devoted to the role of taxation (its rules, administration and effectiveness) on informality, leading us to conclude that it actually plays a

central part in a social contract. On the other side, governments in the region would have to improve their performance in how they provide public services.

This chapter makes the case that more attention needs to be placed on understanding the conditions, stages, and scenarios where formal and informal characteristics are combined in the same individual or group. This is what is called ‘semi-formal arrangements’. A new concept is introduced, that is, a new notion of semi-formality that refers to the status and form of operation that some informal agents (particularly organized informal groups) have which shows or presents them as being informal when in reality they make use of formal instruments (among them their legal status) in order to sort out better the problems brought about by regulations and avoid the authorities reprisals, while at the same time taking advantage of the benefits of informality (e.g. such as tax avoidance). An example that will be widely analyzed with specific examples in different chapters of this dissertation, refers to the status of ‘independent civil associations’ that some informal groups in Mexico obtain in order to have both legal personality—and therefore legal recognition from the government; as well as the prerogative to demand certain rights—such as the right to sell on the streets. This condition or status of being legally recognized while still being ‘informal’ may represent a real problem for the state and definitely will have to be carefully studied in order to avoid additional abuse, unfairness and deepening the roots of broken social contracts in those countries that present such situation.

One thing that is clear from the research is that there exists a continuum between formality and informality. It could be said that, in general, few firms follow all the rules governing enterprise behavior, and few follow none of them.³⁰

Formalization can be a gradual process that does not involve moving from one fixed state to another. Informality is an abstract concept that permeates many sectors and levels of activity and includes a heterogeneous group of actors. Most individuals and firms in the informal sector do interact with public institutions to some extent; therefore it is more appropriate to see informal activity as a continuum of compliance, rather than in a dichotomous manner. Furthermore, depending on the level of development of the country, the nature of informal activity varies. In developed countries informal activity refers generally to tax evasion and the use of undeclared labor (often undocumented foreigners). In developing countries, informal activity is the source of employment for a significant share of the labor force, often compensat-

³⁰A business in Uganda may be registered but not pay any taxes nor declare their employees for the purpose of social insurance. On the other hand, a business in China may not be registered as a business with central government, but nonetheless comply with many local regulations (USAID, 2005).

ing for the weak potential of the formal sector to create enough jobs. The lack of development of the formal private sector may originate from a variety of causes, from too much red tape and ineffective bureaucracies, to low levels of human capital, low trust in public institutions and low ‘tax morale’ (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

The latest evidence of formalization policies around the globe suggests that there are several actions that governments can take to facilitate the transition of individuals and firms from informality to formality. Comprehensive policy packages containing both ‘carrots’ and ‘sticks’ have proven to be more successful than single, isolated policies or reforms in creating the appropriate incentives to increase formality in the long run, as has been seen in the noteworthy example of Spain, versus less impressive ones, such as those of Bolivia and Peru. The ‘carrots’—simplifying taxation schemes and reducing taxes for micro and small firms, and facilitating registration through fewer and cheaper procedures—reduce the costs of formality, but policies can also go further in increasing growth opportunities for these firms, for example by offering them support and counseling, as has been done in Colombia or South Africa. On the other hand, the ‘sticks’ can include a strengthening of the enforcement process, from increased collaboration between government agencies to share information about non-compliers, to higher penalties for wrongdoers. Furthermore, individuals should have the benefit of basic protections against risks regardless of their labour status, and therefore providing universal health care and other support systems for the most vulnerable groups will help to reduce their risks in the face of adversity. Finally, individuals need to trust their institutions in order to be willing to establish long-lasting relationships with the public sector. In this sense, fighting corruption within the public administration may be seen as one way to restore public trust in the ethical standards and integrity of public institutions and therefore reducing the relative attraction of informality versus formalization (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

The future of informality is uncertain. Policies can influence the shape and size of the informal sector. However, assuming that things will continue in the route that they are now, it can be expected that there is going to be some degree of informality. An equilibrium level will depend on the policies in place that put incentives to workers and firms to be formal. Depending on these factors and how they play together, each economy will reach certain equilibrium in the informality rate in the long run.

The discussion presented in this chapter will serve as a theoretical and conceptual background for the following empirical chapters, which deal more specifically with the Mexican case and with the specific sub-category of informal street vending. These concepts will help to

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better understand the analysis behind the relationship government-informal agents and their different ways of behaving and reasoning. It will help to see more clearly the ideas of 'semi-formality' as well as the 'culture of informality'. Moreover, the policies discussed will also help to have a better understanding of how proactive the Mexican government has been in matters of informality.

3. THE CULTURE OF INFORMALITY: GENERAL CHARACTERISTICS, STRUCTURE, AND THE POLITICS OF INFORMAL STREET VENDING ORGANIZATIONS IN MEXICO

3.1 Introduction

This chapter aims to provide a general overview of informal street vending in Mexico to understand better the culture of informality. It illustrates and explains some of the standard characteristics, structures, schemes, and political arrangements and interactions observed in informal street vending during both the empirical stage and the historical study of this research. This chapter and those that follow, will focus on informal street vending—the most visible and widespread informal activity of all the various informal activities—to illustrate the features and workings of the culture of informality in Mexico.

The chapter starts by mentioning some general characteristics of informal street vendor groups and underlines the high degree of heterogeneity that exists among them. It also signals the general dynamics of these groups, among them the general structuring of the organizations, the reasoning behind the formation of civil associations, and the sense of community that is created among members of an organization.

The chapter then looks at the corporatization of informal street vendors, its origins and development, its determinants, and its inherent evolution into clientelism. It briefly explains why these schemes of corporatism and clientelism have prevailed until today, despite the democratic opening and change of political actors and parties in power, to the point that corporatist and clientelistic practices are accepted as legitimate forms of interaction between state and society—in this case between government and street vendor organizations—making them a perfect example of the culture of informality, and an expression of the political culture that exists in Mexico.

The chapter analyzes the political arrangements and interactions of informal street vendor organizations: First it discusses in detail the authoritarianism that exists within most organizations of street vendors; and then it examines the political interactions of these vendor organizations in three ways: how government authorities and political parties control street vendor leaders; how street vendor leaders and organizations can influence government authorities; and how members of street vendor organizations can control their leaders.

Two recent cases studied by the scholar Caroline Stamm are analyzed in detail, which demonstrate certain new democratic practices that are taking place within commercial plazas given to informal street vendor groups in Mexico City. She found that groups in charge of administering some of these commercial plazas have got rid of abusive and authoritarian leaders of organizations and are managing their commercial plazas and organizations using democratic practices such as creating general assemblies for decision-making, and selecting administrators in democratic elections. The analysis also illustrates the role that new political actors play in these cases as a result of the new democratic framework that exists in Mexico and its capital.

The chapter concludes with a short analysis of the role of women in the informal sector in general, and in informal street vending in Mexico in particular. It explains why women are generally over-represented in the street vending activity, what the historical factors were that led many women to become street vendors in Mexico City, and why the most important informal street vendor leaders in Mexico are women. This topic will be taken up again in Chapter 6, which discusses the Asociación Legítima Cívica Comercial A.C. (ALCC) and its leader, Alejandra Barrios.

3.2 General characteristics of street vendor groups and organizations

Street vending is the activity of selling in the public space through a fixed, semi-fixed, or mobile stall, or as an itinerant vendor (without a stand).¹ Most of the legal vending activity that happens in the public space (primarily on the street) takes place below the radar of government (otherwise it would be subject to taxation and other regulations) and therefore is considered

¹There are other types of vending schemes in the public space in Mexico, for example *tianguistas* (i.e. open air markets, flea markets, or bazaars); *mercados sobre ruedas* (i.e. markets on wheels); commercial plazas and public markets (i.e. established indoor markets). However, these types of schemes fall more into the formal category and are usually more systematic and better established in the public (or private) space than street vendors. Therefore, they will not be considered in full, only in their relation to street vending. Particular attention will be given to commercial plazas and public markets, as they are highly related to informal street vending in Mexico.

informal. Informal street vendors do not pay taxes and often evade regulation, but do not receive any government benefits or protection. In Mexico City they are organized in street vendor groups (De Soto, 1989; Castro Nieto, 1990; Stamm, 2007; Castillo-Berthier, 2010). The larger and better organized groups—located in one street or in several streets—are generally constituted in street vendor organizations, which are officially recognized under the legal figure (or legal status) of an ‘independent civil association’ (*asociación civil*).² The status of ‘civil association’ gives street vendor organizations ‘legal personality’³; that is, legal recognition within the legal framework and the Mexican constitution, despite their informal nature.

The process for a group or organization of street vendors to become a civil association consists of simple notary procedures. However, the importance for an informal organization or group of informal street vendors of becoming a civil association lies not only in the official and legal recognition of the association, but in the fact that they (street vendor organizations) can legally claim rights⁴—such as the right to work—which allow them to continue performing their activities (e.g. justify their occupation of part of the public space to sell), resort to legal instruments to defend their associations or members (e.g. use of *amparo*⁵ remedies or actions), and in general benefit their associations using the legal system.

When street vendors have a stand, it is possible to identify to what organization they belong from the color of their clothes—some organizations give their members waistcoats—or the color of their stall’s tarp, which also helps to determine their territory (Stamm, 2007). In some cases, the better organized and larger organizations also provide their members with

²According to the Mexican law—more specifically the Civil Code of the Federal District—a ‘Civil Association’ (*Asociación Civil*) is a private, non-profit organization with full legal status, integrated by natural persons (individuals) to carry out cultural, educational, outreach, entertainment, or similar purposes with the objective of fostering social activities among their affiliates and/or any third parties (CCDF, 2012). In Mexico, the *asociación civil* is foreseen and governed by the Civil Codes of the several states of Mexico. This is a company where two or more persons come together permanently to perform a common, licit, possible goal of a preponderantly non-economic nature, and without constituting commercial speculation. It is also known as a common goal company (therefore, not a civil company). This sort of company can be identified by the letters ‘A. C.’ used at the end of the company’s name (Mexicolaw, 2012).

³Legal personality is the characteristic of a non-living entity regarded by law to have the status of personhood (Smith, 1928). An entity with legal personality may protect its shareholders or members from personal liability. The concept of a legal person is now central to Western law in both common-law and civil-law countries, but it is also found in virtually every legal system (Smith, 1928).

⁴When appealing for their rights, informal street vendor groups generally refer to Articles 4, 5, 6, and 123 of the Mexican Constitution, which cover human rights and the right to work (Jiménez, 2012).

⁵An *amparo* is a form of constitutional relief found in the legal systems of Mexico and other Latin American countries. An *amparo* remedy or action is an effective and inexpensive instrument for the protection of an individual’s constitutional rights. Such remedies and actions serve a dual protective purpose: they protect the citizen and his or her basic guarantees, and they protect the constitution itself by ensuring that its principles are not violated by statutes or actions of the state that undermine the basic rights enshrined therein. It may therefore be invoked by any person who believes that any of his or her rights implicitly or explicitly protected by the constitution (or by applicable international treaties) are being violated (Gozon Jr. and Orosa, 2008).

photo ID credentials to identify themselves—to government agents and street vendor leaders or representatives—as members of a particular organization.

These organizations, which have primarily been studied in the Historical Center and Tepito⁶ neighborhood of Mexico City, comprise anything from a dozen to several thousand members. Consequently, street vendor organizations located in Mexico City's center are very heterogeneous and differ in many ways, in addition to size.⁷ Many organizations developed in the mid-1990s, while others date back to the mid-1950s,⁸ a period during which the city mayor, Ernesto P. Uruchurtu, assigned special permits to street vendors whose organizations joined the popular sector of the then ruling party (the PRI) (Cross, 1996). The organizations are hierarchically structured, so the street vendor leader controls who enters the organization they lead, the location of members along the street, the size of vendors' stalls, the fees vendor members have to pay, and in several cases the merchandise that they sell (Crosca, 2009).

Within the sales area of each street vending organization, members are provided with a sale or vending space where they set up their stall.⁹ Every member of the organization must pay a daily, weekly, or monthly fee to the leader of the organization. Vendor organization leaders transfer part of the monies to the government bodies (in exchange for permits when the option exists) or officials (in exchange for corrupt toleration when the situations so requires), pay some into the organization's funds to pay its expenses, and in general keep some for themselves (Sanchez, 2005; Monge, 2009; Castillo-Berthier, 2010). The fee varies depending on the size of the vendor's stand and its location on the street¹⁰: the larger the stand, or the better its

⁶Tepito is a neighborhood located in Mexico City's Cuauhtémoc Delegation. It houses a popular *tianguis* or street market famous for selling thousands of items at very low prices. Much of the merchandise sold in Tepito is illegal in one way or another. Tepito is also known for underground weapons and drugs traffic in high numbers.

⁷This heterogeneity can have a (spatial and) geographic logic: for example, the Tepito organizations have fewer members than those in the Historical Center; as a result, the former are more numerous and dispersed while the latter are less numerous and more concentrated. Therefore, it can be inferred that there is a mafia-type concentration system of these organizations in the Historical Center—there are fewer organizations there, with more members each, and they are geographically concentrated in one location—and a dispersion system in Tepito—where there are more associations with fewer members each, and they are geographically dispersed (Tomas, 2004).

⁸As will be seen in the following chapters, most of these groups evolved from street vendor organizations to market organizations, as they were allocated spaces in public markets or commercial plazas, but others, such as the one led by Guillermina Rico, kept selling on the streets.

⁹In a large part of the Historical Center, the stands are mostly semi-fixed or movable and are positioned on the public thoroughfare (sidewalks and streets). Stands are flexible and can be removed at night and reinstalled the next day. In commercial plazas, vendors are given a fixed or permanent stall (made of cement or metal).

¹⁰Evidence also shows that fees may also vary depending on the type of product sold (or the volume of sales); the more expensive the product sold (or the larger the volume of sales), the higher the fee paid to the organization (Antunez, 2012).

position, the higher the fee paid to the organization.¹¹ Sometimes extra fees are charged for very specific purposes; for example, to hire the services of a lawyer, or to bribe a particular government official, among other things. Although larger and better-managed organizations have accumulated sufficient wealth to provide loans to vendor members, build schools for the members' children, and provide housing credits for its members, other organizations can barely afford the necessary funds to function.

It is worth pointing out that some of the larger and better organized street vendor organizations use their status as a 'civil association' not only to gain legal rights and recognition but also to benefit economically (Osorio, 2007a, 2007b). In general, a civil association is considered a non-profit type of organization, but the leaders of organizations which are able to accumulate certain levels of monetary wealth create 'trust-funds' (*fideicomisos*)¹² in order to evade the payment of taxes, to protect the organization's assets, and obtain other economic advantages. In situations like this, a trust-fund effectively functions as an informal bank or informal credit institution, from which vendor leaders have readily available cash for multiple purposes—some for the benefit of the association, some for the leaders' personal benefit.

While some vendor organizations belong to national and international commercial networks, others depend on local or regional networks of exchange (Alarcón González, 2002; Crossa, 2009). Besides the existing heterogeneity among vendor organizations, informal street vending as an activity also varies considerably in type and size of stand, daily profits earned, merchandise sold, the number of people working on each stand, their relationship to the leader, supply and distribution processes, and geographical location within the city (Crossa, 2009).

Even though some street vendors are undoubtedly involved in unlawful activities, such as selling stolen or contraband goods, or pirated music and movies (Crossa, 2009), the vast majority participate in lawful and permitted forms of distribution and exchange. By providing

¹¹Some sources claim vendors are charged at least 50 pesos a day (Sanchez, 2005; Osorio, 2007a). Fees charged to street vendors will be discussed in Chapter 6.

¹²A 'trust fund' (*fideicomiso*) is a financial tool through which financial assets are managed for the benefit of a natural person or a legal entity. The initial assets are provided by a settlor or trustor (in this case, the vendor organization), who assigns his or her property—money or rights—to the trustee (by law, in Mexico it must be a bank) for management and administration. The settlor (or the beneficiaries designated by him or her, in this case the vendor members and the organization itself) receives a payment from the fund in accordance with the terms of the agreement reached between both parties. The trust funds are often used when a settlor is unable to manage her or his property. They are also widely used to avoid paying certain taxes. According to the tax code of the Mexican federation, only individuals and corporations are required to contribute to the tax system (to pay taxes). A trust fund has no legal personality and therefore cannot be considered either a legal entity or a natural person (individual). For this reason, trust funds are not subject to taxes. It is also worth noticing that the assets of a trust fund cannot be legally pursued by creditors of the settlor or the trustee.

low-priced and therefore accessible goods and products to the urban population—primarily the poorer sectors of the population—many street vendors carry out an important socio-economic function (Bhowmik, 2007; Crossa, 2009; Barrios, 2010; Neuwirth, 2012).

The street is the place that provides people who work as street vendors with an honest and decent means of earning a living, and concurrently one where they build and strengthen their ties with colleagues, friends, and family members. Several street vendors have taken part in this form of economic activity since they were children, aiding their street vendor parents, or working for a relative or a friend (Barrios, 2010). Those who were comparatively new to street vending were assisted by existing ties to family or social networks set in street vending activities. Thus for the majority of street vendors the street is both an extension of their home, of their social circle, and a place of work (Crossa, 2009).

In practice—and when tolerated—the public authorities make an agreement with street vending organizations to delineate a defined area of sales (Azuela, 1990), which can be disputed immediately by another group of street vendors. Antonio Azuela (1990), John Cross (1998), and Chapter 5 of this thesis describe how street occupations by street vendor groups are common and a cause for conflict. There are frequent stories of this sort of dispute in national or local newspapers, or on tv. This recurring problem decreased when government authorities started to grant commercial plazas or commercial corridors¹³ to street vending organizations, so they could relocate their members there. Eventually, all the larger and more important informal vendor organizations had at least one commercial plaza under their control (Barrios, 2010), but that did not stop large informal vendor organizations from allocating street vendors—especially new members—to the streets.

While the vast majority of street vendors belong to an organization or association, this fact is not merely the result of grassroots organization—which allows the internal regulation of their activities and group representation before other actors. It is, above all and fundamentally, the direct result of the shaping of the Mexican corporatist system and administrative procedures¹⁴ whose combination required that individuals belonged to a recognized organization to be allowed to sell on the street (Cross, 1998; Stamm, 2007). Therefore, the history of

¹³Commercial plazas and commercial corridors are a type of indoor markets built by city authorities in the early 1990s to relocate informal street vendors. The main differences with the traditional indoor public markets of the 1950s and 1960s are: First, the financing of the construction and maintenance of the commercial plazas and corridors was responsibility of the vendor organizations and not of the government as it was in the past. Second, in the commercial plazas the individual vendor members were the rightful owners of their stalls and not the government, as it was in the past in the traditional indoor public markets.

¹⁴The market regulation of 1951 recognized street vendors associations. Street vendors were required by law to form associations in order to be recognized, to be able to sell on the street, and to be able to deal with the government.

street vending organizations in Mexico is highly politicized and closely related to the corporatization of the Mexican state after the Mexican Revolution. The next section analyzes the corporatist inheritance of the Mexican state relating to informal street vending organizations.

3.3 The corporatization of informal street vending in Mexico

In the late 1930s and early 1940s, the then official party, the Party of the Mexican Revolution (Partido de la Revolución Mexicana, PRM)—which eventually evolved into the PRI¹⁵—laid down a project of national unity (Castro Nieto, 1990; Garrido, 2005). One of its objectives was to organize and control Mexican society by creating distinct organizations and groups, and then integrating them within the official party structure. Lázaro Cárdenas, president of Mexico from 1934 to 1940, structured the PRM-PRI in sectors: the workers' sector, materialized in the Confederation of Mexican Workers (Confederación de Trabajadores Mexicanos, CTM) founded in 1936; the agrarian sector, materialized in the National Peasant Confederation (Confederación Nacional Campesina, CNC) founded in 1938; the military sector—included as a sector of the party in 1938, diluted of its authority in 1940, and finally abolished in 1946, but whose members were later integrated into the popular sector; and the popular sector, materialized in the National Confederation of Popular Organizations (Confederación Nacional de Organizaciones Populares, CNOP) founded in 1943 (Garrido, 2005). The street vendor organizations joined the last one, the CNOP, together with other groups: professionals, youth organizations, women's groups, and so on (Castro Nieto, 1990; Stamm, 2007).

The formation of these sector groups and their integration into the official party legitimized the existing street vendor organizations¹⁶ and allowed new ones to be created, transforming

¹⁵Between 1934 and 1940, an intense struggle for political control developed between the ex-president Plutarco Elías Calles and the new president, Lázaro Cárdenas. At the time, Calles represented the conservative elements of the revolutionary coalition, while Cárdenas drew his support from the more radical political elements. To strengthen his hand against Calles, Cárdenas reunited the labor and peasant organizations that Calles had earlier fragmented and formed two national federations, the National Peasant Confederation (Confederación Nacional Campesina, CNC) and the Confederation of Mexican Workers (Confederación de Trabajadores Mexicanos, CTM). Using these organizations as the bases of his support, Cárdenas then reorganized the National Revolutionary Party (Partido Nacional Revolucionario, PNR) in 1938, renaming it the Party of the Mexican Revolution (Partido de la Revolución Mexicana, PRM), incorporating the CTM and the CNC and giving the PRM an organization by sectors: agrarian, labor, popular, and military. The creation of these groups and their integration into the party marked the legitimization of the existing interest group organizations and the transformation of the political system from an elite system to a mass-based system. In early 1940 the authority of the military sector was diluted, and in 1946 President Manuel Ávila Camacho dissolved the military sector, shifted its members into the popular sector, and renamed the party the Institutional Revolutionary Party (Partido Revolucionario Institucional, PRI).

¹⁶The roots of these organizations are found at the end of the 19th century in the conflict over public spaces and informal associative practices developed by street vendors under the regime of Porfirio Díaz (Stamm, 2007).

the Mexican political system into one supported by the masses. In this way, individuals were incorporated into the PRM-PRI through their adherence to a union or a member organization affiliated to a specific sector of the party, according to their status and activity, even if some of these organizations—or the activities that they performed—were, for the most part, informal.

Chapter VI of the 1951 market regulation allowed street vendors in Mexico City to form associations to represent their interests (*Diario Oficial*, 1951), but only those of more than 100 members were recognized by the government and they were required to join the PRI and to support the political actions of the party. In return, Ernesto P. Uruchurtu, the mayor of Mexico City from 1952 to 1966, guaranteed the construction of markets and authorized street vendors to sell on the streets while the markets were being built. This period was characterized by a true politicization of street vendors (Cross, 1998), as well as the generalization and acceptance of corporatism as a form of relationship between the street vendors (through their organizations) and the government (through the ruling party) (Stamm, 2007).

Thus, two fundamental characteristics of corporatism were present in the functioning of street vendor organizations: the ‘forced mediation’, in which individual vendors are obliged to go through an organization to obtain a selling permit to sell goods on the street, giving organization leaders considerable power; and the ‘compulsory affiliation’ of organizations to the ruling party in order to obtain permits for their members (Azuela, 1990; Stamm, 2007). These factors started to shape the corporatization of street vending that developed in Mexico.

It was a win-win arrangement for all the groups involved: street vendor organizations and their members provided votes, support, and important mobilization potential for the ruling party; and vendor leaders had access to important government authorities and prominent leaders within the party, who could become their political patrons. In this way, the political machinery of the PRI tried to co-opt street vendors—while giving them the opportunity to neutralize attempts to control them by the authorities—in particular through the growing power of the leaders of street vendor organizations (Stamm, 2007).

Uruchurtu’s policies had an impact on the configuration and future strengthening of the street vendor organizations. He implemented policies to achieve two simultaneous objectives: first, to remove street vendors off the street—and therefore effectively eliminating street vending—and relocating them in public markets; and second, to create and organize a clientelistic group of market vendors to advance his political career (Cross, 1998). To accomplish these objectives, Uruchurtu undertook a large-scale program of market construction into which he would relocate street vendors, while at the same time carrying out the most

severe repression of this group in Mexico City's history. Eventually, the demands of these two policies—basically the high costs of building public markets and the severe repression against street vendors (among other marginal groups)—contributed to the collapse of Uruchurtu's political career (Cross, 1998).

The most relevant bequest of the Uruchurtu administration was the way he shaped relations between the street vendors and the city government, which later gave street vendors a stronger position (Cross, 1998). The street vendors that did not obtain a space on the newly built markets and that survived the harsh repression came back strengthened: those who could survive Uruchurtu's regime could endure any kind of suppressive regime. These groups of non-favoured street vendors were the origin of the largest, better organized, and most powerful organizations that exist in Mexico City today. As many of the survivors of this period were women—several of whom were not granted or were unable to get a vending space in the markets—many of the leaders who emerged from these groups were also female. They eventually formed their own organizations and led them in the years to come. Examples of these leaders are Guillermina Rico and Benita Chavarría (Monge, 1990c).¹⁷

Not long after Uruchurtu resigned as mayor of Mexico City in 1966, the market construction program was discontinued in favor of new programs (such as the construction of the Metro¹⁸). However, government officials and city authorities continued to require vendor groups to be organized into associations that had to demonstrate their allegiance to the PRI—usually by finding a political patron—if they were to be allowed to sell their goods on the streets. Government officials concealed the fact that they were allowing street vending to re-emerge by suggesting that street vendors were being tolerated only until markets were built (Cross, 1998), but the government lost control of the situation, leading to a significant increase in the number and size of street vendor groups.

The government officials and city authorities that succeeded Uruchurtu never intended to allow the dramatic growth of street vending that occurred in the following decades. On the contrary, they wanted to stem the growth of street vendors, which had become politically unsustainable for the PRI and economically unsustainable for the government. Politically unsustainable because different political actors and interests (inside and outside the PRI) demanded the eradication of informal street vendors whose activity was seen by many as a threat to their interests (e.g. public market vendors or formally established merchants); and economi-

¹⁷Alejandra Barrios—the other historic street vendor leader—lived through this time but formed her association some years later, at the end of the 1970s.

¹⁸The Collective Transport System (Sistema de Transporte Colectivo) is Mexico City's underground service, commonly known as the Metro.

cally unsustainable because in order to cope with the problem, the government had to spend considerable amounts of money (e.g. the construction of markets). Nevertheless, the policies implemented by Uruchurtu had significantly politicized street vending by utilizing the market construction program as an inducement for street vendors to organize inside the PRI, and as a recompense for loyalty towards Uruchurtu's political goals (Cross, 1998). In order to take advantage of the political benefits of organizing street vendors in the same manner that Uruchurtu had organized market vendors¹⁹, new government authorities made the critical error of following his policies, but without understanding the thinking behind them, thus fostering the formation of more street vending organizations (Cross, 1998).

Moreover, by requiring street vendors to form associations, the government authorities gave the associations—and particularly their leaders—definitive power over individual vendors, permitting these leaders to use their vendor members as they wished to defend their interests—increasing their space on the street, increasing their membership, and ultimately increasing the phenomenon of street vending to a level without precedent in Mexico's history (Cross, 1998).

3.3.1 *Corporatism and clientelism*

In Mexico, the corporatist system comes together with clientelism. Scholar Viviane Brachet-Marquez (1992:94) characterized clientelism in the following way:

Clientelism refers to the structuring of political power through networks of informal dyadic relations that link individuals of unequal power in relationships of exchange. In clientelistic structures of authority, power is vested in the top individual (the boss, sovereign, or head of clan) who personally decides how to distribute resources according to personal preferences. When applied to Mexico, this perspective represents the state as a top-down pyramid headed by the chief of the executive branch, who directly or indirectly dispenses favors to those below through complex patron-client networks that link the base of the social structure to the top. Civil society, in contrast, is perceived as a fragmented set of vertical relationships inhibiting the formation of horizontal interest groupings, whether based on party or social class. This form of political organization, which was

¹⁹Former street vendors that entered the market construction program implemented by Uruchurtu and became his political clientele.

initially understood as a typical trait of premodern oligarchic societies, was finally recognized as a more or less permanent feature of Latin American political systems.

Moreover, it is common that within the street vendor organizations a leader emerges and is able to create personal relationships with the authorities.²⁰ Castro Nieto (1990) proposed a typology of such leaders: the independent leader, the traditional leader, and the modern leader. Independent leaders are not affiliated to the official or ruling party or the government; they obtain selling permits through official and legitimate channels. Traditional leaders rely on their local origin and friendship and kinship (*compadrazgo*) relationships to reach their goals. Finally, modern leaders have a defined status within the community and propose economic benefits, such as the creation of *cajas de ahorro* (popular savings banks) (Castro Nieto, 1990). Some leaders combine characteristics of the different typologies, given the heterogeneity of the leaders and organizations that exists.

In all three cases, the leader constitutes a political intermediary or ‘middleman’ (Lomnitz, 1978; Cornelius, 1986; Castro Nieto, 1990, Stamm, 2007). This clientelistic behavior is related to the hierarchy of the traditional Mexican political system, which consisted of a certain number of *camarillas* (cliques of officials) competing for the distribution of government posts. This in turn depended in part on their ability to distribute resources to popular organizations. However, as John Cross accurately points out, writing about the competition between street vendors’ leaders for selling spaces and for a larger membership, “vendor leaders cannot reduce their own interests to those of their political patrons” (Cross, 1998:80).

Clientelistic practices are so deeply rooted among street vendors that in some cases they have ended up assuming that the dependence on their organization’s leader, the permanent negotiation, and the non-compliance of laws and regulations are legitimate forms of intermediation between state and society (Grisales Ramírez, 2003). This is culture of informality at its best, or better said, the consolidation of the culture of informality. Nevertheless, if the power of vendor leaders is too strong, to the point where they use violence to enforce their authority, and the functioning of the organization is non-democratic and abusive, that power has to be reduced as vendor members might rebel or leave the organization (Stamm, 2007).

Therefore, the ability of the state to control street vending has been determined by corporatist and clientelistic political relations between street vendors, represented by a leader, and the state, represented by government officials and ruling party authorities (Cross, 1998). It is

²⁰Examples are Guillermina Rico and Alejandra Barrios, both historic leaders of large and powerful street vendor associations. The vendor association of the latter is analyzed in Chapter 6 of this thesis.

important to underline that the power of street vendor associations in Mexico City, predominantly in the Historical Center, seems to be a particularity of Mexico City until the years 1980–1990 (Stamm, 2007). If compared with other studies made of street vending in other Mexican cities (Ramírez Saiz and Mora, 1998) and other cities in Latin America (Roever, 2005), street vendor organizations in Mexico City were particularly important numerically, strong politically and economically, and had a significant power relationship with the government and authorities (Stamm, 2007).

3.4 The political arrangements and interactions of street vending organizations

3.4.1 *The emergence of authoritarianism in street vending organizations*

Street vending was often seen as a refuge occupation for ‘marginal’ populations who were excluded from more lucrative employment. Street vendors’ collective experience of seeing their occupation and source of revenues threatened, and the subsequent mobilization to save them, generates a high level of solidarity during the initial phases of organizational development of street vendor groups. However, once recognition is secured—from the authorities and the street vendors themselves—and the organization begins to become ‘institutionalized’, solidarity is rapidly replaced by authority (Cross, 1998).²¹ Authoritarian traces within street vendor organizations are often found in the assignation of stalls or space on the street, in the punishment of members who do not participate in political rallies and protests—by suspending their selling rights for some time—and in the collection of fees or charges, which are often high, just to name a few.

Often even the most loyal members of street vendor organizations become disenchanted with the organization when the level of authority of the leader goes beyond limits. Members of powerful organizations with strong leaders tend to feel that they have lost control of the organization, that they have just become ‘tenants’ or ‘lessees’, forced to pay fees and attend political rallies and protests when ordered by the leader, but without any control over ‘their’ association (Cross, 1998).

²¹Thus, under authoritarian leadership, all decision-making powers are centralized in the leader, as in a dictatorship or autocracy. Often, leaders do not consider any suggestions or initiatives made by subordinates. An authoritarian management is frequently successful because it provides strong motivation to the leader. It permits quick decision-making, as only one person decides on behalf of the whole group and these leaders keep each decision to themselves until they feel it needs to be shared with the rest of the group.

This type of ‘street vending authoritarianism’ is a reflection of Mexico’s corporatist past and, ultimately, of Mexico’s authoritative political system; although things started to change in the 1990s when the government of Mexico City gradually became more democratic. While, historically, government and party officials had insisted that street vendors should form associations in order to negotiate with them, the system of patronage to which street vendors had to submit themselves in order to negotiate with the government strengthened the position and role of the associations’ leaders in relation to their members, as mentioned above.

Thus, there are several reasons for the emergence of and increasing authoritarianism within street vending organizations, mainly relating to the preeminence of the association’s leader over members. First, in general, only the leader of the association gets to meet with government officials and political patrons on a regular basis. Government officials usually insist on this as they disapprove of and dislike large crowds and public meetings. The street vendor leader thus operates as the liaison between the street vendors in the organization, government officials, and political patrons. As the head of a street vendor association, leaders have the authority and power to distribute the stalls the city government allows them to set up among their numerous members. They are also required to persuade members to attend political rallies in support of political patrons, government officials, or key associates. Street vendor leaders, and not the individual members of the organization, are ultimately the people with access to political patrons and government officials, and these vendor leaders become the sponsors or benefactors for the members of their association (Cross, 1998; Barrios, 2010).

Some leaders disagree with this type of *modus operandi*, but although they may not be authoritarian, they clearly become or establish themselves as the principal of the group, and even those leaders who do not impose authoritarian control end up assuming more and more features and behaviors of ‘authoritarian leaders’. For example, they may not charge their members fees, but they take the best positioned stalls in the area assigned to their group (Cross, 1998).

The second reason for the rise and strengthening of authoritarianism in street vending organizations is that government policies as well as government officials and authorities tend to favor well-established and organized leaders over dissident groups or individuals within the same association, which strengthens the authoritarian role of leaders within them. Thus, when a conflict emerges within a street vendor association, the initial inclination of government officials and authorities is to support the time-honored, established leader. Thus, a rebel street vendor or dissenting group is at an enormous disadvantage if they try to overcome the leader of the organization they belong to. Not only are they opposed by the leader they are

challenging, but they also receive no cooperation, if not straight opposition, from government officials and authorities. The same holds true for the political patrons, who are inclined to support the officially recognized leaders of street vending organizations (Cross, 1998).²²

A third reason that reinforces authoritarianism in street vendor organizations is the fact that these organizations' leaders can extract considerable monetary benefits from their leadership. The fees that street vendors pay to their associations are supposed to go towards administrative costs—such as office costs—or those that benefit all the members of the association—such as legal consultancy or lawyer services,²³ but these fees can also provide a generous source of income for the leaders themselves. Several associations charge entrance fees to new members, which may add up to several hundreds of dollars a month or even a day, as Chapter 6 will show. In addition, leaders may diversify their activities in ways that also produce revenue. For example, they can function as suppliers or wholesalers of products to their own members, or control truck services for transportation where there are mobile markets (*mercados sobre ruedas*). Some leaders also control informal credit facilities within the association, such as rotating credit schemes (*tanda*) or informal saving accounts. While not all the street vendor leaders take unfair advantage of these additional benefits of leadership, some have become extremely rich during the years they have operated as street vendor leaders (Cross, 1998; Barrios, 2010; Castillo-Berthier, 2010).

A fourth and final reason for the authoritarianism within street vendor organizations originates from the natural need of street vendors to have leaders to organize and defend them. In a milieu in which street vendors must be efficiently assembled and ready for action to protect their interests and areas against government intrusion or invasion of other street vendors' groups, and to provide political or economic support to their political patrons, the most successful street vendor associations are those where the leaders have more ability to persuade or coerce members to cooperate politically and economically (Cross, 1998; Castillo-Berthier, 2010).

Sometimes cycles of conflict may lead to more authoritarian measures by street vendor group leaders in order to obtain indispensable resources to protect the members' interests

²²This is also related to leadership recognition; street vendor leaders are eager to have their leadership recognized when they first deal with a new authority (Barrios, 2010). Once an authority recognizes a particular street vendor leader as the interlocutor or representative of an association, it is very hard to listen to a different one from the same association. This helps to perpetuate leaders recognized by those in authority as heads of an organization, and thus encourages street vendor authoritarianism.

²³As we will see in the case study of the ALCC (Chapter 6), some street vendor associations have elaborate management and detailed organizational schemes; they have offices with computer facilities, and can provide members with identity cards and benefits such as credit services, a social center, and even a child care center.

or further expand their areas. As John Cross (1998) noted, this suggests that the pressure exerted by government officials and authorities results in unorganized street vendors getting organized (and forming associations), and organized street vendor associations becoming more authoritarian (Cross, 1998). Cycles of conflict may also encourage leaders of associations to abuse their position. For example, the leader might request street vendors for an emergency fee to cope with a threat or an unexpected situation (e.g. to pay for a bribe) when in reality the threat could be exaggerated or the bribe smaller than what the leader asked for. The money collected invariably ends up in the leader's pocket (Cross, 1998; Sanchez, 2005). For all these reasons the democratization of street vendor associations can be extremely difficult.²⁴

3.4.2 *How government authorities and political parties control street vendor leaders*

There are three main methods used by government authorities and political parties to control street vendor leaders. The first is threatening street vendor leaders to revoke their positions of leadership within their organization. Legally, this is against the law as several street vendor associations are registered as 'independent civil associations' (*asociación civil*), which gives them 'legal personality'²⁵ that protects them against such government interventions (Cross, 1998). In other words, the status of being a civil association gives street vendor organizations legal recognition within the legal framework and the Mexican constitution—despite the informal nature of their activity—which grants them autonomy to choose their leaders.²⁶ This

²⁴Later in this chapter (Section 3.5) I discuss certain democratic practices—identified by Caroline Stamm (2007)—that gradually have been taking place within the vendor organizations of some commercial plazas in Mexico City. It is worth pointing out that vendor organizations located on the street and vendor organizations located in commercial plazas have different legal, spatial, locational and ownership contexts. However, despite the difference in contexts, the processes of liberation of the commercial plazas' members from their leaders has directly influenced the vendor organizations located on the street, according to Stamm (2007).

²⁵Legal personality is the characteristic of a non-living entity regarded by law to have the status of personhood (Smith, 1928). A legal person (Latin: *persona ficta*) has a legal name and rights, protections, privileges, responsibilities, and liabilities guaranteed by law, just as natural persons (humans) do. The concept of a legal person is a fundamental legal fiction. It is pertinent to the philosophy of law, as it is essential to laws affecting a corporation (corporation law) (the law of business associations). Legal personality allows one or more natural persons to act as a single entity (a composite person) for legal purposes. In many jurisdictions, legal personality allows a composite to be considered under law separately from its individual members or shareholders. They may sue and be sued, enter contracts, incur debt, and own property. Entities with legal personality may also be subjected to certain legal obligations, such as the payment of taxes (However, street vendor organizations evade them with the formation of trust funds). An entity with legal personality may protect its shareholders or members from personal liability. The concept of a legal person is now central to Western law in both common-law and civil-law countries, but it is also found in virtually every legal system (Smith, 1928).

²⁶Civil Associations are groups formed by private individuals and are governed by its statutes. Neither the government nor the authorities have the power to decide who makes up or who leads the civil association, since the association's statutes establish the rules and regulations to be followed for the life of the association.

type of ‘legal shield’ works for the benefit of the leaders in some other ways. For example, there have been many complaints from street vendor members to government authorities reporting abuse by their leaders, but government authorities almost always reply that they are not able to interfere, without authorization, in the associations, although they may agree that the complaints are valid (Cross, 1998).

Nevertheless, in practice there are some ways in which government authorities and party officials can intervene effectively when it serves their purposes of control or for another reason. The second method by which government authorities control street vendor leaders is to bring criminal charges against the leader in question. This strategy has been used against several leaders, including Alejandra Barrios, as we will see in Chapter 5. However, this method tends not to be very effective in the long run and achieves little more than inconsequential hounding when the leaders who are being pursued have good connections or funds to pay for high-quality legal services (Cross, 1998; Barrios, 2010).

The third method of control by government authorities and party officials consists of supporting a revolt from within the association itself. They shut off access to the leader and provide support and access to one of the association’s subordinates instead, much in the same fashion as Michael Coppedge (1993) described in his paper “Parties and Society in Mexico and Venezuela: Why competition matters”. This behavior has also been well documented by John Cross in his book (1998) on informal politics.

While the government and political parties used these methods to undermine the authority and leadership of politically non-collaborative leaders, there is no clear evidence that shows that they have used these types of procedures to penalize or control the leaders for expanding their areas of action or activity (Cross, 1998). That is, they have not used these methods for the sole purpose of enforcing the law. Thus, even when the government or political parties have disciplined street vendor leaders for their political inaction or lack of support, this has not prevented street vending from expanding, not even at the moment of admonition. Therefore, this sort of control has been used by government authorities or political parties only for political rather than effective governance or policy-making reasons (Cross, 1998).

3.4.3 *How street vendor leaders and organizations can influence government authorities*

In general, street vendor organizations are at a disadvantage when dealing with government authorities, but there are some tactics street vendor leaders can use to influence them. The

first is through corruption, by bribing individual government officials; once officials have accepted a bribe or unlawful favor from a street vendor leader it weakens their ability to enforce the laws effectively, especially when they are required to take measures against street vendor organizations. As both parties are bound by an act of corruption, street vendor leaders can always use that fact to oblige the official to act in their favor, threatening that they may report the official to authorities higher in the hierarchy. In practice this rarely happens; if a government official and street vendor leader engage in a corruption scheme, both parties are likely to respect their agreement until the official finishes her or his term of service or is substituted by a new official. Moreover, when a situation of conflict arises between government officials and street vendor leaders, government authorities almost always side with their officials, no matter the charges against them (Cross, 1998). This is therefore more a tactic street vendors use to put pressure on officials or authorities to favor them than a tactic to remove particular officials from their post. The latter might only occur if there is irrefutable evidence that officials have accepted bribes or been involved in corrupt practices, to the point that government authorities can no longer support or defend the officials in question.

Another tactic street vendor leaders or organizations use to influence government officials or authorities relates to the authoritarian model of street vendor organizations, the lack of continuity of government officials, and decentralization problems of government authorities. While street vendor organizations are 'democratic' in theory, in practice most street vendor leaders can retain their position almost permanently. This continuity of power gives them the advantage of having more practical knowledge and stronger organizational capabilities than many (sometimes new) government officials. Therefore, in any conflict between government officials and street vendor organizations, street vendor leaders can adopt a long-term perspective, postponing changes, negotiations, or decision-making as much as possible until government officials change, or the political climate becomes more favorable to them. Street vendor organizations may also choose to be compliant with certain government officials in the hope of gaining their favors, both immediately and/or when they move on to other positions of greater importance (Cross, 1998).

Concurrently, although street vendors are divided into many different rival organizations, the latent competition among them actually makes them stronger in relation to the government. For example, a particular street vendor leader could pretend to support certain governmental plans to relocate street vendors or to restrict their growth, while simultaneously refusing to cooperate until all the other street vendor leaders had also agreed with the government's proposals. Otherwise, the leaders could rightfully argue that the other street vendor

organizations would simply take over the territory they had left vacant (Cross, 1998). This tactic would work to their advantage in the long run as a ‘postponement technique’.

3.4.4 *How members of a street vendor association can control their leaders*

Despite the prevailing authoritarian system and lack of democratic processes in most street vendor associations, street vendor members are not entirely powerless or completely at the mercy of their associations’ leaders (Cross, 1998).²⁷

Street vendor organization members have two tools they can use against any of their leaders who take advantage of their power and/or fail to protect their members’ interest. First, as mentioned earlier, they can dissent and rise up against their leaders, but this course of action involves great risks. Street vendor leaders whose power is threatened by an internal rebellion might use violence to preserve their position and expel the dissidents, and the leader’s comprehensive network of connections, intercessors, and political patrons can usually provide them with greater political leverage than that of dissidents. For dissident members to be successful when undertaking this course of action, they need to find their own political patrons and sponsors, as well as a reasonable number of members who support their cause, and have the persistence to oblige the government to take notice and listen to them (Cross, 1998; Antunez, 2012).

The second and most important tool street vendor members can use against their organization’s leader is simply to quit or walk away from the street vendor association if the leader makes excessive demands in fees and political activism, or is unsuccessful in protecting major street vending commercial areas used by the organization. This course of action is not necessarily political. As Cross points out, “it is the product of the leader’s function as economic as well as political entrepreneurs” (Cross, 1998:156). In other words, if street vendors can no longer make a profit by selling on the streets because the association’s fees are very high, political demands are too severe, or the vendor leader accepts the authorities’ request to relocate despite members’ opposition, then street vendor members can choose to abandon the organization purely because of the adverse economic circumstances (Cross, 1998; Barrios, 2010; Antunez, 2012).

²⁷If the authority of street vendor leaders was all powerful, they could manipulate their members in ways to suit their interests better, but as the authority of the leader over vendor members is limited, the leaders are obliged to maximize their profits by expanding their membership rather than fully exploiting it (Cross, 1998).

As we will see in Chapter 6, there is almost no reliable data (or none was made available to me when I requested it from vendor associations) on street vendor turnover—the length of time street vendors stay in a street vendor association—in vendor associations (or markets) because the notion of membership of a street vendor organization is not clearly defined, or because street vendor leaders of the largest and most powerful associations deny having updated membership lists. However, the leaders of street vendor associations accept that their members are first and foremost individuals trying to earn a decent living (Barrios, 2010). Vendor members are not trying to make political statements and their loyalty to the leader is based exclusively on the provision of profitable commercial space for street vending. Street vendor organization members become political entities only when they are required by their leaders to show support for a particular person (candidate, politician or official), but they are not forced to vote for them (Cross, 1998). The political support is limited only to attending political rallies or protests and does not include vote coercion (Barrios, 2010).²⁸ This explains why although street vendor leaders are authoritarian, they cannot force their members to surrender wholly to government officials; a leader who gives up a major selling area or agrees to limit the expansion of the membership or the proceeds of the organization's members will not be deposed; the members of an association with such a leader will simply leave it (Cross, 1998; Antunez, 2012).

In contrast with workers in a factory or large formal business where a single organization—union, confederation or league—represents all workers, street vendors can change their 'representative' by relocating their stall from the street vending area of one leader to that of another (Cross, 1998). The condition of informality and the large number of informal groups give street vendors the flexibility to move from one organization to another more easily than workers in a factory or business can move from one union to another. This is the main difference between a worker's union and an informal street vendor organization in terms of affiliation and representation. As a result, as we will see later, in order to retain their positions, leaders of street vendor organizations must ensure that the benefits and costs of membership of the organization are competitive (Cross, 1998; Barrios, 2010).

Leaving an association and moving to a new one comes at a high price. If street vendors move from their customary space in an association into a different space provided by a new association, most forfeit the clientele they have built up in the past, and may have to pay an additional sum of money to have the right to a new space (Cross, 1998; Antunez, 2012). Thus

²⁸Political patrons may ask the vendor organizations for monetary contributions as well, which may be included in the fee paid by the vendor members to the street vendor leader (Sanchez, 2005).

if street vendors want to move from one association to another they have to cope with the loss of their previous clientele and the possible obligation to pay a large sum of money to a new association for a new place to sell their goods. Both these factors are strong economic disincentives for street vendors to move between associations.²⁹ Thus, economic incentives and not political motivations are the decisive driving force for street vendor members, just as they are for street vendor leaders.

3.5 The commercial plazas as new spaces for democratic practices

In a recent study, researcher Caroline Stamm (2007) points out a phenomenon that gradually has started to happen in Mexico City, which has arisen since the democratic transition in 1997 and the emergence of political actors other than the PRI. While it is still very limited and slow, it demonstrates that vendor organizations of commercial plazas in Mexico City are becoming more democratic.

Stamm (2007) comments that the outcome of the plaza construction program—following its implementation during 1993 and 1994 in Mexico City—has been mixed, and the program was not necessarily a failure as initially thought.³⁰ The vending activity in commercial plazas represents a separate legal, spatial, locational and ownership arrangement, different from the street vending activity. Vendor organizations did not disappear with the move from the streets to commercial plazas in 1993, and most organizations whose members moved into commercial plazas were almost the same as those who previously were on the streets, maintaining their structure and continuing their practices inside the commercial plazas. However, there was a key difference in the dynamics of these organizations: while on the street, the ‘authorized’ owner of the stall or space was the association (and therefore the association’s leader); within the commercial plazas, the vendor members were the rightful owners of their own stall—under

²⁹Interestingly, these are similar to the reasons why street vendor leaders refuse to accept relocations to new settings offered or forced on them by government authorities. Relocations would obliterate the street vendor members’ clientele base and thus reduce the costs of leaving for vendor members who want to change associations—since they do not have the economic incentive to stay in an association, they may as well abandon it—making it easier for them to leave a particular street vendor association. Thus, relocations weaken both associations and their leaders, which is why street vendor leaders oppose moves to new settings so tenaciously. What is more, as Cross (1998) points out, while there have been cases where individuals pay thousands of dollars for well-located stalls, street vendors can get a stall free of charge if they join a street invasion, whether in progress or planned. Thus, in practice, there is a great deal of heterogeneity on this issue of relocation (as well as different factors to consider when a vendor decides to change associations).

³⁰The ‘Plaza Construction Program’—also known as the ‘Program for the Improvement of Street Vending’—implemented by the city government of Manuel Camacho Solís will be described and analyzed in detail in Chapter 4 of this thesis.

the so-called ‘stalls in condominium’ model.³¹ This situation may have weakened the position of power of those former street vendor leaders now turned commercial plaza vendor leaders.

As it will be seen in Chapter 4, some of those commercial plazas did not have the expected results and were considered a commercial failure, which meant the return to the streets of those associations initially relocated in them, and therefore the return to the scheme of ‘association ownership’ of the stalls and spaces and to the dependence of a leader with more absolute powers over their members. When in 1994 many vendors left the commercial plazas to return to the streets, they did so with the support of their leaders. For the latter, this move represented a strengthening of their power in relation to both vendor members (a return to the ‘association ownership’ scheme) and the government (more bargaining power by having vendors back on the streets).³²

On the other hand, those organizations that remained in the commercial plazas and managed to overcome the initial shock of relocation were benefited not only with the scheme of ‘member ownership’ of their stalls that prevailed in the commercial plazas, but also with a leader whose power was far more limited than before and whose functions became almost exclusively administrative. Over time, if the leader was not a good administrator, then the association would have no choice but to replace the leader or find more efficient forms of administration. This is what happened in the cases found by Stamm (2007) presented below.

The victory of Cuauhtémoc Cardenas—PRD opposition candidate to the headship of Mexico City—in 1997 was a further sign of the move, already in motion, towards a multi-party system, with the appearance of new political actors. Until then, most vendor organizations had been affiliated with the PRI. However, the PRD’s influence started to increase and new groups of PRD sympathizers were formed, characterizing what might be described as the diversification and multiplication of political actors (Stamm, 2007). Moreover, Stamm (2007) suggests that the plaza construction program may have weakened clientelistic support for the PRI by dividing organizations that were formerly loyal to them. To illustrate this state of af-

³¹The ‘stalls in condominium’ model was a new scheme of financing and ownership implemented as a part of the Plaza Construction Program of the early 1990s. Under this scheme the vendors would pay for the construction of their commercial plaza and their individual stalls—with intervention from the city government who helped to provide them with credits at a subsidized rate—which would give them in return the legal ownership of their stall within the newly-built commercial plaza. This model was in contrast with the traditional public markets of the 1950s, where the government paid for the construction and was the legal owner of the market and stalls. Public market stalls were leased by market vendors at a minimal cost, since stalls were rent-controlled.

³²In some cases, the organizations were divided: part of the membership returned to the streets, while the other stayed on the commercial plazas. This equally supports Stamm’s (2007) claim that that the plaza construction program may have weakened clientelistic support for the PRI by dividing organizations that were formerly loyal to them. Sometimes the same vendors who moved back to the streets also retained their stalls inside the commercial plazas, mainly so they could expand their businesses.

fairs, Stamm uses the cases of Artesanos del Centro and La Paja, two commercial plazas that evolved from an authoritarian scheme of administration and leadership to a democratic one over the last years.

3.5.1 *The case of Artesanos del Centro commercial plaza*

When Artesanos del Centro commercial plaza was inaugurated in 1993, all the vendors who moved in belonged to a PRI-affiliated organization named Artisans and Vendors in the Center (Artesanos y Vendedores del Centro). This unity around the PRI lasted until 2000. That year, vendors on the commercial plaza were divided politically into two groups: the Asociación Artesanos y Vendedores del Centro and the Unión de Locatarios de la Plaza Uruguay. The reasons for the split were mainly economic—the malfunction of the commercial plaza and, especially, the excessive fees the vendor leader was demanding. Each owner of a stall gave a fee to the leader for the maintenance of common spaces and towards the administrative and operational costs of the commercial plaza. However, the administration of this amount of money was far from transparent and many believed it was destined for other purposes (Stamm, 2007). The members of the Unión de Locatarios de la Plaza Uruguay became organized to defend themselves against the abuses of the vendor leader, but were not able to do much until the PRD entered the scene as a new political actor, as a result of democratic change in Mexico City (Stamm, 2007).

In 2002, the members of the Unión de Locatarios de la Plaza Uruguay, now close to the PRD, decided to stop paying fees, and the suspension of payments lasted until January 2004. The administration of the commercial plaza closed the plaza for two days, until both groups agreed to talks, with the city government as mediator. They reached an agreement. The members of the dissident group agreed to pay 50 percent of their debt on condition of depositing the money in an independent bank account. The funds collected were to be used to refurbish the toilets and for additional renovation works within the commercial plaza. One of the particularities of the agreement was that the bank account was to be controlled by all the vendors in the commercial plaza, not by the leader or any particular group. After this sizing up of forces, there were observable changes in the commercial plaza: commissions of five or six people were formed, representing the interests of the different groups in the plaza; they met regularly to discuss the problems faced by the commercial plaza (Stamm, 2007). In this way,

the members of the Artesanos del Centro commercial plaza took their first steps towards the democratization of their commercial plaza administration.

In March 2004, an assembly led by the commissions of both groups gathered all the plaza vendors to discuss the common areas in the plaza. In the absence of the original leader, it was possible to observe the first steps of a shared administration of the commercial space. Several decisions were taken and implemented very quickly as a result of this common participation and agreement between all vendors (Stamm, 2007).

3.5.2 *The case of La Paja commercial plaza*

The case of La Paja commercial plaza is different from that of Artesanos del Centro commercial plaza, but also shows evidence of new democratic practices. La Paja commercial plaza was planned to accommodate two street vendor organizations, one sympathizing with the PRI and the other with the PRD, each one with their respective leader.³³ However, after eight years of cohabitation, the administration of the commercial plaza was inefficient. In 2000, a group of twelve vendors decided to form a civil association (the Asociación Civil de la Plaza de La Paja). Some time later, the vendors in the commercial plaza threw out the two leaders. This process was not difficult as the leaders and their organizations put up little resistance. It seemed that the two leaders realized that it made sense to benefit the plaza tenants by relinquishing their authority and leadership to the civil association in order to avoid potential conflict (Stamm, 2007).

Thus, since 2000, La Paja commercial plaza is self-administered by its vendors through transparent management: vendors pay no fees and no maintenance costs. The commercial plaza is self-sufficient: the income earned by charging for the use of public toilets provides funds to cover the salaries of commercial plaza employees, electricity, water, as well as notary expenses for the title deeds and closing costs of the stands. Each year the tenants choose their administrator in the general assembly of the commercial plaza, thus ensuring democratic governance (Stamm, 2007).

With the ‘stalls in condominium’ model, it follows that once vendors become the rightful owners of their places inside commercial plazas and the rights to their stands are ensured,

³³La Paja commercial plaza was planned to house two different vendor organizations under the leadership of two different leaders. The first one was very influential in the Historical Center and had always been affiliated to the PRI. The second one was a smaller organization—dissident from the first one—which had a rapprochement with the PRD during the late 1980s.

vendor leaders lose power over their members.³⁴ While it is true that in some commercial plazas vendor leaders have been able to maintain the same position and control, in others the power of some organizations and their leaders has been fragmented or weakened. In other commercial plazas, vendors have become independent from their leaders—instead of organizations headed by a leader, vendors formed ‘united associations’ (*asociaciones únicas*), which included all vendors, with no leader but democratic general assemblies in which decisions are taken together (Stamm, 2007).

These organizations are different from those that existed before because they do not obey a clientelistic or corporatist logic; on the contrary, they can be defined as “assemblies of co-owners” (*asambleas de copropietarios*) (Stamm, 2007:91).³⁵ Thus, the new legal, spatial, locational and, especially, ownership arrangements that prevailed in commercial plazas, together with the appearance of new political actors other than the PRI (e.g. the PRD) led to the phenomenon identified by Stamm (2007). The Artesanos del Centro and La Paja commercial plazas are two noteworthy examples in which the traditional arrangement of an organization with a dominant and undemocratic leader (or leaders) became a fairer, more open, democratic entity, with a plurality of actors involved in the decision-making and administration of both the commercial plazas and the organizations (Stamm, 2007).

3.6 Women and informal street vending in Mexico

3.6.1 *Why the most prominent street vendor leaders in Mexico are women*

It is important to understand why women tend to be over-represented in the informal sector in general—and in informal street vending in particular³⁶ (though this is not the current situation in Mexico)—and why women are concentrated in certain segments within the informal sector (Chen, 2002). Some scholars argue that women are less able than men to compete in labor, capital, and product markets because they have comparatively low levels of education and skills, or are less likely to own property or have market know-how (Chen, 2002).

³⁴It seems that as an organization gets closer to formality and vendors get closer to economic security, these factors account for the demise of authoritarian leaders in vendor organizations.

³⁵As discussed earlier, it is essential for vendors to form a civil association, not only to enter the legal framework, but also to be represented before and be recognized by government authorities, and thus gain bargaining power.

³⁶According to Chen (2002), women account for more than 50 percent (and up to 90 percent) of informal employment in trade, with the exception of those countries (e.g. India, Tunisia) where social norms limit women’s mobility outside the home.

Others suggest that the time and mobility of women are constrained by social and cultural norms, which assign them responsibility for social reproduction and discourage investment in women's education and training (Chen, 2002). These theories clearly apply to street vending in Mexico.

Traditionally, women in Mexico have worked in more informal environments than men, starting with housework, which is considered a form of informal activity or job. Thus, while men looked for and took jobs in the formal sector, women cooperated with the domestic economy—to make ends meet—in other forms. The most common form was domestic or home work, but when it was necessary to look for a more profitable source of income, they went into street vending. This activity gave them not only the opportunity to earn more money by meeting the market *in situ*, but also the flexibility they needed to take care of children—if they had them—as well as their homes, fulfilling their traditional social role as mothers or housewives (or both).

In Mexico, the rise of women to modern leadership positions within groups of informal street vendors can be traced back to the 1950s, or more specifically to the administration of Ernesto P. Uruchurtu as mayor of Mexico City. During the 1950s, Uruchurtu implemented a public market construction program in an effort to relocate street vendors who populated the downtown area of Mexico City (Cross, 1998). When it was time for the allocation of stalls, the criteria was to give priority to the heads of households (Cross, 2010). It is not clear whether women were deliberately not allocated stalls within the markets—because social norms dictated they should stay at home—or whether only women of certain age were granted stalls—younger women were not considered. The fact is that several women—the majority in the group that was not allocated a stall in the new markets—were left out of the public market construction program. As a result, some women (and men) who were not assigned a stall in the newly built public markets continued selling their products on the streets, as getting hold of a place in an established market was not possible.

Since public markets were usually designed and built for a single association of vendors³⁷, those street vendors who did not get a place in or declined to enter the new public markets were left without any organizational representation. In other words, by being left out of the market construction program, they no longer belonged to any organization, and had no means to resist the looming repression. These street vendors went through one of the most unyielding and brutal periods of repression in the history of the city (Cross, 1998). Despite the harsh repression during the Uruchurtu city government, these abandoned street vending groups,

³⁷As opposed to commercial plazas which sometimes could accommodate more than one vendor association.

mostly made up of female vendors, became organized and chose their leaders. As a result, most of the street vendor leaders were women, who continued to lead the groups as they grew and became more powerful and influential.³⁸

Mexico City is one of the few places in the world where the share of women working in street vending—and informality—is lower than the share of men (Arizpe, 1977; INEGI, 2005, 2010b), yet the leaders of the largest, oldest, and most important street vendor associations are all women. This makes women’s leadership of street vendor groups in Mexico City even more unique. There are several possible reasons for the dominance of women leaders of these associations: women in Mexico City might know better than men how to deal with problems (and authorities), or be more responsible or subtle than men when negotiating. The reasons might in fact be the same as of why over 95 percent of borrowers of the Muhammad Yunus’ Grameen Bank are women (Grameen Bank, 2011); that women in general are better than men in meeting their responsibilities and obligations. The evidence is that, historically, women tend to be stronger leaders than men and better at managing street vendor organizations in Mexico’s capital.

3.6.2 *Women leaders in Mexico City*

Thus, it is not a secret that a group of women leaders controls street vending in Mexico City. For several years a handful of women have led the main street vending associations and, historically, three women have controlled the largest and most powerful ones: Guillermina Rico, who died in 1996; Alejandra Barrios Richard, who is still active; and Benita Chavarría, who has retired. After the alternation of power in Mexico City in 1997, another emerging female leader is María Rosete, who has links to the PRD; the power and size of her association has increased considerably over the last years.

Guillermina Rico was the most powerful of all (Ballinas and Urrutia, 1996). Her occupation as street vendor leader extended over four decades, from the times of Ernesto P. Uruchurtu to the years of Oscar Espinosa Villarreal. Through these years, she was equally mistreated and rewarded by the PRI government authorities she had to deal with. In her heydays—the mid-1980s—her organization controlled the largest area of streets and had the largest membership, estimated at about 7,000 members (Dillon, 1996), in Mexico City. Guillermina Rico’s

³⁸As John Cross correctly pointed out: “Such vendors became the nucleus of today’s powerful street vendor organizations, which helps explain why many of today’s leaders are women, and why all of them seem to have such strong characters. They have lived through repression and won” (Cross, 1998:167).

death in September 1996 weakened her organization. Her daughter, Silvia Sanchez Rico, took control of the organization, but she was detained in 1999 accused of robbery and injury. This weakened the organization even more, causing some members to leave it (Barrios, 2010). In addition, Silvia Sanchez Rico's style of leadership is very different from that of her mother. Silvia Sanchez Rico did not follow her mother's standards and, it is argued, she does not have her notions and wisdom; therefore, she failed to keep the unity of the membership (Barrios, 2010). The lack of leadership and the emergence of new leaders caused members of Guillermina Rico's organization to scatter—they went to other organizations or decided to work independently (Mondragón, 2005).

According to different sources, it is believed that there are about 60 street vendor leaders heading vendor organizations in downtown Mexico City (Cross, 1998; Nájjar, 1998; Paramo, 2003; Sanchez, 2005; Mondragón, 2005, 2006).³⁹ During the first decade of the 21st century, of the eight most powerful street vendor groups in downtown Mexico City, six are still controlled by women. The groups are listed here in no particular order: Consejo de Comerciantes en Pequeño, led by Elena Ortega Padierna⁴⁰ (relative of Dolores Padierna) (PRD); Unión de Comerciantes 'Hijos de Tepito', led by María Rosete Sánchez (PRD); Asociación Legítima Cívica Comercial A.C. (ALCC), led by Alejandra Barrios Richard (PRI); Asociación de Comerciantes de la Antigua Merced, led by Silvia Sánchez Rico (daughter of Guillermina Rico) (Former PRI, now reportedly supporting the PRD); Defensa y Solidaridad de la Unión de Comerciantes en Cuauhtémoc, led by Alicia Rocha Sánchez (PRD); and Asociación de Comerciantes en Pequeño y Semifijos Benito Juárez, led by Esther Chavarría (daughter of Benita Chavarría) (Former PRI, now reportedly supporting the PRD) (Nájjar, 1998; Paramo, 2003; Mondragón, 2005, 2006; Gas Natural Fenosa, 2011).

One of the female leaders who consolidated her leadership over the years—after Guillermina Rico's organization declined—is Alejandra Barrios Richard. At present, her organiza-

³⁹Cross (1998) mentions there are more than 60 different street vendor organizations jostling for space in Mexico City's Historical Center. Nájjar (1998) lists 24 street vendor leaders operating in Mexico City's center. Paramo (2003) states that there 60 organizations of semi-fixed street vendors in the Historical Center. Mondragón (2005) affirms that there are between 35 and 40 social organizations fighting for space in the streets of Mexico City. Sanchez (2005) says there are 35,000 street vendors, grouped in 60 vendor organizations in the center of Mexico City. Mondragón (2006) says there are 60 smaller street vendor leaders operating in Mexico City.

⁴⁰Elena Ortega Padierna is a relative of Dolores Padierna (current PRD senator, former head of the Cuauhtémoc Delegation and former General Secretary of the PRD). In addition, Antonio and Ana María Padierna, who are also mentioned as leaders of street vendor groups, are siblings of Dolores Padierna. This gives an idea of how the balance of power as measured through party affiliation has been changing in street vendor groups in Mexico City and how the PRD has been gaining ground in its influence over marginal groups for political purposes. I leave to the reader's consideration the numerous possibilities for corruption, traffic of influences, favoritism, cooptation, patronage, political influence, and so on that this type of relationship may have had.

tion is the largest and most powerful street vendor organization in Mexico City. Chapter 6 of this thesis presents a case study of Alejandra Barrios and the organization she leads, the ALCC (or the Legitimate Civic and Commercial Association), in an attempt to shed light on several aspects of the leadership, structure, and dynamics of a large and well-organized street vendor organization in Mexico City.

3.7 Conclusions

Historically, relationships between street vendor organizations and governments were schematized under clientelistic practices within a corporatist system where individual street vendors were obliged to have ‘forced mediation’ through street vendor organizations, and street vendor organizations were obliged to ‘compulsory affiliation’ to the ruling party. In return for favors and tolerance, street vendors were obliged to serve as a political support base and sometimes to provide financial inducements for politicians and government officials. At present, large informal (or semi-formal) street vendor organizations exist and have become an entrenched element of national and city politics, without totally abandoning the clientelistic practices and the corporatist system that initially shaped their relationship with the government. Street vendor organizations are an important political tool to put pressure on political adversaries, further party interests, and foster individual political careers. Some vendor leaders, or close associates, enter the political arena as a result of their power within their associations and influence within political parties.

Thus, street vendor groups have gone from being powerless and manipulated to become key players in local and federal politics. They have acquired legal status (as independent civil associations) to be recognized by the government and other stakeholders, to protect their interests against legal attacks, and to demand rights as established in the Mexican constitution. The largest and most powerful street vendor associations have an elaborate level of organization, whose members report to a sole leader who takes the decisions. These highly sophisticated associations have come to take on some government functions—they provide housing, education, health, legal services, and so on, as will be described in Chapter 6 in relation to Alejandra Barrios’ ALCC.

CONCLUSIONS

The most prominent street vendor leaders in Mexico are women. This has been the result of mainly three factors: women are over-represented in the informal sector⁴¹; historical and cultural circumstances which precluded women from receiving stalls in newly built public markets; and because they have greater leadership and organizational skills than men. Most street vendor leaders have humble origins—they started as street vendors during infancy. Until the late 1990s, their political allegiance was with the PRI, but after the alternation in power, several shifted their allegiance to the PRD. The choices of who to support have increased as more political actors have entered government and other positions of power; now vendor leaders can select not only what party they want to support, but also what position or office at the different government levels available they want to support.⁴² This degree of choice gives them strong bargaining power.

Street vendor leaders are authoritarian and autocratic and can both exploit and defend members of their organizations. They resort to any means possible to defend their interests and manipulate government authorities: legal instances, political activism, political influence, corruption, continuity of power (that builds experience and allows for long-term tactics), simulated or conditional compliance (to gain the favours of certain officials, immediately or in a later date) and/or even violence. These leaders have reached an important level of power, endurance, and leverage over negotiations, overcoming the government authorities on many fronts. However, government authorities and political parties still have some methods they can use to control street vendor leaders, although they are not always lawful: revocation of leadership positions in associations, bring (true or fabricated) criminal charges against leaders, or support a revolt (another leader) within the association. Moreover, individual street vendors within an association have some tools to defend themselves against their leader when she or he becomes too overbearing or abusive: rise up against their leader, or simply leave the association. The equilibrium in the balance of power between vendor leaders and vendor members is essentially sustained through economic rather than political incentives.

The process of democratization changed the relationship between street vendors, the political parties, and the state. As we will see in the following chapters, the rise to power of the PRD increased the possibilities for alliances for street vendor organizations but remained clientelistic in nature. Although the first PRD city government questioned the clientelistic and

⁴¹Although this may not be currently the case in Mexico—as there are more men than women working in the informal sector—it certainly was the case when the largest and better organized street vendor organizations were born some decades ago.

⁴²This support is provided both in election times as well as in the form of regular, daily political support (for a particular cause or individual project).

corporatist practices that were characteristic of the PRI (Combes, 2000; Hilgers, 2012), it did not seem to break with them.

During this process of democratization, there was, on one hand, a politicization of street vendor organizations, which contributed to their fragmentation—when members opposed their leader this often led to the group splitting up and a rapprochement with the PRD. This fragmentation made the regulation of street vendors a more complex situation for the authorities, changing the conditions (political and operational) of public action towards street vending (Stamm, 2007).⁴³ On the other hand, the administration of commercial plazas has begun to depoliticize, as the examples of Artesanos del Centro and La Paja commercial plazas show. Even when dealing with a different legal, spatial, locational, and ownership context from the one that exists on the street, the processes of liberation of the commercial plazas' members from their leaders has directly affected the vendor organizations located on the street; according to Stamm (2007), street vendor organizations are losing members and the leadership is openly being challenged.⁴⁴ This phenomenon of 'independence' by street vendor members was also noted in the streets of Guadalajara (Ramírez Saiz and Mora, 1998).⁴⁵

The emergence of new power brokers and the division of political actors in the commercial plazas make the process of democratization interesting to analyze. Its general implications allow us, simultaneously, to reflect on the political actors involved in the street vending activity and on the different ways to manage and deal with these activities. The reemergence of corporatism, the permanence of clientelism, and the potential democratization of street vendors' political practices make the management and handling of street vending more complex, resulting in an evolution in the different courses of public action towards street vending in Mexico (Stamm, 2007).

The emergence of this slow, small, but hopeful democratic phenomenon observed in commercial plazas in Mexico City may be a reflection of the change in the political regime in Mexico and, ultimately, an indication of the changing political culture in the country.

⁴³Current public policy studies agree on the emergence and multiplication of organized and relevant social actors. Formerly, they were only the target of public policies, but they transformed into independent and efficient participants involved in the process of decision-making and policy implementation (Massardiére, 2003). This is expressed under the term 'public action'.

⁴⁴As mentioned earlier, it seems that as vendor organizations get closer to formality (by being relocated in commercial plazas or markets and taking responsibility for the administration and expenses of these commercial centers—factors which imply that they are within the enforcement radar of the government), and vendor members get closer to economic security (by being legal owners of their stalls), these factors account for the demise of authoritarian leaders in vendor organizations.

⁴⁵In the case of the municipality of Guadalajara, Ramírez Saiz and Mora (1998) emphasize the refusal of many independent street vendors to affiliate with corporatist groups. In this case, the PAN administration had as an objective to eliminate the intermediation of leaders and street vendor organizations.

4. INFORMALITY AND STREET VENDING IN MEXICO CITY (1929–1997): THE PRI YEARS.

4.1 Introduction

This chapter presents a general historical-political analysis of the development of informal street vending in Mexico, focusing on Mexico City, over a time span of 68 years—from 1929 to 1997—which correspond to the period in which the PRI ruled Mexico City.¹ The chapter is divided into two main analytical sections: First, there is a chronological generalized description of the various efforts to regulate informal street vending, crackdowns, and cycles of toleration and repression that took place over 59 years—between 1929 and 1988. Second, there is a more detailed political analysis and description of the events that occurred between 1988 and 1997, the last 9 years the PRI held power in Mexico City and the efforts its governments made to control informal street vending as well as the political implications these efforts brought. The reason to do a more detailed analysis in the latter part of the period of study of this chapter has to do with the reforms in the electoral laws and the democratic opening in the political system that occurred in those years, which eventually made possible the alternation of political parties in power. This second analytical section will be used to make a comparative link with Chapter 5, which speaks about the PRD city governments, the PAN federal government, and the approach these governments took towards informal street vending.² Finally, the conclusions section summarizes what lessons have been learned and what general conclusions can be drawn from the historical-political analysis of street vending in Mexico's capital under PRI

¹The PRI and its predecessors: the National Revolutionary Party (Partido Nacional Revolucionario, PNR) founded in 1929 after the Mexican Revolution; renamed Party of the Mexican Revolution (Partido de la Revolución Mexicana, PRM) in 1938; and finally obtaining its current name, the Institutional Revolutionary Party (Partido Revolucionario Institucional, PRI) in 1946.

²As mentioned in Chapter 1, the alternation in power is used in this thesis as a natural experiment to contrast the distinct approaches towards informal street vending of different parties (and leaders) in power; and also to have the opportunity to observe how linkages between political parties, governments, and street vendor groups are made and unmade as power changes hands.

governments by interpreting the cycles of toleration and repression, the changing interests of the PRI, and the policy implications of both.³

The chronological order of events described in this chapter covers the most significant landmarks in the history of street vending in Mexico—anti-vendor campaigns and new regulations—as well as broader political and economic events that have influenced and transformed street vending. They include major changes in the economy—the Great Depression, the Mexican miracle, the rise (and fall) of the import substitution industrialization (ISI) model, the 1982 Debt Crisis and the 1994 Peso Crisis—and well as major events in politics and policy-making such as the arrival of hands-on Mexico City mayors—Ernesto Uruchurtu (1952–1966) and Manuel Camacho Solís (1988–1993)—who implemented comprehensive programs to remove street vendors from the streets. Moreover, this chapter shows how the longstanding clientelistic arrangements that characterized the relationship between PRI governments and informal groups started to fracture as a result of the failure of the city government to live up to its promises, the neoliberal policies implemented by the federal government, and the opening up of the regime to democratic competition and free elections. It is worth remembering that, during this period of study (1988–1997), Mexico City’s executive authority was not elected democratically but appointed by the president of Mexico. The position of *regente* or mayor of Mexico City was comparable to a ministry of state, always subordinate to the president of Mexico, so the mayor had limited autonomy.⁴ The history of street vending in Mexico is closely linked to political matters and features of Mexican political culture—such as clientelism and corporatism—and to economic issues—such as migration and unemployment. In the period of study covered in this chapter, the phenomenon of informality and informal street vending mirrored the changes occurring in the Mexican political system and the

³In short, this chapter provides an overall view of street vending in the historical context of modern Mexico, and establishes the grounds for a comparative analysis in the next Chapter 5 of how regulations, government actions, policies and their implementation can vary when informal street vending is dealt with from contrasting perspectives, ideologies, political actors, governments and regimes.

⁴Article 122 of the Mexican Constitution states the legal nature of the Federal District and notes that its government will be responsibility of the federal powers and of the local legislative, executive and judicial bodies. The reason why the institutions of the Federal District are considered ‘bodies’ and not ‘powers’ is because, being the residence of the federal powers, the Federal District cannot have two powers residing on the same territory. In addition, unlike the other states that make up the Mexican republic, the Federal District is not a sovereign entity, lacking a constitution, reason why they cannot be considered ‘powers’. However, on January 29 2016, the *Diario Oficial* (the government’s official gazette) published a reform to Article 122 which has changed most of the above-mentioned provisions of the Federal District. Among them, the official name has been changed to Mexico City, and it will become the state number 32 of the Mexican Federation. Thus, the status of Mexico City will be similar to that of the other 31 states in the federation. A new constitution for Mexico City is being drafted and that will give Mexico City the same autonomy and sovereignty as the other states. A new local assembly or congress will also be elected holding legislative powers over public finance and security. Finally, the ‘delegations’ will be converted into ‘mayoralties’.

Mexican economy. Therefore, the analysis done in this chapter presents a valuable historical and political view into these topics of interest.

4.2 A brief history of street vending in Mexico City (1929–1988)

4.2.1 *The historical tradition of street vending in Mexico City*

The tradition of selling and buying in temporary and open air markets is a strong feature of Mexican culture and has a long history that extends far back into the pre-Hispanic period. Street vending in the Historical Center also has a long history. In pre-Hispanic times, street commerce had a fundamental part in the Aztec civilization. Tenochtitlan, the city-state of the Aztec or Mexica empire, was the epicenter of Aztec affairs in all its spheres: public, social, religious, and economic (Crossa, 2009). It was intended to bring together Aztec people in polytheistic rituals and housed a market (*tianquiztli*⁵) that functioned as the pivotal point for the give and take of products. This was a big attraction to many people from near and far. The central markets of Tenochtitlan depended on complex interconnected systems that extended throughout Mesoamerica (Bahena, 1999). Judges and police inspectors carefully regulated the systems and networks of exchange (Bustamante and Castillo, 1997). At the beginning of the colonial era, these regulatory practices were institutionalized through planning restrictions, which included the delimitation of space and restraining street commerce to specific areas. During this era a number of attempts were made to centralize commerce in designated areas. By the end of the 18th century, street commerce was concentrated in just a few central squares (*plazas centrales*) and markets (Crossa, 2009). When Mexico City started to grow in size and population, street commerce activities expanded beyond its restricted squares and markets. The growing demand for supplementary market spaces put great pressure on the post-independence authorities of Mexico City, which in 1890 built one of the largest and most important markets, La Merced market (Crossa, 2009).⁶ Vendors at this market generated more than 40 percent of earnings from all markets in the city, and by 1930 more than 80 percent of all commercial activity was clustered in this area. The number of street vendors kept

⁵The word *tianquiztli* or *tiyānquiztli* comes from the Nahuatl—the language of the Aztecs—and means day market or harvest. It eventually derived in the word *tianguis*, which is currently used in Mexico to refer to open-air markets.

⁶Some other sources refer to the period between 1860 and 1880 as the years when La Merced market was built (CONACULTA, 2009; Enríquez Fuentes, 2009).

on growing, causing the dissemination of street vendors to neighboring streets and avenues (Bahena, 1999).

4.2.2 *The end of revolution and the Great Depression, 1929–1940*

Numerous sources associate the opening of the 20th century in Mexico with the beginning of the civil war known as the Mexican Revolution. This war, which started in 1910 and ended approximately in 1924⁷, put an end to the period known as the Porfiriato.⁸ During the Mexican Revolution, the Federal District (Mexico City) was sequentially occupied by several revolutionary factions: Maderistas, Zapatistas, Villistas, and Carrancistas. This last group was substituted by the so-called Grupo Sonora—led by Adolfo de la Huerta, Álvaro Obregón and Plutarco Elías Calles—which later became the Institutional Revolutionary Party (Partido Revolucionario Institucional, PRI) and its predecessors—the National Revolutionary Party (Partido Nacional Revolucionario, PNR) and the Party of the Mexican Revolution (Partido de la Revolución Mexicana, PRM)—which governed Mexico from 1929 until 2000.⁹

In 1928, the municipal system of Mexico City was abolished and the existent municipalities which had formed it disappeared, giving way to the ‘delegations’ (*delegaciones*),¹⁰ modifying their number and demarcation of boundaries. In February 1929, the National Chamber of Commerce (Cámara Nacional de Comercio, CANACO)—Mexico City’s chamber of commerce—released a regulation proposal to control street vending in Mexico City. The cap-

⁷There is controversy regarding the end of the Mexican Revolution. Some sources believe it is marked by the Proclamation of the Mexican Constitution in 1917. Other sources say the revolution ended in 1920, when Álvaro Obregón was elected president and served his full four-year term, although the nation suffered from horrible violence for another decade or so. Some more sources state that it ended in 1924 when President Plutarco Elías Calles took office.

⁸The Porfiriato or Porfirismo is a historical period during which the exercise of power in Mexico was under the control of President Porfirio Díaz. It lasted 35 years, from 1876 to 1911.

⁹The National Revolutionary Party (Partido Nacional Revolucionario, PNR) was born in 1929. It changed its name to Party of the Mexican Revolution (Partido de la Revolución Mexicana, PRM) in 1938. Finally in 1946, it adopted its current name: Institutional Revolutionary Party (Partido Revolucionario Institucional, PRI).

¹⁰Mexico City—politically and administratively constituted as the Federal District—is divided into 16 boroughs or *delegaciones* for administrative purposes. They constitute second-level administrative divisions, on a par with the municipalities of Mexico, but unlike municipalities they do not have regulatory powers and are not fully autonomous in their internal administration. The configuration of the delegations has changed over the course of the 20th century. In December 1970, the Federal District Charter was amended. Among its changes, it matched the term ‘Federal District’ with ‘Mexico City’. In addition, it disappeared the Central Department or *Centro* (officially called Mexico City) and created four new delegations (Miguel Hidalgo, Benito Juárez, Venustiano Carranza and Cuauhtémoc), arriving at the 16 delegations we have at present. As of 2000, the citizens within a borough elect by plurality a head of government, known simply as a head of the delegation or *jefe delegacional* (Ciudad de México, 2013).

ital city had recently been re-established as a federal district and there were no explicit rules for the codes regarding street vending or any other informal activity (Gordon, 1997a).

Formal established merchants in the Historical Center channeled their concerns through the CANACO proposal. They presented a list of suggested anti-street vendor policies. The proposal complained of the ‘unequal competition’ posed by the street vendors under the argument that they did not pay taxes. The suggested regulation proposed that street vendors would have to register with government authorities and get a street vending license. Moreover, street vendors would not be allowed to sell competing products in a radius of 50 meters¹¹ of a formal establishment. Street vendors who were trying to get a street vending license needed to have letters of recommendation from two or more CANACO members (Gordon, 1997a). Interestingly, the proposal does not make any reference to vehicle traffic or health matters.¹²

By 1931, the situation was different. Several newspaper headlines from March to June of 1931 displayed similar stories pointing to the same problem: “Uneven Competition for Established Commerce” (Universal, 1931a:1), “The Regulation of Street Vending” (Universal, 1931b:1), “A Plague that must be Fought” (Universal, 1931e:3), “Growing Invasion of City Sidewalks - Street Vendors Don’t Leave Any Room for Pedestrians” (Gordon, 1997a:1). It is difficult to know how many street vendors were selling in the city capital at the time, but there is no question that the Great Depression was mostly responsible for the increase in street vendors noted in the newspapers.

Some of the complaints arose from the overall shortages in the infrastructure of Mexico City. In 1930, Mexico City had a population of about 1 million (Table 4.1), but basic public services such as street paving, flood drains, and public markets were inadequate as they were not growing at the same pace (Cisneros Sosa, 1993; INEGI, 2010a). Mexico City was beginning to become an industrialized large city but without the appropriate infrastructure, which had not changed sufficiently since the 19th century. The lack of sufficient markets in the city led to a demand for products sold by street vendors and it became an incentive for them to sell. At the same time, the structure of the streets—narrow, unpaved, and often flooded—intensified the congestion problem.

¹¹The actual Law for the Regulation of Semi-Fixed and Itinerant Trade (Reglamento para la Regulación del Comercio Semi-fijo y Ambulante) implemented in 1931 established this distance as 10 meters, and not 50 meters as the CANACO proposal suggested (Excelsior, 1931).

¹²The 1931 law, however, makes very general recommendations about traffic or health precautions. For example, it recommends that street vending pushcarts shall not be parked in zones of high traffic, or that products with pungent odors shall only be sold if they are inside a glass cabinet and in accordance with the regulation of the City Health Department (Excelsior, 1931).

The newspapers, representing the view of the middle and upper classes, described the sights of underdevelopment and filthiness in the streets that were taken over by street vendors disdainfully. The newspaper *El Universal* published a picture on March 11, 1931—in its Graphics and Timely Notice section—showing Republica de Uruguay Street packed with street vending stands. The caption was: “This picture shows the look of the aforementioned street overrun with all sorts of stalls, which obstruct traffic and are unaesthetic and unhygienic. They will be eliminated” (Universal, 1931d:1). They also noticed that many of the goods and products sold by the street vendors were imported—this was mentioned to portray street vendors as disloyal to the internal Mexican market and industry—and that several street vendors were immigrants from the Middle East or Eastern Europe¹³ (Universal, 1931c; Gordon, 1997a).

Those concerns attracted the attention of public officials and were taken into consideration when a new regulation was drawn up. On March 28, 1931, President Pascual Ortiz Rubio regulated street vending in the capital city through a decree (Universal, 1931f). The first part of the decree recognized that “the so-called semi-fixed and itinerant trade has increased extraordinarily without having been regulated up until now, with this omission occasioning genuine problems, as much for transit in the city as for competition with legitimate merchants” (Universal, 1931f:1).

The new regulation incorporated several of the recommendations of the 1929 CANACO proposal. It banned stands (*puestos*) that were located in public parks, close to formal establishments offering similar products, and street vending was restricted to a certain perimeter in the Historical Center area. Furthermore, it introduced a requirement that all those who applied for a license to sell on the streets had to demonstrate the legality of their residence. Immigrants had to be able to confirm that they did not enter the country on the grounds that they would work in the agricultural sector (Excelsior, 1931). The CANACO praised the regulation, and the newspapers were glad to announce the imminent riddance of the street vendor ‘plague’ (Excelsior, 1931; Universal, 1931f).¹⁴ Some newspapers even boasted about their campaigns against street vending and the success of the enactment of the law for the city (Universal, 1931g).

Despite the new regulation, after a few weeks, it was clear that street vendors had not departed from their places in the Historical Center. A few of the semi-fixed street vendors—who

¹³Some of the nationalities mentioned are Russians, Poles, Turks, Syrians, Lithuanians, Czechoslovakians, and Lebanese (Universal, 1931c).

¹⁴On March 28, 1931, the title of the front page of the newspaper *El Universal* was: “The itinerant and semi-fixed trade is definitively eliminated from the city center” (Universal, 1931f:1)

operated from pliable or foldable stalls—were obliged to get rid of their structures, but a good percentage of them became itinerant vendors or *ambulantes*¹⁵ (Gordon, 1997a).

The street vendors contested the execution and enforcement of the regulation in different ways: through the political system, through the courts, and on the thoroughfare. By December 1931, the city government enacted an official toleration policy, even though it was only supposed to be temporary and for a short period of time. However, in the following years, the street vendors were still occupying the streets of the Historical Center. Sociologist Armando Cisneros Sosa (1993:61–62) gave an explanation to account for the failure in the implementation of the 1931 regulation:

The government dealt with a divided and complex society to regulate, set standards, and establish order in accordance with public logic... In the case of the street vendors, the intentions of the city government went beyond the possible. The pursuit of an impeccable and organized [Historical] Center... led the authorities to propose the expulsion of the street vendors... [But] the economic reality of the country, the lack of sufficient employment, and the political networks that had been established prevented such a goal from being realized.

Street vendors cleverly used the official political system to protect their interests, first of all by forming associations. Guild-like vendor organizations have a long history in Mexico and can be traced to the colonial era. They were created by merchants who shared special characteristics (e.g. selling similar products or sharing a particular area of the city) for the purposes of protection and support. During the 1920s, a few of those formed part of the recently created National Revolutionary Party (Partido Nacional Revolucionario, PNR), the predecessor of the PRI, through its labor affiliate, the Regional Confederation of Mexican Workers (Confederación Regional Obrero Mexicana, CROM). Street vendors intended to use this affiliation to the organization to put pressure on the annulment of the 1931 regulation, but had to give up this strategy because of disagreement and dissatisfaction among public market vendors, who were at that time affiliated to the party as well, and strong supporters of the regulation (Gordon, 1997a).¹⁶

¹⁵Itinerant vendors or *ambulantes* are ambulatory street vendors who elude regulation, and its enforcers, by moving around. Itinerant vendors do not have a fixed space and usually wander around streets with a high circulation of cars and people. The goods and products they sell are fairly cheap and easy to carry, which helps them to have a greater degree of mobility than other forms of fixed- or semi-fixed-stall street vending. Later, this type of itinerant vendors would be popularly known as *toreros* or ‘bullfighters’ for their ability to elude the authorities.

¹⁶After the restructuring of the official party, street vendor associations were channelled to the party through the National Confederation of Popular Organizations (CNOP) (founded in 1943) as explained in Chapter 3.

The street vendors were still able to reach the president of Mexico in order to make an emotional appeal, based on their plight as citizens in a situation of great economic disadvantage. One street vendor group sent a telegram to President Pascual Ortiz Rubio stating: “Small merchants Dolores Street stands taken... Fifty families no means subsistence. Belong PNR, have fought favor your Government. Ask you use influence, restore [stands] or indicate new location; avoid misery homes” (Gordon, 1997a:2).

Street vendors also looked for support in the courts. Using the legal instrument called *amparo*,¹⁷ many street vendor groups tried—sometimes successfully—to acquire some sort of waiver from potential or actual actions of the city government against them. Even when all these failed, it was still possible to buy off government officials in charge of granting licenses, assigning vending spaces, and enforcing the rules, so they could continue performing their vending activities on the streets (Gordon, 1997a).

The 1931 regulation not only failed to resolve the problems with the street vendors, but also generated a milieu that encouraged corrupt practices and extortion. The fact that the regulation provided government officials with the arbitrary power to ban or permit street vending—as well as the authority and advantage it granted to police, officials, and inspectors over street vendors—rapidly led to a corrupt relationship between government authorities and street vendors. A newspaper editorial writer of the time pointed out: “This problem with the street vendors... has turned into an irresolvable problem for the simple reason that... those who are responsible for solving it are the same people who have in large part encouraged and created it” (Gordon, 1997a:2).

Occasionally, public officials carried out police operations to clear a particular area of street vendors, but the city government did not have a full and inclusive plan to deal with the street vending problem. This situation persisted for 20 years, after which a new regulation was finally put in place. During those years, economic conditions in Mexico and Mexico City kept changing (Cisneros-Sosa, 1993; Gordon, 1997a).

¹⁷An *amparo* is a form of constitutional relief found in the legal systems of Mexico, Argentina, Chile, Colombia, Spain, the Philippines, and Haiti. In certain legal systems, predominantly those of Mexico and other Latin American countries, an *amparo* remedy or action is an effective and inexpensive instrument for the protection of an individual’s constitutional rights. Such remedies and actions, generally heard by supreme courts or constitutional courts, serve a dual protective purpose: they protect the citizen and his or her basic guarantees, and they protect the constitution itself by ensuring that its principles are not violated by statutes or actions of the state that undermine the basic rights enshrined therein. In general, an *amparo* action is intended to protect all rights other than physical liberty (which are generally protected by *habeas corpus* remedies). Thus, in the same way that *habeas corpus* guarantees physical freedom, the *amparo* protects other basic rights. It may therefore be invoked by any person who believes that any of his or her rights implicitly or explicitly protected by the constitution (or by applicable international treaties) are being violated (Gozon Jr. and Orosa, 2008).

An important political event took place towards the end of the 1930s: the National Action Party (Partido Acción Nacional, PAN) was founded in 1939 by Manuel Gómez Morín, with Efraín González Luna, Aquiles Elorduy, and Luis Calderón Vega, among others, to represent the interests of the business community and the Roman Catholic Church—which had been stripped of legal recognition in 1917—and drew its support largely from the urban middle-class and the northern parts of the country. The PAN—created as a political institution that rejected *caudillismo* and searched for the institutionalization of democracy—won its first seats in the Chamber of Deputies in 1946 and its first municipality in 1947. It became the most consistent opposition party in Mexico throughout the 20th century (PAN, 2013).

4.2.3 *The Mexican miracle and the import substitution industrialization model, 1940–1952*

The 1940s witnessed the start of the period known as the ‘Mexican miracle’, consisting on rapid economic growth and lower levels of inflation, as well as the swift demographic and physical growth of Mexico City. The economic boom was led by the manufacturing industry, as a result of the implementation of import substitution industrialization (ISI) policies. The ISI model was a state-directed, centrally planned form of economic development carried out by the Mexican government. It was based on a set of economic and trade policies that advocated replacing foreign imports with domestic production (Baer, 1972).¹⁸ Therefore, there were abundant jobs in the manufacturing sector industry in Mexico City, which attracted hundreds of thousands of individuals, who migrated from rural areas and other states in Mexico (Gordon, 1997a).

Simultaneously, a big proportion of the city’s population—including the rich—started to move out of the city center, to certain peripheral areas that were developing very fast. By 1950, over 3 million people lived in Mexico City’s urban areas, one-third in the outskirts of the capital city (Table 4.1) (Cisneros Sosa, 1993; Gordon, 1997a; INEGI, 2010a). The modernization and growth of the city’s infrastructure changed the face of the capital, turning it into a busy, populated, and contaminated metropolitan area.

In 1951, President Miguel Alemán Valdés decided to modernize Mexico City’s outdated market regulation, which addressed street vending in a tangential way. The new regulation

¹⁸Import substitution industrialization (ISI) is a method to achieve economic growth and socio-economic modernization. The ISI is based on the premise that a country should attempt to reduce its foreign dependency through the local production of industrialized products. ISI policies were enacted between 1940s and 1980s by countries within Latin America with the intention of producing development and self-sufficiency through the creation of an internal market (Baer, 1972).

Table 4.1.: Population Growth: Federal District, Metropolitan Area, and Country

Year	Federal District	Metropolitan Area*	Country
1900	541,516	344,721	13,607,272
1910	720,753	471,066	15,160,369
1921	906,063	615,367	14,334,780
1930	1,229,576	1,029,068	16,552,722
1940	1,757,530	1,802,679	19,653,552
1950	3,050,442	3,137,599	25,791,017
1960	4,870,876	5,251,755	34,923,129
1970	6,874,165	8,799,937	48,225,238
1980	8,831,079	13,354,271	66,846,633
1990	8,235,744	15,563,795	81,249,645
2000	8,605,239	18,396,677	97,483,412
2010	8,851,080	20,116,842	112,336,538

Source: INEGI (2010a), Censos de Población y Vivienda 1900–2010.

*The Metropolitan Area of Mexico City refers to the conurbation around Mexico City, which is also known as greater Mexico City. It is constituted by the Federal District—composed of 16 delegations—and 41 adjacent municipalities of the states of Mexico and Hidalgo. The reason why all these delegations and municipalities are usually aggregated is because they all form a single conurbation. NOTE: Over the course of the years, the composition of the so called Metropolitan Area has changed; this explains the difference in census numbers between the Federal District and the Metropolitan Area, particularly in the first decades of the century. It is until 1940 that there is a homologation of the Metropolitan Area with respect to the Federal District.

expressly replaced all previous provisions, but had no comprehensive approach to solve the problem of street vending. Instead, it only required street vendors to register with the Markets Department in order to perform their activity and empowered the city government to distribute permits for ‘stands located outside of public markets’, on condition that they operated in specific ‘market zones’ under certain circumstances¹⁹ (Diario Oficial, 1951; Gordon, 1997a). The new regulation designated a perimeter in the city center in which it was prohibited to sell live animals. It also prohibited selling alcohol inside and outside markets, but was not very specific about street vending, with the exception of generally saying that it was against the law to block public streets or establish stands in school zones, and near fire stations and similar public facilities. The new regulation was confusing in its classification and definition of vendors (a semi-fixed stand in the thoroughfare may have been considered part of the ac-

¹⁹The articles that refer to street vending in the new law are Articles 3.IV, 3.V, 3.VIII, 7.IV, 7.V, 8, 9, 26, 28.III, 65, 67, 72, 73, 74, Article *Cuarto Transitorio*, Article *Noveno Transitorio*, and Article *Décimo Transitorio* of the new market regulation (Diario Oficial, 1951).

tual market), and it did not define the characteristics of an *ambulante* or itinerant vendor.²⁰ The ban on selling competing products in front of or near a formal established business was eliminated, as were directives for immigrants (Diario Oficial, 1951; Gordon, 1997a).

A further innovation of the 1951 regulation was that the city government acknowledged the formation of vendor organizations—chapter VI of the 1951 market regulation—and required them to have at least 100 members (Diario Oficial, 1951). This requirement was understandable at the time for political and administrative reasons, and given the one party regime in place. However, it proved critical later for the development of street vendor groups. This measure allowed government authorities the possibility to interact with street vendors in large groups and not individually, which was obviously much more costly in time and effort. It further reinforced the pre-eminence of organizations over individuals when dealing with the government, another key factor for the future development of street vending groups (Diario Oficial, 1951; Pyle, 1968; Gordon, 1997a).

However, the 1951 regulation, in what the street vendors referred to, was ineffectual in practice. Shortly after it was enacted, its repercussion was entirely annulled by the administrative intervention of Ernesto P. Uruchurtu, the new mayor of Mexico City.

Although there were no elections in Mexico City for either a representative legislative body or for the city's executive authority until the late 1980s and mid-1990s, respectively, Mexico City was seen as a key electoral target in presidential elections, as it held a large percentage of the country's population and because of its political significance as the center of power of the country. Therefore, political parties wanted to win it to ensure a share of the votes and the symbolism that came with it.

During the general elections of 1952, the PAN competed for the first time in a presidential election with the candidate Efraín González Luna. However, the main competition for the PRI came from Miguel Henríquez Guzmán, who was the candidate of the Federation of the Mexican People's Parties. Henríquez Guzmán participated in the Mexican Revolution and had been a member of the military sector of the PRI (Estrada Correa, 2009), but in 1951 Henríquez Guzmán joined with other high-ranking members of the PRI to create a break-away party of former PRI activists, which they called the Federation of the Mexican People's Parties (Federación de Partidos del Pueblo de México) (Estrada Correa, 2009). Prominent members of this new party included other former generals from the Mexican Revolution such as Genovevo de la O, as well as representatives of other political parties—even if these were not of-

²⁰The regulation speaks about Ambulante A and Ambulante B but does not distinguish the difference between them, except that the former may have a means of transportation (Diario Oficial, 1951).

ficially registered—such as the Mexican Constitutionalist Party (Partido Constitucionalista Mexicano) (Estrada Correa, 2009). The result was a broad alliance of political, pro-agrarian reform, and social organizations, which seemed a serious challenge to the PRI (Flores Rangel, 2005; Estrada Correa, 2009). However, in the end the PRI candidate Adolfo Ruiz Cortines won the 1952 elections with over 74 percent of the vote, followed by Henríquez Guzmán with 15.9 percent, the PAN's candidate Efraín González Luna (third), and Vicente Lombardo Toledano (fourth) from the Popular Party (Partido Popular, later to be known as the Partido Popular Socialista, PPS), which he had created in 1948 (Nohlen, 2005; Rodríguez Araujo, 1997). These results set off a wave of protests from the Henriquistas in several states, which were violently suppressed by the administration of President Miguel Alemán Valdés. Despite the intensity of the protests, the results were not changed. Henríquez Guzmán then retired from public life (Flores Rangel, 2005; Estrada Correa, 2009).

4.2.4 *The administration of Uruchurtu and subsequent years, 1952–1970*

Ernesto P. Uruchurtu was mayor of Mexico City from 1952 to 1966. He was popularly known as the 'Regent of Iron' and is a central figure in the modern history of Mexico City and a key player in the development of the street vending phenomenon in Mexico City. He is distinguished from other Mexico City mayors not only because of his authoritative style during the modernization of the city during this period, but also because of his unparalleled 14 years in office as mayor (Cross, 1995). In a nation where the person with control of the federal district has the most powerful administrative position after the presidency itself, the normal pattern was for presidents to appoint their own candidate for the position. For this reason, no other mayor has ever survived the transition between one president and the next, and often more than one serves under a single president.²¹

Uruchurtu's approach to the problem of street vending was highly authoritarian. Mexico City's street vendors who lived through this period regard it as an especially difficult time (Barrios, 2010). Repression of street vendors, panhandlers, prostitutes, and political dissidents was common during Uruchurtu's administration (Cross, 1998).

Uruchurtu put into action a considerable public market construction program, building more than 160 markets to accommodate more than 50,000 street vendors (Gordon, 1997a;

²¹Uruchurtu served as mayor of Mexico City during three different presidential administrations: those of Adolfo Ruiz Cortines (1952–1958), Adolfo López Mateos (1958–1964), and Gustavo Díaz Ordaz (1964–1970). He served from December 1, 1952, to September 14, 1966.

Cross, 1995, 1998).²² Approximately half of the public markets that existed in Mexico City around 2000—including the La Lagunilla market, the Sonora market, the San Juan market and the massive La Merced market which was demolished and reconstructed—were built under Uruchurtu’s market construction program.

The public market construction program implemented by Uruchurtu entailed a huge burden on the finances of Mexico City. In 1957, at the pinnacle of the market construction program, construction expenses reached MX\$170 million, equivalent to 25 percent of the city budget in that year (Gordon, 1997a).²³ In contrast, some years later, records show that the annual proceeds from market rents had hardly reached MX\$27.5 million. The Uruchurtu administration defended this spending by arguing that the construction of markets facilitated the fight against inflation, given that official price controls could be readily applied and supervised in public markets (Gordon, 1997a).

The range of goods and products sold in the marketplaces substantiated this rationale. Market vendors nearly always sold goods related to basic needs, such as food and second-hand clothes, but these marketplaces came to be a source of inflation instead of a remedy for it. The reasons for this were two: the first one was that the high construction costs involved deficit spending; while the second was related to the fact that public market inspectors took bribes from the market vendors, whose cost was transferred on to consumers (Gordon, 1997a).

Uruchurtu’s activism is probably better understood not because of economic motivations and price controls but because of local and national politics. In the 1952 general election, the PRI had lost in Mexico City and the voting middle-classes—many of whom had voted against the PRI—were in favor of the policies of market construction and repression in order to clear the street of vendors. Market construction reached its maximum activity very close to election time. The PRI again won the majority of the votes in Mexico City at the 1955 mid-term congressional election. In the 1958 general elections, the PRI vote exceeded 68 percent of all votes (Cross, 1998).

The elimination of street vendors from the thoroughfare was an accepted aim among certain groups within the capital because it was genuinely necessary to take action to solve the problems street vendors were creating. They had become an annoyance to neighbours, formal established businesses, and government authorities; and could potentially become a real im-

²²According to John Cross, between 1953 and 1966 a total 174 markets were constructed or reconstructed for 52,070 vendors, raising the number of public markets in Mexico City from 44 to more than 200 (Cross, 1998).

²³John Cross states that between 1953 and 1958 alone, MX\$350 million were spent building or refurbishing almost 90 markets, the equivalent of a little more than half of the entire budget for Mexico City in 1957 (Cross, 1998).

pediment to the operation of the city. It is estimated that the number of street vendors reached about 50,000 before the construction of the markets, as the new markets had space to house that amount of street vendors (Gordon, 1997a; Cross, 1998).

The existence of these vendors at the time could not be attributed to a major economic crisis or a temporary economic decline because the Mexican economy was going through a phase of prosperity, the so-called ‘Mexican miracle’. In the 1950s and 1960s, GDP growth went beyond 6 percent annually and the capital city profited from a large portion of the national employment growth in industrial jobs (Gordon, 1997a).²⁴ Nonetheless, this enormous job growth in the city was not enough to absorb the large number of migrants from rural areas and other states.

As Mexico City developed, the proportion of the population of the Historical Center area continued to fall in relation to the total population of the capital city. The Uruchurtu administration relocated several government bodies and institutions from the city center to more remote areas within the city. For example, the National University was moved to the Coyocacan Delegation in southern Mexico City. Downtown Mexico City became a space to pass through and shop rather than a residential area, although some middle and working class people lived there (Cisneros-Sosa, 1993). In fact, these groups formed some of the most important constituencies for Uruchurtu, together with construction firms and urban developers. The late writer and journalist Carlos Monsiváis commented that “Uruchurtu was supported by the middle-classes who were anxious about respectability, traditionalist sectors, those already here facing those who might come [Mexico City residents who did not welcome foreigners and migrants], and, most importantly, groups of the economically powerful” (Monsiváis, 1996:77).

In light of the above-mentioned allegiances, it was rather surprising that 40,000 ex-street vendors—converted in market stall tenants²⁵—emerged to support the PRI in the general elections of 1958. Actually, the policies promoted by Uruchurtu were somewhat ambiguous for street vendors. Those vendors with a place in the markets had an established, secure, and low-cost facility, from which they could derive a good living, but they had to sacrifice the

²⁴This is not what one would expect from the cyclical relationship between economic performance and informality—that when the economy grows, the informal sector decreases; when the economy shrinks, the informal sector increases. Here, what was happening was that the economy was growing and so was the informal sector.

²⁵They were lessees, not owners of the stalls. The city government was the legal owner of stalls in public markets during the Uruchurtu market construction program.

advantages of working in the streets, such as good commercial sites and their freedom of operation (Gordon, 1997a; Cross, 1998).

The PRI used the concession of stalls in the markets politically, as it had in its tolerance and recognition of informal settlements, to win support for the party (Cornelius, 1975). Government officials had the power to issue, extend, or revoke the offer of a market space *ad libitum*, and street vendors who were excluded from the markets and kept selling on the streets were treated violently by the police (Cross, 1995; Gordon, 1997a).

These circumstances made vendor leaders obliged to the government authorities and the PRI, and ready to comply with their orders. This was a classical example of political clientelism, which helped to strengthen the PRI's political machine (O'Donnell, 1997).²⁶ The same *modus operandi* prevailed within street vendor organizations. Street vendor leaders extracted payments in advance from their vendor members in return for the guarantee of a market space. Once they were inside the market, the vendor members continued to depend on their vendor leaders to mediate and intercede with government officials for maintenance and other services in the market. This ensured that vendor members continued to depend on their leaders (Gordon, 1997a; Cross, 1998; Monge, 2009).

The relocation to enclosed markets converted informal street vendor organizations into organizations of market stall tenants. Once they were in a market, vendors became—in essence and effectively—formally established merchants.²⁷ Very few vendors remained on the streets, although the government did not succeed in removing them completely (Gordon, 1997a).

Ernesto P. Uruchurtu resigned from his post in September 1966, partly as a result of his differences with President Gustavo Díaz Ordaz. Because of the length of his tenure as Mex-

²⁶A 'political machine' is a disciplined political organization in which an authoritative boss—or small group—commands the support of a group of followers (usually campaign workers), who receive rewards for their efforts. Even though these elements are common to most political parties and organizations, they are fundamental to political machines, which depend on hierarchy and rewards for political power, often enforced by a strong party whip (enforcer) structure. Political machines sometimes have a political boss, and often rely on patronage, the spoils system, behind-the-scenes control, and long-standing political connections within the structure of a representative democracy. Political machines are typically permanent instead of organized for a single election or event. Even though the term 'political machine' dates back to the 20th century in the United States, where such organizations have existed in some municipalities and states since the 18th century, similar political machines have been described in Latin America, where the system has been named 'clientelism' or 'political clientelism', and also in some African states and other emerging democracies, such as post-communist Eastern European countries (Encyclopedia Britannica, 2013).

²⁷As a matter of fact, moving from the streets to a market is a way for street vendors to become formal, established vendors, although it is an expensive way to do it. As mentioned earlier, in Uruchurtu's public market construction program, vendors were not owners but lessees of their stalls (as opposed to the plaza construction program of Camacho Solís where vendors were the owners of the stalls), but they had a formal and established place to sell regardless of the ownership of the stalls.

ico City mayor and the power he had accumulated during this time, Díaz Ordaz thought Uruchurtu was a threat to his presidential authority, and the political culture of the time dictated that no one should have more power than the president, so that he could stand out (Lerner de Sheinbaum and Ralsky de Cimet, 1979). The departure of Uruchurtu was precipitated when he ordered the removal of a community of informal settlers, which was executed with excessive force and violence. This caused a negative reaction from several branches of the government and the ruling party, which resulted in Uruchurtu's resignation (Cross, 1998). Without delay, the repression against street vendors was reduced and market construction slowed down. Little by little, the streets of the city center that had been vacated by brute force were filled once more with informal commercial activity, and the return of a profitable scheme of corrupt toleration (Gordon, 1997a).

In 1967, the government issued a new vending decree under the pretext of maintaining vehicular transit in the city center area, which should be “comfortable, expeditious, and safe” (Gordon, 1997a:3). The new regulation mapped out a new area where street vending was forbidden within the Historical Center and established sentences of up to 36 hours in prison if the law was infringed (Gordon, 1997a), but the new mayor of Mexico City, Alfonso Corona del Rosal, did not implement it forcefully.

For now, street vendors were still recovering from the harsh repression of the Uruchurtu administration. This gave Mayor Corona del Rosal the opportunity to demonstrate to the public that he was generous to the poor. After some time, the city government relapsed into the practices of the 1940s which consisted on a scheme of corrupt toleration, sporadic police operations, and the absence of future plans to deal with the street vending dilemma (Gordon, 1997a).

After the decree of 1967, the legal situation of informal street vendors did not change for the next 26 years.

4.2.5 *Corruption, the birth of modern street vendor organizations, and the Debt Crisis, 1970–1988*

The continuous decades of PRI rule created a broad culture of illegality, which resulted in a social norm of non-compliance. Among the regime's basic codes of conduct, corruption appeared to be one of the most fundamental, with impunity starting at the highest levels (Preston and Dillon, 2004). During the end of the 1970s and early 1980s, particularly during the presi-

dency of José López Portillo (1976–1982), corruption reached alarming levels. His administration epitomizes what is perhaps the most corrupt period in the recent history of Mexico.²⁸ “A politician who is poor, is a poor politician” was a saying attributed to Carlos Hank González, the Mexico City mayor from 1976 to 1982. He applied this principle vigorously throughout his career, and his administration in Mexico City was no exception. Hank González started as a rural school teacher in his native State of Mexico but became immensely wealthy as a mayor by contracting city construction projects to his own companies (Preston and Dillon, 2004); in particular the construction of the *ejes viales* (road axes)—a vast network of wide arterial roads crossing Mexico City constructed in the late 1970s—is said to have been particularly lucrative for him (Flores Rangel, 2005). He is also remembered for constructing the Central de Abasto (Groceries Center), Mexico City’s main wholesale market for produce and other foodstuffs, run similarly to traditional public markets. It was established to be the meeting point for producers, wholesalers, retailers, and consumers for the entire country. Hank González best exemplified the PRI’s old guard and all of its vices. The Mexican political class referred to him as *el profesor* (the teacher) to point out the discrepancy between his humble origins and his later prosperity (Preston and Dillon, 2004), and it was also an ironic way to refer to his ability to mix private business with public affairs for his own benefit.

Using money to get around the law and regulations was a cultural norm. Paying a bribe to a policeman or a public servant was simpler than going through the legal procedures, if they existed, to pay for a traffic ticket, get a driver’s license, a construction permit, or a selling permit, or to register a property title or a new car. Individuals were continuously induced to bend the rules to carry out the essential tasks of life, involuntarily becoming accomplices in the larger corruption of their government authorities and politicians (Preston and Dillon, 2004).

Though the total number of street vendors in Mexico City in the 1970s is unknown and could only be approximated—one estimate puts the number in 32,000 in 1971 (Gordon, 1997b)—street vendors, government authorities, businessmen, and academics involved in street vending noted an important rise in the activity in the mid-1970s, occurring simultane-

²⁸The personification of the rampant corruption of this time was Chief of the Federal District Police, Arturo Durazo Moreno, who was under the orders of Mayor Hank González but a longtime friend of President López Portillo. Durazo Moreno converted the Mexico City police into a criminal organization. Although he earned a public servant’s salary, he built two lavish houses, in Mexico City and Zihuatanejo, had a collection of luxurious automobiles, and bought properties abroad (González G., 1983). Durazo Moreno made a fortune in unlawful wealth from the bribes paid by every cop in the city, from extortion of other government officials, and from kickbacks on the purchase of police equipment. He was involved in the cocaine trade to the United States among other criminal activities (González G., 1983; Flores Rangel, 2005).

ously with a slowing down of the economy and a lack of adequate formal sector employment that could absorb the number of unemployed citizens looking for a job (Cisneros-Sosa, 1993; Gordon, 1997a).

The numbers again grew significantly following the 1982 Debt Crisis. Estimations of the number of street vendors in 1988 ranged from 100,000 to over 700,000 in the capital city, and from 9,500 to 40,000 in the Historical Center alone²⁹ (Ramirez, 1983; Correa, 1987; Gordon, 1997b).

In addition to the contingencies in the economy mentioned above (economic slowdown and lack of adequate formal jobs), other circumstances played a part in the increase of street vendors throughout the 1970s and 1980s. The population of Mexico City increased by 29 percent between 1970 and 1980, from approximately 7 million to 9 million people in only one decade (Table 4.1) (INEGI, 1990; 2010a). Urban planners were unsuccessful in building new public markets to keep up with the rising demand from millions of new inhabitants of Mexico City (Gordon, 1997b). The lack of new established public markets ensured the prominence of informal street markets and informal street vendors in the metropolitan area. In addition, the building and opening of the Sistema de Transporte Colectivo—the underground service better known as the Metro—in 1969, with its focal point in the city center area, as well as the exodus from the Historical Center by residents and some formal established businesses, made this area especially susceptible to invasion by street vendors (Gordon, 1997a; Cross, 1998).

The conversion of the Historical Center from a place to settle to a crossing place was fast. Street vendors proliferated on empty storefronts, vacant lots, and run down streets through which many commuters, visitors, and travelers passed daily. Street vendors also invaded the Metro system in the thousands, occupying its entrances, corridors, passageways, and even Metro train cars (Gordon, 1997b; Cross, 1998).

Efforts to remove and relocate street vendors intensified in the mid-1980s (Correa, 1987; Monge, 1987; Cross, 1998). The two delegations³⁰—Cuauhtémoc Delegation and Venustiano Carranza Delegation—that include the oldest parts of the city (including the Historical Center) started relocating clusters of street vendors from more congested to less congested streets. This move was a response to the concern of the public about the noticeable degradation of the

²⁹Other source give even larger numbers, estimating that there were between 45,000 and 60,000 people in the Historical Center (Monge, 1987).

³⁰As mentioned earlier, the Federal District Charter was amended in December 1970. Among its changes, it matched the term 'Federal District' with 'Mexico City'. In addition, it disappeared the Central Department or *Centro* (officially called Mexico City) and created four new delegations (Miguel Hidalgo, Benito Juarez, Venustiano Carranza and Cuauhtémoc), arriving at the 16 delegations we have at present.

most venerated urban area in the country (the Historical Center). Furthermore, formal established merchants affected by the Debt Crisis had appealed for action from the city government (Gordon, 1997b).

The formal established businesses, assembled in the ‘official’ CANACO and autonomous neighborhood business associations, accused street vendors of various misdemeanors, including disloyal competition, tax avoidance, health risks, safety dangers, and even visual pollution (Correa, 1987). The vehicular traffic and circulation problems caused by street vendors also provoked the indignation of many city residents. During the 1980s, traffic became a particularly sensitive matter since air pollution had reached critical levels in Mexico City and was now a public health problem (Correa, 1987; Cross, 1998). The city authorities, acknowledging that the economic resurgence of the Historical Center was not going to be possible if there was no cooperation from formal established businesses, progressively started to take action (Cross, 1998).

As mentioned before, for a long time, the actions performed against street vendors by the city authorities were inadequate and weak, only executed to fulfill the expectations of the CANACO and middle-class city residents. Powerful vested interests hampered authentic and thorough control and suppression of street vending. The government bureaucracy set up for dealing with street vendors did not have an organization with sufficient consistency and coherence. The 16 delegations that constitute Mexico City were unsuccessful in coordinating their actions, either between themselves and/or with the different agencies and bodies of the central government dealing with street vending issues. Within the Mexico City government, various agencies, including the judiciary, the treasury, the Metro administration, and the General Coordination of Supply and Distribution in the Federal District (Coordinación General de Abasto y Distribución del Distrito Federal, COABASTO)—the central agency responsible of food supply and markets in Mexico City—demanded authority and control over street vending, increasing the disorder (Gordon, 1997b; Cross, 1998).

The legal chaos in which the street vendors operated gave authorities the power to make selling permits entirely discretionary. For example, the tax code included a category with specifications for street vendors, but city regulations banned the obstruction of the thoroughfare by street vendors (Gordon, 1997a). In the same way, the Mexican constitution grants the right to participate in economic pursuits and occupations that do not damage third parties (a provision that is open to various interpretations and therefore can be used to justify the street vending activity). However, Mexican presidents and Mexico City mayors had issued decrees forbidding street vendors from carrying out their economic activities in certain areas of the

capital city.³¹ Furthermore, given that the government authorities did not have a single list of the selling permits or street vending licenses allotted, street vendors frequently evaded justice by using forged documents. This state of affairs gave government officials a space for both policy maneuvering and corruption opportunities (Gordon, 1997a).

On the morning of September 19, 1985, an earthquake of a magnitude of 8.1 on the Richter scale struck several states of southern and western Mexico, including Mexico City, leaving behind a wake of death and destruction. It is believed the earthquake caused more than 10,000 deaths and left considerable damage in the Mexico City area, particularly the city center. The damage was evident not only in the destruction of buildings and the loss of lives but also in political and social spheres, as it was immediately clear that the government was unable to provide basic relief for the city and its inhabitants (Kirkwood, 2000). The government's response to the earthquake was widely criticized at various levels of Mexican society, being seen as authoritarian, corrupt, and incompetent (Haber, 1995; Monsiváis, 2005). As many of the collapsed buildings were of recent construction and public works projects, the government was seen to be at fault because of mismanagement and corruption carrying out these constructions. The government itself realized that it could not handle the crisis through already-established institutions alone and decided to open the process up to opposition and civil society groups (Haber, 1995; Monsiváis, 2005). Grassroots organizations rapidly mobilized, providing food, medicine, shelter, and material for the reconstruction. These civil society groups proved to be more capable than the government in some instances, resulting in important tests to the authority of the PRI. The intervention of non-PRI organizations where the government could not act also took its toll on the reputation of the PRI. Historian Burton Kirkwood (2000:23) stated:

Out of the disaster emerged the realization that a viable civil society existed in Mexico. This revelation caused many to consider why they needed a centralized state that so obviously could not care for its people. As a consequence, the opposition movements pointed to the government's shortcomings and advanced candidates for the greater goal of defeating the PRI.

As if this were not enough, more pressure in support of a policy of tolerance in favor of street vendors came from the popular sector of the PRI—the so-called National Confederation of Popular Organizations (CNOP)—a political sector of the party to which several organizations of street vendors were affiliated.

³¹By 1996, there were 16 legal codes that, on one hand, allowed the exercise of street vending and, on the other, penalized it (Monge, 1996b), as it will be seen later in this chapter.

The PRI had serious concerns about its support among the lower and middle-classes in Mexico City, as a result of the 1968 student movement crackdown,³² and as a consequence of the economic crisis of 1982 and the earthquake that hit Mexico City in 1985 (Correa, 1987; Gordon, 1997b; Cross, 1998; Philip, 1998). To improve the image of the PRI as an advocate of the people and a protector of the poor, the CNOP openly condemned the actions taken against street vendors. Simultaneously, delegation officers urged street vendors to side with vendor organizations that were structured under the CNOP guidance. As we will see later, these street vendor organizations grew in dimension and complexity, and effectively became a significant political support base for the PRI (Gordon, 1997a).

At this time and under this scenario, one might argue that the lack of solution to the problem of informal street vending was merely the result of a political decision of the government authorities; particularly because of the political capital that the street vendors represented to the party and to the lack of clear jurisdiction over which governmental agency was responsible for implementing any action against street vendors. In other words, there was no political will to find a solution to the street vending problem because it was in nobody's interest to do so.

Street vendors served as infantrymen in the PRI's struggle to maintain political support in Mexico City, and sometimes beyond it (Chavez, 1986; Cross, 1998). In the 1980s, it was common practice for many street vendors belonging to these PRI-affiliated groups to demonstrate publicly in support of the party. They waved flags and chanted political slogans in favor of PRI candidates in electoral or political public rallies, cheered and applauded the president or the mayor at public appearances, and sometimes supplied disaster relief in other states (Chavez, 1986; Gordon, 1997b; Cross, 1998).

Some observers claim that street vendor leaders channeled funding to the political campaigns of the PRI. In exchange, street vendors expected their political patrons to support and defend their cause before government and party authorities (Gordon, 1997b; Cross, 1998). Gordon (1997a:4) described how one vendor explained this in simple words: "We expect the support of the PRI because we have given it to them when they call us to attend their events."

³²The 1968 student movement crackdown—also known as the Tlatelolco massacre—was the killing of an estimated 30 to 300 (but the real number is unknown) students and civilians by military and police on October 2, 1968 at the Plaza de las Tres Culturas in the Tlatelolco area of Mexico City. The event was an action taken by the Mexican government to suppress the student movement of 1968—a social movement that included students, professors, intellectuals and workers—which sought the democratization of a state characterized by its authoritarianism and its abuse of power. The event is considered part of the Mexican dirty war, when the government used its forces to suppress political opposition. It is believed that this movement and its terrible outcome prompted a more active and permanent critical attitude of the civil society (especially in public universities) towards its government, as well as contributing to the development of urban and rural guerrillas in Mexico (Poniatowska, 1998; Pensado, 2013).

Some of the largest and most powerful street vendor associations that currently exist—for example the association established by Alejandra Barrios—emerged at the end of the 1970s as a response to the government crackdowns of street vendors. Following the economic and natural disruptions of the 1980s, the number of people joining these organizations increased rapidly. For example, Guillermina Rico’s organization had more than 10,000 members, becoming the most important vendor organization at the time (Gordon, 1997b; Cross, 1998). The government authorities, explicitly or implicitly, collaborated in the development of these organizations. They were all affiliated to the PRI.³³

Thus, because of the organizational structure of the government—and the PRI—street vendors who wanted a selling permit could not request one directly from the relevant government authorities. They had to go to an ‘established’ or ‘accredited’ street vendor leader to obtain it.³⁴ While base members of the street vendor associations were not coerced into officially joining the PRI, they were certainly required to attend public meetings, political rallies, and other activities to demonstrate their political support. Those who did not do so lost their ‘vending rights’ for up to three days, or even more, and those who wanted to break away from the organization were usually subjected to violent retaliation (Gordon, 1997b; Cross, 1998).

The balance of power in the Historical Center was getting more and more volatile in the final part of the administration of President Miguel de la Madrid (1982–1988). Dissatisfied and frustrated with the government’s passive posture over street vending, several radical components of the Historical Center’s formal business community started to quit the CANACO (Gordon, 1997b).

Following the economic crisis of 1982 and the earthquake of 1985 the number of street vendors working in the city increased weekly (Philip, 1998), and the plans to improve and revitalize the Historical Center put pressure on the authorities to take action against street vending activities. The government bought some time when it implemented an insufficient relocation program—which basically consisted of moving street vendors from one street to another—in the mid-1980s, but by the end of the 1980s it was clear that a new approach was essential (Gordon, 1997b; Cross, 1998).

³³This relates to the concept of ‘compulsory affiliation’ discussed in Chapter 3.

³⁴This relates to the concept of ‘forced mediation’ discussed in Chapter 3.

4.3 The Camacho Solís administration, the Peso Crisis, and subsequent years (1988–1997)

4.3.1 Political framework

On Wednesday July 6, 1988, Mexicans went to the polls to elect a new president and a new congress. The 1988 elections were to be a unique development in the history of Mexico. The PRI, created in 1929 after the Mexican revolution, had dominated Mexican politics for 59 years. Initially conceived as an institutionalization of the ideals of the Mexican revolution, little by little the PRI had evolved into an authoritarian regime with a political culture of its own and practically no real opposition.

This time things were different. The PRI presidential candidate, Carlos Salinas de Gortari, was confronted for the first time with true competition. His main competitor for the presidency, Cuauhtémoc Cárdenas Solórzano, was a former PRI member and the son of a popular former PRI-emanated president, Lázaro Cárdenas del Río. Cuauhtémoc Cárdenas had left the PRI in protest over the presidential nomination of Carlos Salinas and because he did not share the economic policy orientation of the incumbent government of Miguel de la Madrid. Cárdenas' resignation from the PRI led to his nomination as the presidential candidate for the left-wing coalition, the National Democratic Front (Frente Democrático Nacional, FDN³⁵); Manuel Clouthier was chosen as the candidate of the right-wing National Action Party (PAN).

Several sources state that the first results showed Cuauhtémoc Cárdenas had an important lead at the end of election day, July 6, 1988, but Manuel Bartlett Díaz, Minister of the Interior, who then performed as chairman of the Electoral College during the elections, announced that the electoral results could not be given at that time because the counting system of the Electoral College had collapsed, an event that would come to be known as *la caída del sistema* (the system crash).

A week later, when the results were finally made public, Carlos Salinas was declared the winner with 50.4 percent of the total vote (Preston and Dillon, 2004), but the opposition candidates—among them Cuauhtémoc Cárdenas—did not accept the results, declaring the election to be invalid. This led to protests taking place all over the country. However, the opposition parties were unable to prevent Carlos Salinas from being declared president-elect by the Chamber of Deputies—in which the PRI had an advantage of 20 more deputies in front of

³⁵The National Democratic Front will eventually evolve into the Party of the Democratic Revolution (PRD).

the competing set (IPU, 1988). In addition, the government of the incumbent president, Miguel de la Madrid, always maintained the legality of the elections. Carlos Salinas de Gortari was sworn in as president on December 1, 1988. Nevertheless, Cuauhtémoc Cárdenas and the opposition—including a segment which later became the Party of the Democratic Revolution (PRD)—together with the PAN and almost all other electoral observers, always maintained that the results had been rigged and therefore the elections were illegal.

4.3.2 *The issue of legitimization: the need for popular support*

When newly elected president Carlos Salinas de Gortari appointed Manuel Camacho Solís as mayor of the Federal District in 1988, the PRI was facing more difficulties than it had in previous administrations in Mexico City. The citizens still suffered from the impact of the 1982 Debt Crisis and were also discontent with the government's handling of problems resulting from the devastating earthquake of 1985 in Mexico City. This situation had led to a decline in the popular support for the party in the capital city, reaching the lowest point at 27 percent (Davis, 1994). Moreover, for the first time since the inception of the PRI, two opposition senators and a large number of opposition deputies were directly elected to the Senate and the Federal Chamber of Deputies. The election of President Salinas itself was over-shadowed by wide-ranging charges of fraud. It is argued that only a careful manipulation of votes preserved a narrow majority for the PRI in the new local assembly, which was the first elected representative body for the Federal District³⁶—the Assembly of Representatives of the Federal District³⁷ (Asamblea de Representantes del Distrito Federal, ARDF)³⁸.

³⁶Although this assembly had limited legislative powers, it was the first time since 1928—year in which the municipality system was abolished in the Federal District—that the inhabitants of Mexico City were able to elect their representatives.

³⁷The Assembly of Representatives of the Federal District (ARDF) is born by decree—published in the *Diario Oficial* (the government's official gazette) on August 10, 1987—as a body of citizen representation with powers to issue edicts, ordinances and regulations for the police and good governance. It was first constituted in 1988 and is the predecessor of the current Legislative Assembly of the Federal District (ALDF). As a result of the Political Reform of the Federal District—which was published by decree in the *Diario Oficial* on October 25, 1993—the ARDF became a governing body with powers to create legislation for the Federal District. Through this decree, the third ARDF officially becomes a legislature in 1994. A new decree was published on August 22, 1996, which amends Article 122 of the Constitution and denominates the Mexico City legislative body as the Legislative Assembly of the Federal District (Asamblea Legislativa del Distrito Federal, ALDF). The same law states that it will be composed of deputies rather than representatives (ALDF, 2013a).

³⁸The general elections of 1988 marked a milestone for the street vendor conflict in the Federal District. The electorate in the capital had voted substantially for the left-wing opposition embodied in the National Democratic Front and the new mayor, Manuel Camacho Solís, was committed to regaining their support. For this to happen, government authorities knew it was essential to find a solution to the street vending dilemma. Thus Camacho

In an interview for this research, Manuel Camacho Solís (2010) said he remembered those times as being very difficult for the PRI. He said that he had realized that the city could not be governed using the traditional approach to public administration in which the Federal District was just an arm of the federal government in charge of delivering public services. He had thought that during that difficult period the strategy needed to be different. The administration of the Federal District had to govern as it would govern in any other state in Mexico, in one of two ways: using authoritarian methods (because the opposition was very strong), or together with the opposition. He selected the second option. To show the conciliatory approach his administration would have, Camacho decided to present his plan for government at the ARDF, even though he was not required to do this. He wanted to send the message that he would govern by consensus, which gave the impression he was limiting his powers, but he said that he greatly strengthened them (Camacho Solís, 2010). Thus, the mayor capitalized on the newly formed local assembly—the ARDF—to gain time and support by discussing his plans for government in this forum (Gordon, 1997b).

Determined to change the nature of the Mexican political and economic systems, President Salinas decided to implement a neoliberal program. He accelerated the privatization of state-owned enterprises, thoroughly revised the agrarian code eliminating the constitutional right to the *ejidos*³⁹ (using the argument of low productivity), liberalized international trade and opened direct negotiations with Canada and the United States, which led to the signing of the North American Free Trade Agreement (NAFTA) in December 1992 (Cross, 1998; Philip, 1998). At the same time, President Salinas promised extensive electoral reforms that would eventually debilitate the PRI's tight control of Mexican politics. These changes directly undermined the traditional corporatist structure of the PRI as the privatized companies laid off workers, rural peasants became more independent, and commercial capital was granted greater power (Cross, 1998; Thornton, 2000; Shefner, 2006).

At the national level, President Salinas concentrated his efforts on programs that underlined the direct role of the state, such as the conditional cash transfer program called Solidaridad.⁴⁰ This social program was administered directly by the presidency and provided resources to

Solís proceeded with prudence and discretion during the first three years of his administration (Gordon, 1997b; Cross, 1998).

³⁹In Mexico, an *ejido* is an area of communal land used for agriculture, on which community members individually possess and farm a specific parcel.

⁴⁰The National Solidarity Program (Programa Nacional de Solidaridad, known as PRONASOL or Solidaridad) was launched on December 2, 1988, as the first government action of the Salinas administration. It sought to achieve greater social justice beyond a scheme of transfer of resources or targeted subsidies. To achieve this, the project needed not only the support of the government but also the organized participation of the population, driven by a sense of nationalism and social development.

communities for self-improvement; it served as an umbrella of resources as previously existent social programs were channeled through Solidaridad to service the poor. Many public markets were designated as Solidaridad projects, and the distribution of basic goods at subsidized prices was channeled through the program as well. By following these strategies, President Salinas was trying to swap the image of a benign government from the PRI to the presidency—even as he reduced funding for these services—and in this way capitalize on the political benefits of these initiatives. Throughout the country, huge advertising campaigns publicized the benefits Solidaridad and NAFTA allegedly provided.

President Salinas confronted far greater problems in Mexico City. The low-cost, symbolic rents for public market vendors and the *de facto* tax-free privileges of street vendors—both emerging as a form of subsidy of popular commerce—undermined his plans to implement a neoliberal program by cutting subsidies, broadening the tax base, reducing the tax rate for formal firms, and providing an optimal environment for foreign investment (Cross, 1998). Public market vendors refused government plans to privatize their stalls—even when the city government offered to provide the titles for free—since they would have to pay maintenance costs and repair bills for the deteriorating market buildings. Therefore, the city government turned to street vendors, who did not have legal rights to the space they occupied on the street, to attain some of its neoliberal objectives (Cross, 1998).

In this way, the formalization of informal street vending turned into one of the key elements of a wider plan to apply a more rigorous and uniform tax code on commercial businesses in the city, which would be tough on tax evasion among formal small shop-keepers as well as public market vendors and street vendors. The expected results would increase tax revenues and eliminate the advantage small merchants had over large commercial outlets (Cross, 1998).

However, Salinas' position at the beginning of his government was weak and unstable. His questioned presidential election victory had taken from him the legitimacy he needed to carry out these projects. Even within his own party his influence was not complete; his cabinet was made up largely of political figures, such as Manuel Bartlett, Carlos Hank González, and Jorge de la Vega Domínguez, whose power bases were secured in the corporatist structure of the PRI and owed little direct loyalty to Salinas for their positions (Camp, 1990). His own

*camarilla*⁴¹ members only controlled the economic portfolios. Luis Donaldo Colosio,⁴² who had been the manager of Salinas' presidential campaign and was in Salinas' inner circle, had been elected as a senator for the state of Sonora, and did not form part of Salinas' cabinet until later. Even Manuel Camacho Solís himself was considered to be only a marginal member of Salinas' *camarilla*.

As a result of this lack of legitimacy, most of Salinas' actions in the first half of his presidency (1988–1991) were those he could directly manage. That is, he was occupied with national economic policy—the privatization of businesses, the liberalization of trade, the negotiation of NAFTA, and the Solidaridad program—areas directly under the control of the presidency and from where, eventually, Salinas was largely able to legitimize his presidency and consolidate his position of power (Cross, 1998).

4.3.3 *Politics at work: the Mexico City of Camacho Solís*

In Mexico City, Camacho Solís adopted a careful, slow-paced policy towards informal street vending experimenting with isolated relocation projects in targeted areas,⁴³ even as the size of informal street vending continued to grow. These projects were administered by the delegations⁴⁴ (boroughs) rather than the central city government. They were different from past administrations' attempts to control informal street vending in one important aspect. Rather than building government-owned markets whose stalls would be leased to informal street vendors at a subsidized rate, the city government resorted to the construction of 'stalls in condominium'—permanent stalls sold to informal street vendors whose maintenance costs were the responsibility of the street vendor associations (Monge, 1992d; Cross, 1998).

These projects required extensive negotiation between the street vendor associations and the delegations, backed up by the threat of the use of police force against street vendors in

⁴¹ A *camarilla* or clique is a political interest group, in this case, within a political party—a partnership between individuals or groups of individuals, united by a common interest, who promote the interests of those who are part of the group, while at the same time frequently preventing or impeding the interests of those outside that group.

⁴² On December 3, 1988, Luis Donaldo Colosio was appointed chairman of the PRI's National Executive Committee by President Salinas, in a political move to gain more control over and support from his party. Colosio was eventually selected by President Salinas as his successor, but was assassinated in March 1994.

⁴³ Two such areas were the Basílica de Guadalupe and La Merced. The *basílica*, a cathedral to the Virgin of Guadalupe, which attracts thousands of visitors and pilgrims a day, had become surrounded by a large street market of itinerant vendors selling religious items and food. In a section of La Merced, a market zone near the Historical Center, a prosperous street market had re-emerged during the preceding three decades (Cross, 1998).

⁴⁴ A delegation (*delegación*) is a territorial division within the Federal District.

these areas—a policy of stick and carrot—and the promise that new street vending activity would not be allowed in the surrounding streets. Moreover, city officials insisted that any informal street vendors who were not already organized should become members of an association, and be affiliated with the PRI (Monge, 1992a).⁴⁵ At the same time, the street vendor associations were required to collect down payments for the ‘stalls in condominium’ from the vendor members while they were still selling on the street (Cross, 1998).

Cross (1998) argued that from the commercial point of view, this pilot version of the ‘stalls in condominium’ scheme was a complete failure.⁴⁶ Street vendors preferred to lose their stalls’ down payments—which many viewed as a surcharge on street vending—than to pay monthly mortgage payments while their clients went elsewhere. Cross pointed out that the new markets could be seen as a relative success in one sense, however. After acknowledging that the markets with ‘stalls in condominium’ were ‘white elephants’ from a commercial perspective, one city official cited by Cross explained that they gave the city government the ‘moral right’ to keep the surrounding streets free of vendors, even though the street vendors only moved to the other side of the street (Cross, 1998). In the meantime, the number of informal street vendors increased noticeably in other areas of Mexico City.

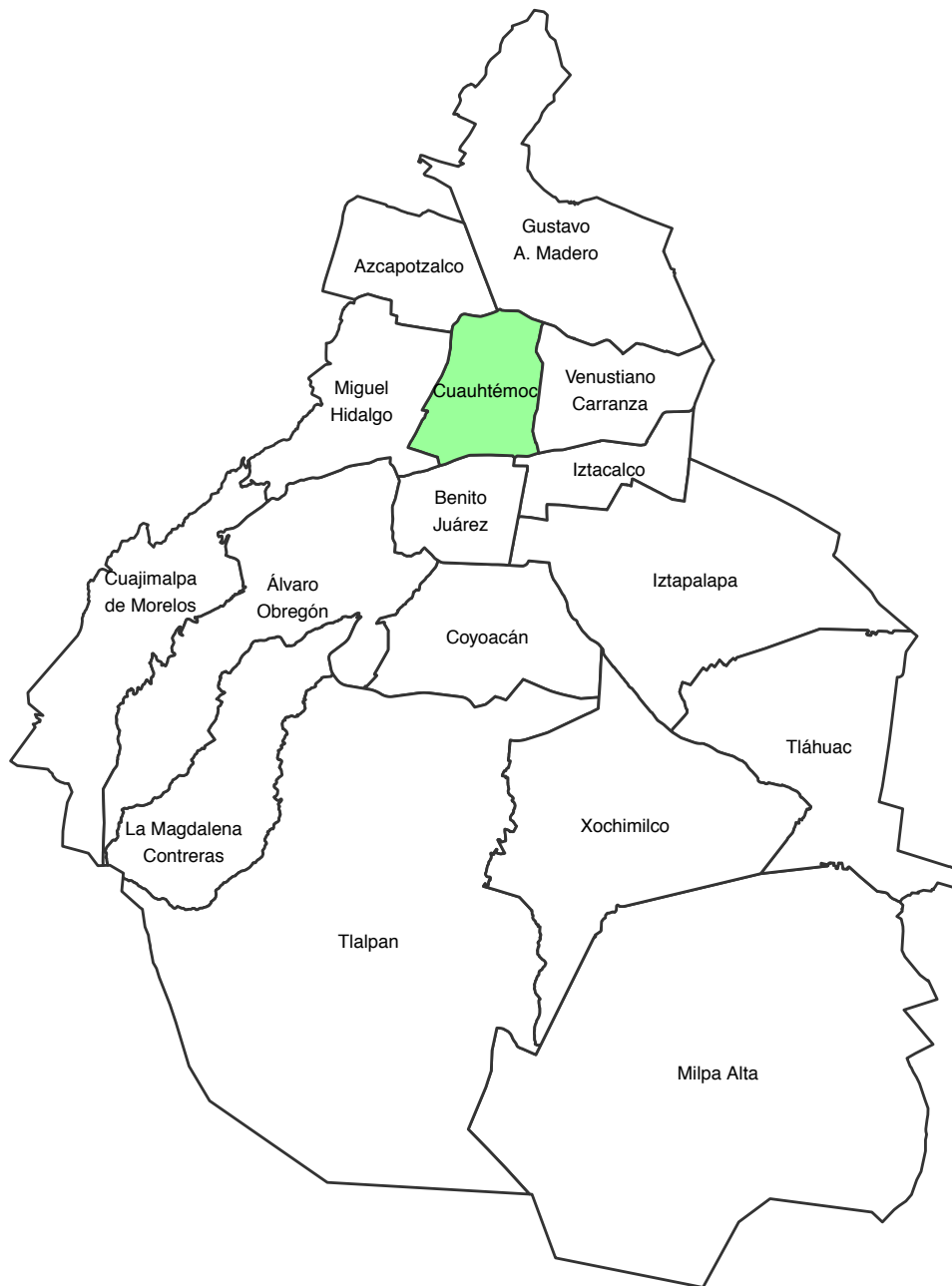
In the Cuauhtémoc Delegation⁴⁷—which includes the Historical Center, Tepito, and most of La Merced neighborhood—there was little success in getting the street vendors out of the streets despite talks with vendor organization leaders and a series of proposals for their relocation into empty plots of land made available after the 1985 earthquake. Conversely, the number of informal street vendors in the area grew significantly following a series of street invasions during the first half of the Camacho Solís administration. With corruption and disorganization within the delegation administration and with more than 60 different street vendor organizations competing for space in the delegation, local planning seemed unfeasible (Cross, 1998). Figure 4.1 shows the 16 delegations of the Federal District.

⁴⁵Unorganized street vendors were taken away from the *Basílica de Guadalupe* area but then followed suggestions from city officials to form an association affiliated with the PRI, after which they were included in the project (Cross, 1998).

⁴⁶According to Cross (1998:191) “although the city constructed a series of concrete stalls in the area of the *Basílica*, only those closest to the *Basílica* were actually occupied; the rest of the vendors left to sell in other areas. In La Merced a 1,100-stall market called *San Ciprian*, finished in 1990, was never more than 30 percent occupied.” Other sources said the *San Ciprian* market remained empty at least during the two following years after it was handed in to the vendors (Monge, 1992c).

⁴⁷The Cuauhtémoc Delegation includes the so called Historical Center (*Centro Histórico*) of Mexico City, which has the largest proportion of economic activity of the Federal District. It also has the highest rate of museums, libraries, theatres, and cinemas per square meter in the country.

Figure 4.1.: The 16 delegations that form the Federal District. (The Cuauhtémoc Delegation is shown in dark)



Source: Instituto Nacional de Estadística, Geografía e Informática, 2009.

Yet, the position of Camacho Solís and other high-level city officials towards street vending was far from hostile. What is more, when in January 1990 a group of formal small merchants and shop-keepers in the Cuauhtémoc Delegation obtained a ruling from the Supreme Court

of Justice that prohibited informal street vendors from setting up in front of their shops, Camacho Solís condemned the attitude of the formal merchants as “bordering on fascism” (Monge, 1990a:66; Cross, 1998:192) and asked for respect for the right of informal street vendors to make a living and provide for their own survival (Monge, 1990a; Cross, 1998).

Similarly, the director of the Cuauhtémoc Delegation,⁴⁸ Ignacio Vazquez Torres, spoke in favor of street vending in a report to the ARDF, criticizing those who “with a baroque vision, feel that the Historical Center should be a reflection of the greatness of our ancestors, but not a mirror of the social reality that we live in” (DDF-Delegación Cuauhtémoc, 1990; Cross, 1998:192), and commended informal street vending as a “reliever of social tension, an alternative employment that closes the door to poverty and opens the possibility of new economic perspectives that come to better the quality of life” (DDF-Delegación Cuauhtémoc, 1990; Cross, 1998:192).⁴⁹

At the national level, it was unclear whether the political system was ready to tackle the problem of informal street vending. In 1989 Congress passed a new tax code authorizing the city treasury to collect a very small fee from informal street vendors pending the passage of new regulations (Monge, 1989b; Cross, 1998). The ARDF spent all of its first session—from 1988 to 1991—writing a new set of regulations to replace the outdated market regulation of 1951—the only existing regulation that attempted to regulate street vending (Monge, 1989b, 1992a; Monge and Ortega Pizarro, 1990). Even though the city government tried to incorporate a prohibition on street vending in the Historical Center in the new regulations, the attempt was obstructed by the PRD with the support of some of PRI’s representatives (Monge and Ortega Pizarro, 1990). However, the chairman of the Commerce Commission at the ARDF—having worked two years on the new market regulation—pointed to it as one of the finest achievements of the ARDF’s first session, and envisaged it would be passed as soon as the second session of the ARDF convened after the midterm elections of 1991 (Cross, 1998).⁵⁰

⁴⁸The terms ‘delegation directors’ or ‘delegates’ (*delegados*) refer to the directors of the 16 delegations of Mexico City. Until 2000, they were appointed by the mayor or the head of government of Mexico City. From 2000, the delegation directors (or delegates) were elected by popular vote and their official title was changed to head of delegation (*jefe delegacional*).

⁴⁹Street vending was a frequent target of criticism because the middle and upper class city residents pushed for public spaces that projected their ideals of modernity and efficiency. For them street vendors were an obstruction and a hideosity. Formal established merchants also opposed street vendors, since they represented a source of unwelcome competition. Moreover, it was an obstruction to renovation projects in the Historical Center. However, street vending was also viewed as an alternative form of employment for many poor people in Mexico City who could not get a formal job (Monge, 1990a; Gordon, 1997b).

⁵⁰As part of the effort to understand and find a solution to the problem of street vending, the ARDF organized an open meeting in 1990 to talk about street vending. It was intended to give every group involved the opportunity to present their viewpoint and find a solution by common consent. Several street vendor groups linked to opposition parties and formal established merchants participated, but the majority of PRI-affiliated groups and supporters

In the meantime, the power of street vendor leaders seemed untouched when about 10,000 street vendors marched to the ARDF building in April 1990 to demand more permits to carry out their activity in the Historical Center area (Baca, 1990).

Manuel Camacho Solís (2010) explained that there were broadly three different points of view about how to proceed with street vendors at the time: leave things as they were; use the police force to take out the vendors; or use a different approach, which consisted on negotiation and the construction of new markets where the vendors would be owners and not lessees of their stalls.

When I asked Camacho Solís why he did not carry out the aforementioned program in the first part of his mandate, he said that the conditions to do it were not met until later. He wanted to find a solution, not repress informal street vendors without a solution (Camacho Solís, 2010). Indeed, Camacho Solís could not overlook the fact that street vendors were part of a small number of groups over which the PRI still had strong political power. He had to work hard to maintain a balance between opposing constituencies—e.g. the opposite interests of the middle and upper classes with the lower class; or the formal established merchants and the street vendors—while waiting for the political capital to be electorally safe, after the mid-term elections of 1991

4.3.4 *The midterm elections of 1991*

The midterm elections of August 1991 changed the state of affairs completely. The left-wing opposition parties, which had been united around the presidential candidacy of Cuauhtémoc Cárdenas in 1988, were now in total disarray. They only offered an unconstructive and badly coordinated campaign attacking the NAFTA negotiations and its potential effects. On the right-wing, the PAN's platform had been practically taken over by President Salinas's neoliberal program. Simultaneously, public service messages appeared on television channels and radio stations numerous times a day, praising the virtues of NAFTA and the Solidaridad program, always presenting a positive image of the Salinas administration (Cross, 1998).

The economic policies implemented by the Salinas administration of lowering tariffs and overvaluing the Mexican peso resulted in imports becoming considerably cheaper, stimulating a growth in the standard of living for the Mexican middle class at the expense of an increasing

outnumbered them. Ultimately the discussion was not very productive, having as a final outcome a report with no solutions and ambiguous pledges of endeavors in the future (Gordon, 1997b).

trade deficit that was barely compensated by growing foreign investment in anticipation of joining NAFTA. As a result of all this, the PRI swept to victory in the 1991 midterm elections, winning back almost all the losses it had suffered in 1988 (Cross, 1998). Given the power of Salinas, as leader of the PRI, to choose many of the candidates running for office, most of the newly elected officials were far more likely to be loyal to the president and his policies than before. In this way, President Salinas capitalized on party support and legitimacy after the 1991 elections and the implementation of economic policies.

The consequences of the 1991 election results on informal street vending were promptly reflected in the change of administrative personnel following the election and its drastic shift of rhetoric. The ARDF scheduled a discussion of the new regulations without delay; the new body of representatives—now almost completely dominated by the PRI—unexpectedly began attacking informal street vending, using the Supreme Court ruling of the previous year to claim that these activities could not be regulated; the director of the Cuauhtémoc Delegation, who had spoken in favor of street vending, was transferred to another position (Cross, 1998). The mayor himself, Manuel Camacho Solís, began discussing a new agreement he wanted the street vendor leaders to sign, which called for informal vendors to move into closed markets and off the streets (Monge, 1992c). Moreover, confidential plans were put down for a major operation to clear the Metro—the city’s metropolitan underground—of informal vendors who had blocked many of its entrances and passageways with their stalls and products; and newspapers were filled with stories about the problems caused by informal street vendors (Cabildo and Monge, 1989; Monge, 1989a, 1990b; Cross, 1998).

Moreover, in opposition to the presence of informal street vendors, several associations of small, formally established merchants were created to press for the removal of informal street vendors in the Historical Center area and citywide.⁵¹ The most assertive was Procéntrico, a group formed by Guillermo Gazal Jaffé—a Mexican of Lebanese origin—to press for the eradication of street vending in Mexico City’s center. Initially ignored by city authorities and disdained by the official National Chamber of Commerce (CANACO), Procéntrico was very successful in getting national attention for its cause and was also instrumental in exhorting

⁵¹Mexico City’s Historical Center has a special meaning for Mexicans. It was the center of power of the former Aztec empire and is currently the official seat of the Federal Mexican government as well as the Mexico City government. An area where colonial and early independence architecture predominates, it is also the traditional commercial hub of the city—even though the modern commercial center has moved to areas such as Polanco, La Zona Rosa, El Pedregal, Santa Fe, and the Benito Juárez Delegation. Together with numerous small, formally established stores and boutiques, the streets of the Historical Center are also shared by more than 10,000 informal street vendors, who are blamed by the formal small businesses for stealing or scaring away their customers (Cross, 1998; Ortega Lomelín, 2010).

the city government to bring about the Historical Center reordering project (Cross, 1998). By this time, informal street vendors had occupied more than 32,000 square meters in the Historical Center, enough to form a line of stalls about 20 miles long (Cross, 1998).⁵²

Thus, during the second half of 1991, a combination of events and pressures from different stakeholders started to change the balance of power against street vendors. First, the clear victory of the PRI over the opposition in the 1991 mid-term congressional elections reduced the pressure on the PRI to court the backing of the underprivileged. Additionally, it seemed that the economic situation had finally started to recover. Throughout the 1980s, street vendors often portrayed themselves as victims of the economic crisis, but the economic upturn weakened this argument in the eyes of the public opinion (Cross, 1998; Ortega Lomelín, 2010). Moreover, street vendor groups did not advance their cause when they participated in brutal territorial pitched battles against rival organizations. With a large number of street vendors on the streets, competition increased to new levels, as did the financial stakes of the street vendor organizations (Cross, 1998; Silva Londoño, 2010).⁵³ The media described violent clashes among rival street vendor groups, and between street vendors and government inspectors, so public sympathy for street vendors continued to decrease (Cabildo and Monge, 1989; Gordon, 1997b; Cross, 1998; Barrios, 2010).

In the meantime, the street vendor leaders—among them Guillermina Rico, Alejandra Barrios and Benita Chavarría (Monge, 1992a, 1997d), whose indefatigable support for the PRI's candidates had contributed to and been partially responsible for the party's victory in the elections—were taken by surprise and went on the defensive. Most street vendor leaders went along with the negotiations, but it was clear that they were not quite sure why the government had changed its approach all of a sudden.

The most important change was not made public. Mexico City's Secretariat of Government⁵⁴ unexpectedly took the control of negotiations with street vendor leaders away from

⁵²According to Mexico City's Secretariat of Government, in early 1992 there were more than 100,000 street vendors in Mexico City, distributed as follows: 46,000 in the Cuauhtémoc Delegation; 35,000 in the Gustavo A. Madero Delegation; 8,500 in the Venustiano Carranza Delegation. The remaining were located mainly in the Miguel Hidalgo, Benito Juárez, Coyoacán, Iztacalco and Xochimilco Delegations (Monge, 1992a).

⁵³Street vendor leaders charged their vendor members considerable registration fees, plus weekly or monthly fees and 'contribution' or 'cooperation' fees for special occasions or other purposes. The proceeds of the organizations with large memberships were considerable, and therefore leaders fought to increase their areas of action, and therefore the number of association's members.

⁵⁴During the first half of the Camacho Solís city administration, Mexico City's secretary of government was Manuel Aguilera Gomez. He was replaced in 1991 by Jesus Martínez Alvarez who was in charge from 1991 to 1992 and carried out the negotiations with the informal vendor leaders and the Metro operation (Monge, 1992a, 1992c). Following health problems, Martínez Alvarez was substituted by Marcelo Ebrard who was in office from 1992 to 1993 (Camacho Solís, 2010). According to Camacho Solís (2010), Marcelo Ebrard was in control of

the Cuauhtémoc Delegation and planned and carried out a massive police operation against informal vending in the Metro (Monge, 1992a, 1992b). Thus, the Mexico City's central government had gone past its supervision function and became directly involved in policy implementation. Later, it became clear that these changes had originated at the highest possible level of government—the office of the president of Mexico (Monge, 1992a; Cross, 1998).

4.3.5 *The Metro operation: outcomes and implications*

Informal vending in the Metro system in Mexico City has been a feature since it opened in 1969 but had become far more widespread during the 1980s—mostly as a result of the economic crisis. Informal vendors often blocked passageways and intermittently set up rudimentary stalls or blankets where they exhibited their products on the platforms and corridors (Monge, 1989a, 1990b, 1992a, 1992b).⁵⁵ As a result of the shift in policy towards informal street vending in the capital, the city government thought it necessary to take concrete action against informal vendors located in the Metro as well.

According to Cross (1998) the city government found 4,275 vendors in 118 Metro stations when it carried out a census of all the stations.⁵⁶ The census was not able to account for about around 1,000 'itinerant vendors' who sold on the Metro trains by walking from car to car selling small products from portable bags—the so called *vagoneros* or 'train car vendors'.⁵⁷ City officials also gathered information on informal vendors they identified as leaders in the Metro stations, who performed many of the same chores as those on the streets—collecting fees, controlling access and admission, and arranging for payments to city officials (Monge, 1990b). Police compiled records on each leader so the city government could show, as one official said, that they “were groups of gangsters—that’s why we were not going to deal with

the reordering and formalization program and controlled the timing and strategy of the whole process. “He cared about those policies and implemented the program” (Camacho Solís, 2010). However, according to Monge (1992d), on July 1 1992, Camacho Solís freed Ebrard from his responsibilities for informal street vending and asked Roberto Albores Guillen to lead the Program for the Improvement of Popular Commerce (Monge, 1992d). Albores Guillen remained in office until 1994. He had previously been director of the Venustiano Carranza Delegation (1989–1992).

⁵⁵Although the Metro had its own security staff and occasionally took action against vendors, it attempted to avoid direct confrontation and was generally ineffective. During the period leading up to the police operation, however, the Metro significantly stepped up its own actions. Officials later suggested this move may have been due to a desire to avoid the need for a major operation that would involve subordinating the Metro to the central city administration (Monge, 1990b; Cross, 1998).

⁵⁶Other sources calculated there were more than 6,000 vendors (Monge, 1992b).

⁵⁷This type of itinerant vendor (called *vagonero* or 'train car vendor') usually sells small-size products and carries them inside a portable bag, and thus does not require a stall or surface to display them. This gives them greater mobility, which they use to evade the police and authorities.

them” (Cross, 1998:195). Moreover, Mexico City’s Secretary of Government, Jesús Martínez Álvarez, had warned: “We will not allow [informal] vendors to continue operating inside the Metro” (Monge, 1992a, 1992b:172)

The planning for such actions began in secret, shortly after the 1991 midterm elections.⁵⁸ Originally, the Metro operation was planned to take place after street vendor leaders in the Historical Center had signed the agreement to reorder vending (the so-called Agreement for the Reordering of Commerce in the Thoroughfare⁵⁹), which included a clause banning informal vending in the Metro. But while the street vendor leaders prolonged negotiations by arguing among themselves, a better opportunity for intervention occurred in February 1992 when a Metro passenger was shot by an informal vendor after an altercation (Monge, 1992a, 1992d; Cross, 1998).⁶⁰ Without delay, the city government used the opportunity and launched its operation as if it were a response to this particular act of violence. This incident was used to provoke reactions and set the press and public in general against the informal vendors in the Metro by using the shooting to demonstrate the dangers they represented, describing them as having “an aura of criminality” (Cross, 1998:196).⁶¹

The morning after the homicide, 500 riot police were assigned to guard 15 of the most vendor-crowded Metro stations, giving the impression that the city government was responding rapidly to a public threat, but in reality it was executing a carefully planned strategy (Cross, 1998). Over the following two months the police operation moved through the Metro system, inundating each station with a heavy riot police presence for a two-week period and then leaving a small contingent of police behind to prevent informal vendors from re-occupying the Metro premises (Cross, 1998).

In the short term, the Metro operation was highly successful, earning praise from the press and giving city officials the assurance they could get public support, but this course of action

⁵⁸John Cross (1998) argues that he first heard rumors about such plans from ARDF staff members in October 1991.

⁵⁹The Agreement for the Reordering of Commerce in the Thoroughfare or *Convenio de Reordenación del Comercio en la Vía Pública*.

⁶⁰On February 14, 1992, a street vendor operating inside Indios Verdes Metro station shot dead a passenger who had accidentally trodden on his products. Immediately, Camacho Solís capitalized on the indignation this action provoked among the general public to remove numerous informal vendors from the Metro (Monge, 1992a, 1992b; Cross, 1998).

⁶¹In November 1991 the Metro had begun a safety awareness campaign featuring billboards that, among other safety messages, always included a request for users to avoid patronizing vendors—who were thus labeled continuously as the primary safety hazard in the Metro. Some of the vendors defended themselves by pointing out that many acts of violence and even killings in the Metro installations had nothing to do with vendors, but one episode that did was hypocritically used against them. This defense was completely ignored in the press, which unanimously endorsed the operation.

required not only a costly police force but also constant surveillance. Informal vendors who sold on the Metro trains (*vagoneros*) instead of the stations were only partly affected since it was fairly easy for them to evade the vigilance and sell surreptitiously. In fact, this type of vendor might actually have been better off, since there was less competition and therefore their earnings increased.⁶² The fact that this outcome was a possibility was in itself a sign of the weaknesses of the program, and a foretaste of what would come the following years as more and more informal vendors began returning to the trains (Cross, 1998).

Within the stations—and in contrast to the tactics used by the *vagoneros* (train car vendors)—the informal vendors set up on the floor, which made it easier for the police to handle them, usually forcing them outside the Metro station and far from the station entrance. However, the displaced vendors adopted a strategy of setting up closer and closer to the station entrances until they began occupying the Metro station once more (Cross, 1998). In the early stages of the operation, this infringement often led to a new raid by the riot police. However, after some time, some politicians and newspapers began once again to denounce the presence of informal vendors in the entrances of several Metro stations (La Prensa, 1994a, 1994b; Cross, 1998).⁶³

As mentioned before, two of the factors that made it easy to act against the informal vendors operating in the Metro were the public support and the window of opportunity that resulted from the shooting of the Metro passenger in February 1992. Another important factor was the lack of formal organization of the informal vendors operating in the Metro. Even though most Metro lines and stations were controlled by specific groups of vendors, none of their organizations was recognized by government or party officials,⁶⁴ which undermined the internal organization of the Metro's informal vendors and made it easier for the city government to portray them as thieves or criminals (Cross, 1998). Nonetheless, the long-term success of the operation was still uncertain, since informal vendors kept on returning to the Metro stations every time the heavy police enforcement gave way (Cross, 1998).

Regardless of its success or failure, the Metro operation accomplished four fundamental tasks for the city authorities. First, it demonstrated to informal vendor leaders that the city

⁶²After the Metro operation, only about one-third (36 percent) of this type of vendors were left, but those that remained saw an increase in their earnings and they prevented new vendors from coming in, "Because it isn't fair that we suffered and now that it is easy, everyone wants to come in" (Cross, 1998:196).

⁶³This was not the first time such an operation had been attempted. According to Cross (1998), in January 1989 riot police had removed informal vendors from all but three stations, but they soon returned (Excelsior, 1989a, 1989b). Most vendors assumed this operation would be just temporary, not recognizing the real goals of the city administration.

⁶⁴Cross (1998) affirms that some of these groups were later recognized, on condition that they accepted areas outside the Metro facilities, which they did.

government was prepared and ready to use force if necessary to carry out its policies. Second, by associating the operation with a specific criminal act committed by an informal vendor, the city government was able to present informal (street) vending to society as a legitimate public security concern and thus justify the Metro operation on those grounds, and not as an administrative government decision that damaged the livelihood of many informal vendors, which might have been far more difficult to justify (Cross, 1998). Third, as a public security matter, the Metro operation generated mounting public support for anti-vendor policies, which helped the city government to validate its even more difficult task of relocating vendors in the Historical Center, where informal street vendors were strongly and thoroughly organized and had strong political connections. Fourth, it reassured city authorities that the Historical Center project was politically viable (Cross, 1998).

4.3.6 *The Program for the Improvement of Popular Commerce (PMCP)*

After six months of compulsory negotiations, but barely two weeks after the Metro operation, street vendor leaders signed—on February 28, 1992—an ambiguously worded agreement with the mayor, Camacho Solís, to reorder street vending in the Historical Center. The project came to be known as the Program for the Improvement of Popular Commerce (Programa de Mejoramiento del Comercio Popular, PMCP) (Monge, 1992c, 1992d).⁶⁵ As the term ‘reordering’ (*reordenamiento*) was intentionally left undefined, street vendor leaders proposed to the authorities that they be permitted to set up neat but permanent stalls on the streets. The city government had other plans, though did not make them public at the beginning. Later, it was evident that the city government had planned to build new markets for the informal vendors—in empty buildings and lots within the Historical Center—denominated ‘commercial plazas’ (*plazas comerciales*) to distinguish them from the previous public markets (Cross, 1998).⁶⁶

Camacho Solís explained to me the most beneficial features of the program and its implementation as follows:

First, we presented the program [PMCP] as something positive, because it was something positive; it was not a program to order the city, but rather a program

⁶⁵Also known as the ‘Plaza Construction Program’ or the ‘Program for the Improvement of Street Vending’.

⁶⁶Similar plans had been projected, in various versions, several times during past administrations. After the earthquake of September 1985, the destruction and abandonment of several buildings in the Historical Center had led to a series of studies about land use in the city center area, centering on the relocation of street vendors. The big difference was that now the stalls were going to be sold directly to the street vendors instead of owned by the city government (Monge, 1992c; Cross, 1996).

to improve popular commerce; it was not against the street vendors, but in their favor. Second, we tried to find spaces, sites where they could really go and not only get them out of the street but give them an opportunity; it was about designing a program with new markets similar to those of the time of Uruchurtu, and giving street vendors the opportunity to be able to afford the proposal. At the same time, there was a huge effort in negotiating the very complex logistical operation with the street vendor organizations while agreeing with the political bases, and remaining determined to put up a fight to make all of this work, and not end up with the street vendors remaining on the street. It was an exceptionally complicated logistical operation, and required much care, not only to organize and to negotiate politically, but also to prevent someone from winning your game... We had a D-Day on which 10,000 vendors were going to leave the Historical Center, and we moved that day to an earlier one, just because we knew that there was going to be a provocation [to hurt the city government's image because Camacho Solís was one of the competitors for the PRI's presidential ticket at the national level]. Then we brought the D-Day forward, and it worked out very well, it was flawless, there was no protest and people went to their new sites. (Camacho Solís, 2010)

Mayor Camacho Solís wanted to transfer vendors from the streets to indoor commercial plazas, as Uruchurtu had attempted 40 years earlier. Thus, during 1993 and 1994, the city government set out to build around 30 commercial plazas with room for about 10,000 vendors (Gordon, 1997a, 1997b; Cross, 1998, 2005).⁶⁷

These new commercial plazas were different from the classical public markets of the 1950s and 1960s in many ways.⁶⁸ In the first place, the construction of the commercial plazas was paid by the vendors themselves. In the past, it was the government who had paid for the construction of public markets and was nominally their legal owner. Vendors only leased the market spaces at a minimal cost. However, under the new program to improve popular commerce, vendors were converted into some kind of 'condominium' owners of their stalls,

⁶⁷Figures vary regarding the number of markets built: Cross (1998) says the city government built only 24 out of 30 planned commercial plazas. Cross (2005) says there was a plan for 27 commercial plazas. Gordon (1997a) says the city government built 28 commercial plazas between 1993 and 1994.

⁶⁸Gordon (1997b) argues that, although inside the city administration the commercial plazas were still categorized as markets and wholesale food distribution (*abasto*) centers, they were not intended to house street vendors to supply basic provisions to the population of Mexico City, but instead to accomplish the more specific and immediate goal of removing the vendors from the streets.

with the help of the city government, which provided access to credit at a subsidized rate (Monge, 1992d).

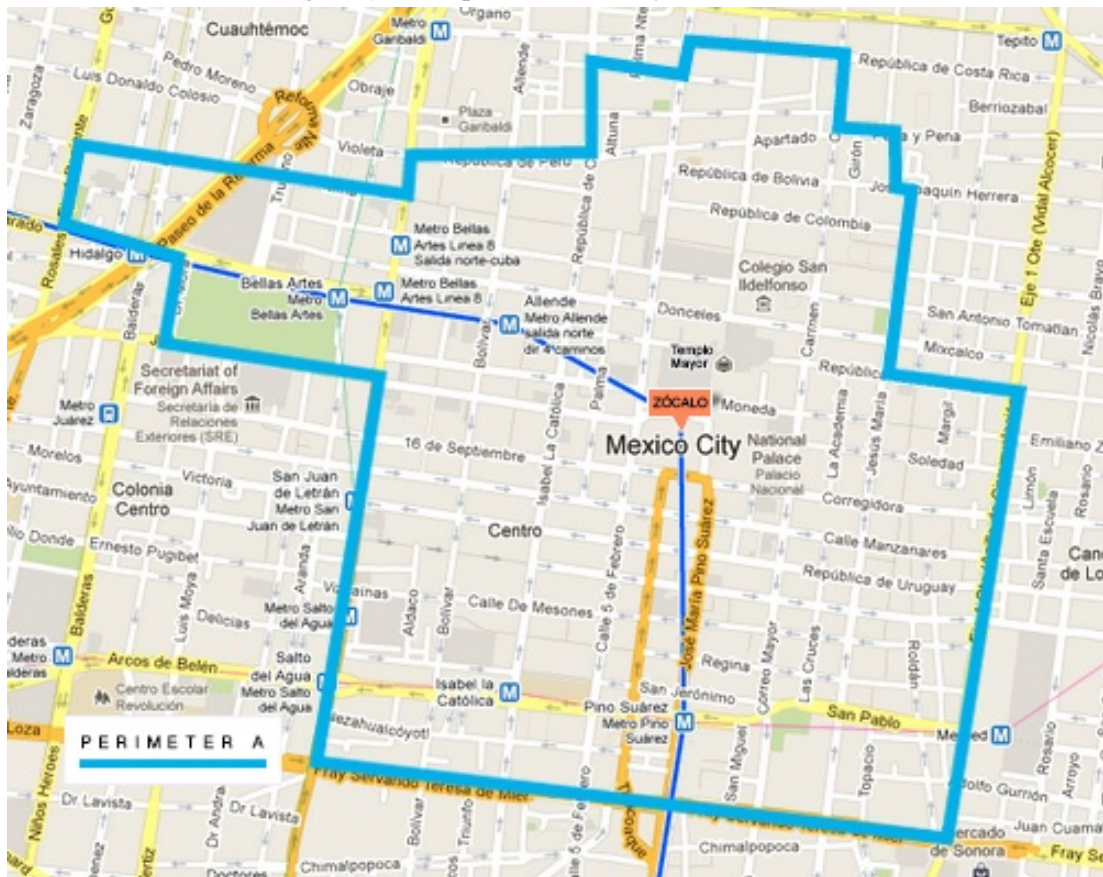
City officials at the delegation level, acting with care to avoid open conflict with the street vendor leaders, struggled with a number of proposals for relocation that would be acceptable and suitable to the street vendors. As one high official stated: “Our biggest fear is arriving at confrontations. There is a presidential mandate that we have to fulfill, but we don’t have the means yet” (Cross, 1998:199).

To obtain the agreement of the vendor leaders to move to the new commercial plazas,⁶⁹ Camacho Solís promised that he would not let competing street vendor groups take over the streets that the new commercial plaza beneficiaries had emptied. To help in this endeavor, the ARDF enacted a decree (*bando*) in 1993,⁷⁰ which banned street vending in the central perimeter of the Historical Center—known as Perimeter A (Figure 4.2) (ARDF, 1993; Monge, 1993a; Gordon, 1997b). This regulation, just like previous ones, gave the city government greater freedom of enforcement and implementation.

⁶⁹Once the commercial plazas were built and handed over to the vendor organizations, they added to the prestige of the vendor leaders and gave them an ‘official’ base of operations and an extra incentive to offer to prospective members of their associations.

⁷⁰The Decree for the Ordering and Regulation of Commerce in the Thoroughfare of Mexico City’s Historical Center (Bando para la Ordenación y Regulación del Comercio en Vía Pública del Centro Histórico de la Ciudad de México), passed by the ARDF on July 12, 1993 (ARDF, 1993).

Figure 4.2.: Map of Mexico City's Perimeter A



Source: Author.

One of the city officials involved in the project, Hector Luna de la Vega—at the time sub-secretary of government of Mexico City—anticipated that the planning phase of the project alone would last for about ten months, until October 1992 (Monge, 1992a; Cross, 1998). Only after this phase was over would the construction of commercial plazas begin. Meanwhile, the delegations⁷¹ carried out a cycle of censuses of informal vendors in the area. Identification cards were going to be provided to each street vendor in the Historical Center so that only those vendors with cards would be accepted in the commercial plazas. In the meantime, a single list of informal vendors operating throughout the whole city would be created. In order to promote transparency and prevent corruption, this list could not be individually modified

⁷¹The first stage of the program dealt mainly with the street vendors of the Cuauhtémoc and Venustiano Caranza Delegations where the Historical Center and La Merced are located, respectively (Monge, 1992a).

either by the Secretariat of Government or by the delegations; changes would have to be made jointly (Monge, 1992d; Cross, 1998).⁷²

4.3.7 *The problems and setbacks of program implementation*

Nothing went as planned.⁷³ Some street vendor organizations started to expand their areas of influence and increase the number of members in order to guarantee a larger number of spaces inside the commercial plazas and/or a stronger negotiating position with the city government. Sometimes leaders of organizations benefitted from the new project by charging vendor members elevated fees in order to secure them a spot in the commercial plazas. According to Cross (1998), one vendor leader charged MX\$3 million (US\$900 in 1992⁷⁴) for her members to be allowed to sell in an area in which a commercial plaza was going to be constructed on the understanding that this would allow vendors to buy stalls in the commercial plaza later. The same leader charged a MX\$5 million (US\$1,500 in 1992) down payment for each stall when the commercial plaza was ready. And if vendors wanted to be given a good space in the commercial plaza, they had to pay even more money. Other vendors paid the government directly less than MX\$2 million (less than US\$600 in 1992) for a place on the same commercial plaza (Cross, 1998).

The confusion was exacerbated when officials determined that each vendor organization had to create a special fund to pay for the down payment of their commercial plaza project, but the informal vendors did not get any kind of credit for that payment. They were still required to make additional individual payments to the city government after paying into funds allegedly maintained by their vendor associations for the same purpose (Cross, 1998). The lack of organization among different government offices participating in the project and the poor decision to discuss the different plans and proposals of its implementation publicly added to

⁷²The idea behind these measures was to eliminate corruption in the Market Offices. In the past, the Market Office director had been the only person who could decide which street vendors would be tolerated and which would not. As one official said, “Before, the director [of the Market Office] was the king. He gave permits, took them away, everything. Everything was right there” (Cross, 1998:200). The opportunity for corruption and favoritism was enormous, and city officials noted that the new program was running into severe difficulties, because some people did not want the system to change (Cross, 1998).

⁷³No credentials were ever distributed, and the single list was never put together. In practice, the number of informal vendors in the area continued to grow, and interagency rivalry spoiled and damaged the original plans (Cross, 1998).

⁷⁴In those years, there was a change of currency in Mexico. The ‘old peso’ was valid until December 31, 1992. From January 1, 1993, the ‘new’ peso started to circulate. The currency looked the same as the old one, with the exception that three zeros were erased and the name read ‘new pesos’. The name ‘new peso’ remained until the last day of 1995. After that, the currency was called ‘peso’ again.

the confusion, which generated opportunities for misinterpretation, abuse, negligence, and corruption.

Many of these problems had a financial origin. On one hand, vendors were required to pay for their own stalls, although city officials were not sure vendors would in fact occupy the stalls, as they had to make considerable monthly payments on them. On the other, the city government had no budget to build the commercial plazas (Camacho Solís, 2010). Consequently, loans had to be arranged from financial institutions willing to take the potential risk of many vendors defaulting. Moreover, most informal vendors did not have collateral with which to secure the loans, except for the value of their stalls. Therefore, one of the main obstacles that held back the program to build commercial plazas was the failure to find a commercial bank willing to finance the building costs (Cross, 1998).

4.3.8 *Procéntrico's reaction: small formal merchants versus informal street vendors*

The lack of action and results in tackling informal street vending drained the patience of the small formal merchants in the area. Finally, Guillermo Gazal Jafif—the leader of Procéntrico and one of the most vocal and insistent campaigners against informal street vending in Mexico City—took a drastic stance, which led him into direct confrontation with street vendor organizations, the National Chamber of Commerce (CANACO), and the city government (Monge, 1990a, 1992d; Cross, 1998).

Since January 1989, Gazal Jafif had criticized city authorities for letting informal street vendors in Mexico City center take about MX\$10,000 million (US\$4.5 million in 1989) in sales from small formal stores, claiming that when the city government granted 9,000 selling permits for the Christmas season, the vendor leaders used them to justify 70,000 informal vendors (Monge, 1990a; Cross, 1998). In January 1990, after obtaining a Supreme Court of Justice ruling against street vending, Gazal Jafif threatened that members of Procéntrico would organize massive store closings among the 121,256 organized formal businesses in the capital (Monge, 1990a), and tax payment strikes to insist on the enforcement of the ruling. This led Camacho Solís to accuse him of “bordering on fascism” (La Jornada, 1990; Monge, 1990a:66; Cross, 1998:192). Again, in late August and early September 1991, Gazal Jafif was in the spotlight, urging city authorities to take vendors off the streets immediately (Cross, 1998).

Notwithstanding his activism during this time, Guillermo Gazal Jafif was basically ignored by the city authorities, which chose to negotiate with the less belligerent National Chamber

of Commerce (CANACO). However, in June 1992, arguing that three months had passed since the agreement between the city government and informal vendors had been signed, and there were no visible results, Gazal Jafif threatened to start a succession of strikes among the small formal merchants of the area. When he was again ignored, he carried on with his threat by summoning a ‘rolling strike’ in which a few blocks of stores and shops would close between 10 a.m. and 12 p.m. each day (Monge, 1992d; Cross, 1998).⁷⁵ To attract the attention of the media, Gazal Jafif went in person to check the progress of the strikes, starting each inspection with a generous breakfast for the media representatives to make sure they followed him. On one of those occasions, when some street vendors recognized him, he was encircled by a group of about 30 vendors who shouted insults at him until he managed to escape (Cross, 1998).

One week later, on June 9, 1992, followed by the cameras and reporters of the most important television news program of that time, 24 *Horas con Jacobo Zabłudovsky*, Gazal Jafif went to check the development of a previously announced strike on a street occupied by street vendors associated with Alejandra Barrios, one of the most important vendor leaders with more than 800 street vendors in the area (Cross, 1998). When Gazal Jafif arrived, the street had already been cleared of street vendors. Later, Alejandra Barrios explained she had removed them for the day to avoid any confrontation (Barrios, 2010). However, a numerous group of street vendors organized a counter-protest against the leader of Procéntrico. The mob of angry street vendors walked up to where Gazal Jafif was standing, accompanied by the media contingent. For a few moments, angry words were exchanged. Then tomatoes began to fall on Gazal Jafif, staining his clothes in red. After a few moments of confusion, Gazal Jafif and two assistants who were with him began to run. The mob ran after them, throwing more tomatoes at them as they fled. Even though the street vendors could easily have grabbed Gazal Jafif, they made no attempt to do more than throw tomatoes. They threw no stones and nobody hit or punched Gazal Jafif or his assistants. When Gazal Jafif got to the corner of the street and ran around it with his assistants, several of the attackers followed him but they were called back by the others. Gazal Jafif and his assistants got into two cars parked on the street and took off as fast as they could (Monge, 1992d; Cross, 1998). Later, interviewed by a TV channel and with his clothes still stained by tomato, Gazal Jafif claimed that the attack was planned. The incident certainly did not appear to be spontaneous.⁷⁶ Alejandra Barrios

⁷⁵It is not clear to what degree stores actually supported Gazal Jafif, since most were closed at this hour of the day anyway. Street vendor leaders maintained that Gazal Jafif used intimidation tactics to force stores to close and claim nominal membership in his organization. Gazal Jafif himself declared that Procéntrico had a membership in the thousands, an assertion he was unable to prove (Cross, 1998).

⁷⁶Inexplicably, somebody was selling or unloading tomatoes in large numbers in an area in which fresh vegetables were rarely sold (Cross, 1998).

and her aides persistently denied any involvement with organizing the counter-protest or the tomato attack, but facts suggest that it was organized by someone within her association. A more skeptical interpretation was that Gazal Jafif may have organized the protest himself to get attention (Monge, 1992d; Cross, 1998). Street vendors certainly gave the impression that they hated Gazal Jafif, whom they saw as a serious threat to their *modus vivendi* (Cross, 1998).

This incident was certainly welcomed by Gazal Jafif who—in the opinion of many members of the media—had been hoping to incite a response of such impact and dimension. The story was shown by the top evening news program the same day, generating criticism against Gazal Jafif’s attackers and informal street vendors in general. This helped to ‘criminalize’ the informal street vendors located in the Historical Center in the same manner as the Metro shooting had divested the Metro’s informal vendors of any public support (Cross, 1998).⁷⁷

However, unlike the unanimous media support for action to be taken against the Metro vendors, several major newspaper supported the informal street vendors this time, criticizing Gazal Jafif as an opportunist who just wanted to get attention with the purpose of winning a power struggle with the CANACO, among other criticisms (Cross, 1998).

Ultimately Gazal Jafif might have been much more successful than some people acknowledge. After the tomato attack, not only was street vending immediately suspended—with a 24-hour police protection made up of more than 60 riot police—but a week after the incident President Salinas reorganized key positions and responsibilities within the city government (Cross, 1998). City Secretary of Government Jesús Martínez Alvarez, who had ignored Gazal Jafif, was moved from the second most prominent position in the city government to a much less important post, coordinating policy issues with other states in the Mexican federal government (Cross, 1998).⁷⁸ With him went his whole team, including those team members responsible for planning and developing the program for the relocation of street vendors in the Historical Center (Monge, 1992d; Cross, 1998).

The former general secretary of the PRI in the Federal District, young 33-year old Marcelo Ebrard Casaubon,⁷⁹ was appointed as the new secretary of government, suggesting that the mayor Camacho Solís felt a more politically aware secretary was needed. Simultaneously, a

⁷⁷Paradoxically, in an earlier interview with John Cross (1998), Alejandra Barrios had privately supported the Metro operation, but after this event she openly sympathized with the Metro’s informal vendors (Barrios, 2010).

⁷⁸As secretary of government of Mexico City he had been responsible for supervising the 16 delegations and the police, markets and other public services. He was in charge of almost every administrative body of the city (Cross, 1998).

⁷⁹Marcelo Ebrard was general director of government of the Federal District (1989), General Secretary of the PRI in the Federal District (1989–1991), and PRI candidate for the ARDF (1991) before taking office as secretary of government of the Federal District in 1992.

new ‘office’ or ‘agency’ was created by the city government. It was headed by Roberto Albores Guillen, who took over the responsibilities the Secretariat of Government had begun to perform in supervising the building of commercial plazas. The specific mandate of this new office was to coordinate the construction of facilities for the relocation of all street vendors in the Historical Center (Monge, 1992d). The ‘office’ or ‘agency’ created for Albores Guillen was the Program for the Improvement of Popular Commerce (PMCP) (Monge, 1992d). While some sources suggest that the Secretariat of Government became a purely administrative office, with no direct policy implementation responsibilities (Monge, 1992d; Cross, 1998), Camacho Solís (2010) told me that it was Marcelo Ebrard the one who prepared the program and the one who always had the timing, the strategy and the ultimate control of it.

4.3.9 *Procéntrico versus CANACO: small formal merchants versus large formal businesses*

The activism of Gazal Jaffé against informal street vending is better understood in the light of wider policy changes and the dynamics of vested interest. Small formal shop-owners in the area had many common interests with informal street vendors. As informal street market areas developed, so did many of the small formal stores since they served the same clients and consumers. A large number of formal shop-owners were wholesalers who depended on informal street vendors to distribute their products, or themselves used stalls on the street to unfold and expand their trade. Ironically, most of the small formal shop-owners were also ‘semi-informal’ in the sense that they were able to compete with larger formal commercial businesses only because they evaded many of their tax obligations by failing to disclose their full revenues (Cross, 1998). The small formal shop-keepers began to feel themselves crushed and squeezed between informal street vendors on one hand and large formal commercial businesses on the other, as the Salinas administration made clear its intentions to cut down on tax evasion to broaden the tax base and, in doing so, reduce taxes on formal businesses (Cross, 1998).

Thus small formal merchants felt they were at a disadvantage. On one side, the informal street vendors—who could not be taxed efficiently as they were on the street—were strongly represented by their associations. On the other, the large formal commercial businesses were expected to profit from the policy changes since they already paid taxes. At the beginning of his presidency, Salinas had reduced VAT from 15 percent to 10 percent, a measure that considerably favored large formal commercial businesses (Ortega Pizarro, 1991; Cross, 1998).

The motivations behind Gazal Jaff's position towards the CANACO reflected the dissimilar interests of small and large formal (commercial) companies with regard to the tax policies implemented by the Salinas administration. Although all formal commercial companies except public market vendors were legally required to become members of the CANACO, voting within this organization was based on the level of dues and contributions paid, which obviously was higher for bigger companies. As a result, the CANACO had a tendency to represent more the large formal commercial businesses of the modern commercial centers rather than the thousands of small formal stores of the Historical Center (Cross, 1998).⁸⁰ Hence, according to some observers, the actions of Gazal Jaff against informal street vending were in reality part of a broader campaign to damage the reputation of the CANACO and later take it over.⁸¹ This attempt was linked to another policy-related issue that would bring the conflict with the CANACO to a critical point, as detailed below (Cross, 1998).

According to Cross (1998), as part of President Salinas's crusade to reduce tax evasion, the government began to require that all formal stores—even the smallest convenience stores—had to use special 'fiscal cash registers' that would record all sales performed for tax purposes. By making tax evasion harder, this policy undermined the competitive edge of small formal stores relative to the larger formal commercial businesses while simultaneously broadening the difference between the operational costs of small formal stores and those of informal street vendors.

The new government policy made evident the lack of organizational power of the small formal merchants. Street vendors were not included in the policy because they were still technically informal and, in any case, had no stable place of business, and public market vendors, who had stable locations and were legally registered with the city government, were not included either (Cross, 1998). The big difference was that the public market vendors and even some informal street vendors were well organized through associations affiliated with the PRI, while the small formal merchants were only nominally represented by the CANACO (Cross, 1998).

⁸⁰To counteract this tendency, it is said that Gazal Jaff attempted to set up a separate Historical Center CANACO that would be controlled by the small formal stores located there, but legislative approval never materialized. When Gazal Jaff announced later in 1992 that Procentrico's members were breaking away from the CANACO—and accused its directors of corruption—he was sued for defamation (Cross, 1998).

⁸¹As Gazal Jaff argued in an interview, "When have those of the CANACO been with us? The streets that are clear are not clear due to the CANACO. The CANACO and the CONCANACO [Confederation of the National Chambers of Commerce] do not act because they have interests with the government, and they are affiliated with the same government" (Cross, 1998:206).

Thus Procéntrico organized small formal merchants in the presence of wider policy changes that threatened to weaken their economic viability. Its approach towards informal street vending was a successful and efficient way of both mobilizing small formal shop owners and drawing attention to their specific problems. While the city government attempted to ignore Gazal Jafif as much as possible to play down his role as a leader and prevent the organization of small formal shop-owners in the area, city officials were obliged to accelerate their plans principally to undermine his ability to use the issue of informal street vending as an instrument for mobilization (Cross, 1998). Ironically, while Gazal Jafif took every opportunity to criticize the CANACO and other interest groups belonging to large formal commercial businesses, these criticisms were usually ignored or put down by the media, which portrayed him as a leader in the struggle against informal street vending (Cross, 1998).

4.3.10 *Rivalries between government agencies: Secretariat of Government versus delegations*

It was not only discrepancies between informal street vendors and small and large formal merchants and businesses that affected the implementation of the government's policies. Rivalries among government offices or agencies also influenced the way these policies were implemented. The tomato attack provided an excellent excuse to criticize the Secretariat of Government by groups that were in danger of losing authority and influence through the expansion of the Secretariat's powers. Although vested interests were defended by informal vendors as well as the PRI, within the city administration the biggest opposition to government policies came from the delegations, which were gradually losing their power to the Secretariat of Government (Cross, 1998; Ortega Lomelín, 2010).⁸²

In those years, Mexico City's Secretariat of Government was considered the second most important office in the Federal District, responsible for policy management and supervision of all administration and enforcement-related activities in each delegation (Cross, 1998). These responsibilities put the Secretariat in conflict with the delegation directors, who were appointed

⁸²It is worth to remember the organization of the Mexico City government in those days. The Major or *Regente* was appointed by the president of the country. The mayor had under his authority two types of government branches: an administrative one (the different Mexico City's secretariats), and a territorial one (the 16 delegations of Mexico City). The mayor (or the president) would appoint the city government secretaries and the same applied for the delegation directors, depending on the administrative needs and political arrangements. The delegation director would appoint the sub-delegates which were responsible for the daily administration and policy work in each delegation. Thus, conflict appeared when (as a result of a more direct involvement of the city's higher authorities on the policies to tackle informal street vending) sub-delegates were asked to report to the City's secretary of government while in the chain of command they directly depended on the delegation directors.

by the mayor and who in turn appointed sub-delegates and other officials responsible for day-to-day administration (Cross, 1998).⁸³ Tensions appeared when—as a result of a more direct involvement of the city’s higher authorities on the policies to tackle informal street vending—sub-delegates were asked to report to the City’s secretary of government while in the chain of command they directly depended on the delegation directors. Thus, while the Secretariat of Government was responsible for supervising the work of the sub-delegates, they (the sub-delegates) were directly responsible to delegation directors. The result was a very high level of conflict between the delegations (delegation directors) and the Secretariat of Government (Cross, 1998).⁸⁴

The second part of the reorganization of the city administration—which consisted of the creation of a separate agency to coordinate and negotiate the construction of commercial plazas—also supports the speculation of the high level of conflict between the Secretariat of Government and the delegations. By transferring responsibility for implementing the policies related to informal street vending from the Secretariat of Government to the new agency (PMCP), Camacho Solís appeared to be both allowing centralization and keeping the Secretariat from becoming excessively powerful (Cross, 1998).

Nevertheless, the new agency had no administrative powers and in this respect was equal to the General Coordination of Supply and Distribution in the Federal District (COABASTO), which until then was in charge of food supply and markets in Mexico City. In fact, the new agency took over the offices and budget of the COABASTO and in effect became COABASTO itself, taking on all of the COABASTO’s roles and programs along with its role of reordering street

⁸³Until 2000, the delegation directors were appointed by the mayor or the head of government of the city. When Cuauhtémoc Cárdenas, the PRD candidate, won the elections for head of government in 1997, he was responsible for appointing the delegation directors, selecting members of his party, the PRD. In 1998 the law was changed so that the delegation directors could be elected by popular vote. On July 2, 2000, for the first time the people of the city elected their delegation directors (delegados), whose name was changed to heads of delegation (jefes delegacionales).

⁸⁴John Cross states that while officials in the Secretariat of Government denied any tensions with the delegations, they were preparing a budget that included more than 80 new personnel to take over most of the tasks the delegations were supposed to perform. Relations between the Secretariat and the Delegations were certainly tense (Cross, 1998).

vending in the Historical Center⁸⁵ (Cross, 1998). The official name of the agency was the Office of the Program for the Improvement of Popular Commerce (PMCP) (Monge, 1992d).

The creation of the new agency sent signals of the delimitation of the authority of the Secretariat of Government. This was a relief for vendor leaders, who were worried that the power of the Secretariat would be unlimited if it became directly involved in the project, as was the case in its organization of the Metro operation. The Secretariat had been planning a budget that included the expansion of the relocation program for the whole capital city. However, one of the direct results of the creation of the new agency was that, while the Secretariat was exempted from any direct responsibility regarding street vending, the new agency was given the authority to begin the construction of commercial plazas only for street vendors in the Historical Center. The outcome was a much more limited authority with less power for implementation on the part of the new agency commissioned with the elimination of street vending (Cross, 1998).

4.3.11 *New agency, old mistakes: the failure of the PMCP*

On July 1, 1992, Roberto Albores Guillen, until then director of the Venustiano Carranza Delegation, was appointed to head the new agency (PMCP). He brought along a staff of almost 100 people from his previous team at the delegation (Cross, 1998). In his role as director of the Venustiano Carranza Delegation, Albores Guillen was responsible for building the San Ciprian market in La Merced neighborhood (Cabildo and Monge, 1989; Guzman Urbiola, 1990; Monge, 1990b). Even though officials in the neighbouring Cuauhtémoc Delegation had previously described the market as a ‘white elephant’ they wanted to avoid, Albores Guillen was chosen precisely because of his alleged success in dealing with street vending in the area of La Merced, situated in the Venustiano Carranza Delegation (Monge, 1992b; Cross, 1998).

⁸⁵Since there was neither a budget nor office space for the new agency, the COABASTO was basically cannibalized to make room for the new program, called the Program for the Improvement of Popular Commerce (PMCP) (Monge, 1992d). Its entire staff was laid off and replaced by the staff of the new agency, all of whom were brought in with the new director, Roberto Albores Guillen, from his previous post at the Venustiano Carranza Delegation (Monge, 1992d; Cross, 1998). The COABASTO’s programs were almost cancelled altogether, but salvaged at the last minute by being incorporated into the new agency. Thus, the COABASTO (now under the banner of the PMCP) had a new opportunity, although with an entirely new staff, and was now responsible for all forms of street vending and ‘popular commerce’ in Mexico City, but despite its far-reaching responsibilities, COABASTO had been downgraded in importance. While before it had enjoyed the same level as a Secretariat, after the changeover it was ranked on the same administrative level as a delegation (Monge, 1992d; Cross, 1998).

In his new post as head of the PMCP—Cross (1998) refers to it as the ‘new’ COABASTO⁸⁶—Albores Guillen had no autonomous power to carry out any plans. Moreover, he depended on the Cuauhtémoc Delegation to enforce any agreements and cooperate with the program. Because of the constant pressure from Camacho Solís and President Salinas himself, this collaboration was forthcoming. A month after its launch, in August 1992, the new agency announced plans to relocate all 10,300 street vendors in the Historical Center, but it had simply appropriated most of these plans from the Cuauhtémoc Delegation, which had been working on them with the Secretariat of Government for almost a year (Cross, 1998). The speed with which the plans were put together thwarted any effort on the part of the city government to make sure the areas proposed for the commercial plazas had some degree of commercial feasibility and, therefore, a higher probability of success.

Backed by presidential and mayoral authority, the Albores Guillen’s agency was granted permission to negotiate credit guarantees for several millions of dollars to secure financial backing for the project. A special credit institution, the Economic and Social Development Fund of the Federal District (Fondo de Desarrollo Económico y Social del Distrito Federal, FONDEDF), was opened as a subsidiary of the government-owned bank Nacional Financiera, S.A. to manage the financial aspects of the program (Cross, 1998). It contributed 43 percent of the MX\$580 million the project required (approximately US\$175,000,000 at 1994 exchange rates), while most of the rest was made available by the National Bank of Domestic Trade (Banco Nacional de Comercio Interior), another government-owned financial body (Cross, 1998). The fact that the government had to use state-owned credit institutions to finance the project demonstrated the inability of the city administration to get financial backing from private banks because of the evident financial risks of the project. President Salinas himself had to support and push these state-owned credit institutions into taking on the task and the risks it involved (Cross, 1998).

The risks of such an undertaking were obvious. In general, being informal agents, street vendors did not have any proof of their income.⁸⁷ Moreover, they were unable or unwilling to provide other property as collateral or guarantee on the debt they would be incurring by

⁸⁶The title of Roberto Albores Guillen’s appointment was general coordinator of the Program for the Improvement of Popular Commerce and not head of COABASTO. Although, as Cross (1998) pointed out, COABASTO was virtually taken over by the new agency.

⁸⁷Officially, the market stall itself, as a form of condominium real estate, was the only form of guarantee or collateral for the individual loans that vendors incurred. At a few markets located on Metro property, vendors were not owners but merely lessees, and the lease itself had to suffice as the security (Cross, 1998).

entering the plaza construction program.⁸⁸ Therefore, the PMCP (or new COABASTO)—and by extension the city government—had to act as the guarantor of all the financial credits (Cross, 1998). Although the city government had a new neoliberal approach, different from previous administrations, it still incurred a huge financial risk (DDF-COABASTO, 1994).

In addition, instead of introducing the long-awaited and much debated market regulation, the ARDF passed a directive (*bando*)⁸⁹ that banned informal street vending in the Historical Center and La Merced neighborhood, which would come into force as soon as street vendors could be moved into the new commercial plazas (ARDF, 1993; Monge, 1993c).

Tactfully, the city government continued to work with the street vendor associations rather than antagonizing them. Most of the commercial plazas were designed for particular associations of street vendors, and the leaders were given several important powers in the process.

4.3.12 *The powers conferred on street vendor leaders*

The plaza construction program greatly benefited the street vendor leaders. The city administration negotiated the implementation of the program with them. The exclusive access that vendor leaders had to information and power—as a result of their role as intermediaries between vendor members and authorities—made base members of the associations more reliant on them, as these leaders were the only people who could guarantee the vendors a place in the new commercial plazas (Cross, 1998).

As only street vendors who were accredited members of an association were able to purchase a stall in the plaza program, the vendor leaders had the last word about who could buy a stall in the assigned commercial plaza since they defined membership and thus determined who was and was not a member. Therefore, vendor leaders became the doorkeepers of the plaza construction program, and had the power to control access to stalls in commercial plazas and, in most cases, to distribute the stalls among their members (Cross, 1998). On many occasions, leaders reserved the best located stalls for themselves, friends or loyalists, or for those who paid the largest sum (Cross, 1995; Stamm, 2007).

This arrangement of control over the commercial plazas gave vendor leaders the opportunity to take advantage of their powers to the detriment of the base vendor members of their

⁸⁸ According to Cross (1998), the debt would be between US\$3,000 and US\$7,000 depending on the size and type of stall.

⁸⁹ A *bando* or directive is a mandate or official announcement published by a superior authority (in this case, the ARDF) to convey policies, responsibilities, and procedures.

associations, who were supposed to be the ultimate beneficiaries of the program. Far from being undermined by the plaza construction program—which was supposed to weaken the vendor leaders’ grip on their associations by making individual vendors into property owners⁹⁰—vendor leaders became even more powerful. They not only gained full control of the commercial plazas as well as their association but could also threaten to reoccupy the streets if they considered it appropriate, which posed a problem for government authorities (Cross, 1998).

The policy to leave considerable power in the hands of the street vendor associations was coherent and reasonable, given the concern among government officials that the street vendor associations would be able to retard or contest effectively the plaza construction program by refusing to leave the streets. However, this crucial government decision enabled the street vendor associations to adopt a strategy with two purposes: to take control of the commercial plazas while at the same time preparing to return to the streets at the first opportunity they had (Cross, 1998).

It is worth pointing out that the plaza construction program was implemented in the context of forthcoming presidential elections. Even though planning started soon after the 1991 midterm elections, most of the commercial plazas were completed and handed over to the street vendor associations in 1993, the year when the PRI would select its presidential candidate, and a year prior to the 1994 presidential elections (Monge, 1998).

The timing was important since the mayor, Manuel Camacho Solís, was considered by many to be one of the main contenders—together with Pedro Aspe and Luis Donaldo Colosio—for the PRI nomination to the presidency of Mexico.⁹¹ Although he denies it (Camacho Solís, 2010), some observers argue Camacho Solís used the plaza construction program as a lever to gain the presidential ticket and as a way of projecting an image of purposefulness and efficiency for middle class voters, and to gain supporters, under the new ‘member ownership’ scheme, among a new group of micro-entrepreneurs or “vendor-owners” (Cross, 1998:212) who had been favored by his policies.⁹²

Initially the program appeared to be a success. Street vendors evacuated the streets of the Historical Center in Mexico City for the first time in years. The city government had not

⁹⁰This objective (of weakening the vendor leaders’ grip on their associations) actually started to become a reality some years later, as suggested by Stamm (2007).

⁹¹Given the prominence and exposure that the position has as the second in importance in the country (only after the presidency itself), with few exceptions, mayors of Mexico City are frequently considered natural candidates to run for the presidency of Mexico.

⁹²In the same fashion as Ernesto P. Uruchurtu had done in the late 1950s and early 1960s.

allowed sufficient space in the commercial plazas to accommodate every street vendor previously working in the streets of the Historical Center, displacing the remaining street vendors to the periphery of Perimeter A. Residents and established businessmen located in the zones just outside the prohibited perimeter objected to the program (as well as the 1993 decree), saying it had merely displaced the remaining street vendors into their neighborhoods. Nevertheless, the government of Camacho Solís was praised for sorting out a state of affairs that had appeared irresolvable (Gordon, 1997b). The program bolstered Camacho Solís's reputation and approval rate, as well as his hope to become the PRI presidential candidate in 1994.

4.3.13 *Political developments at national level: outcomes at city level*

Manuel Camacho Solís was unsuccessful in the bid for the PRI's nomination to the presidency. In November 1993, Luis Donaldo Colosio was selected as the presidential candidate for the PRI. Angry at not being chosen, Camacho Solís resigned abruptly as mayor of the Federal District. A few days later he was appointed minister of foreign affairs by President Salinas (Monge, 1993b).

Events unfolded swiftly and within a month Camacho Solís had left the Foreign Affairs Ministry and found himself in the southern state of Chiapas with the mandate to negotiate peace with the Zapatista Army of National Liberation (Ejército Zapatista de Liberación Nacional, EZLN), which staged an armed rebellion against the regime on January 1, 1994.⁹³

President Salinas appointed Camacho Solís to be the coordinator for dialogue and reconciliation in Chiapas. He conducted the negotiations with the EZLN and succeeded in signing a preliminary cease-fire, which gave him great prestige. This event combined with the fact that he had no official position in the cabinet—which legally enabled him to be postulated as a presidential candidate—triggered rumors that he would be nominated instead of Colosio. However, Camacho Solís denied such a possibility on March 22, 1994. The next day, Luis Donaldo Colosio was assassinated in Tijuana. This killing alienated Camacho Solís from the PRI and Salinas, because many attempted to blame him for the murder of Colosio. On March 29, 1994, Colosio's campaign manager Ernesto Zedillo was chosen as the new PRI's candidate for the presidency.⁹⁴

⁹³Designated as the government commissioner for the peace in Chiapas by President Salinas, Camacho Solís saw it as an opportunity to keep his presidential hopes alive. The spotlights were on him and not on the PRI presidential candidate Colosio, but history had other plans.

⁹⁴The deterioration in relations between Camacho Solís and Salinas—and the PRI—became progressively more serious until on October 13, 1995, Camacho Solís decided to leave the PRI.

The administrative changes resulting from Camacho Solís's resignation as mayor of Mexico City did not halt the plaza construction program, since most of the commercial plazas were either finished or under construction by that time. Nevertheless, according to Cross (1998), only 24 out of the 30 initially planned commercial plazas were constructed; further construction was put on hold for the time being, as the city government ran out of funds.

The break up between President Salinas and Camacho Solís as well as the governance vacuums⁹⁵ and unfulfilled compromises left in the city projects as a result of Camacho Solís's departure—requiring the appointment of an interim mayor until a new one could be chosen by president-to-be Ernesto Zedillo in December 1994—opened the door for street vendor leaders to begin criticizing the agreement they had signed to move into the commercial plazas.

President Salinas appointed Manuel Aguilera Gómez as interim mayor to substitute Manuel Camacho Solís (Monge, 1993b). Aguilera Gómez had a close relationship and was allied with some of the most powerful street vendor organizations in Mexico City. Some of them had been influential in his 1991 senatorial campaign. For example the association led by Alejandra Barrios—who described Aguilera Gómez as “an extraordinary person and a good friend” (Barrios, 2010)—had organized a number of important political rallies for Aguilera at her offices in the Historical Center (Cross, 1998; Barrios, 2010). Even though he used his proximity and influence with the vendor associations to keep them in the commercial plazas until the elections, his appointment suggested that the Salinas administration had shifted its focus from prevention to mitigation (Cross, 1998).

The new mayor could not keep the momentum that his predecessor had achieved. Aguilera Gómez spoke in a tough tone about the street vending situation, but his administration only managed to make any progress on the projects that had been started by Camacho Solís. It was also evident that Aguilera Gómez's control of the city government bureaucracy was not as firm as that of Camacho Solís. This became apparent when accusations surfaced about inspectors and city officials using the 1993 decree to obtain money from street vendors through coercion. The situation worsened after the December 1994 peso devaluation and the ensuing crisis. Many people lost their jobs, and the street vendor groups in Mexico City started to return to the streets of the Historical Center (Gordon, 1997b, Cross, 1998; Philip, 1998).

⁹⁵A ‘governance vacuum’ refers not to the absence of government but to the absence of processes of governing. In other words, governance vacuum is the lack of efficacy, quality, or good orientation in government intervention (which gives it much of its legitimacy).

4.3.14 *The abandonment of the plaza construction program*

At first, many street vendors were very excited by the prospect of owning a permanent stall in a commercial plaza. The ownership of such a stall would give most of them their first commercial property rights and collateral for future possible investments. The fact that the commercial plazas were located in the city center—an area considered of high land value—suggested that the future worth of their investment would be much more than its original cost. Thus, at the beginning of the plaza construction program, the initial relocation of street vendors appeared to be successful. In fact, the Christmas and New Year season of 1993–1994 was the first in a long time during which the streets of the Historical Center were virtually free of street vendors (Cross, 1998).

However, by the summer of 1994, and as the new presidential elections approached, discontent among relocated vendors had increased. While city authorities promised to solve financial and construction problems in the commercial plazas after the 1994 elections, vendor members and leaders began considering the option of going back to the streets. Disenchantment set in quickly on many of the commercial plazas soon after they were officially opened as they were poorly planned and located. They were constructed with little input from the street vendors or their leaders to oversee their commercial feasibility and many of them turned out to be commercial failures (Cross, 1998).⁹⁶

Relocated vendors, confronted with high monthly payments and a reduction in their incomes, either left the plazas completely or resorted to the method of *torero* vending⁹⁷ in nearby streets to make ends meet.

While the street vendor leaders remained officially committed to the plaza construction program, they also began to express their concerns. A leader of a small association told Cross (1998) that vendors expected there to be a prompt solution to the commercial plaza problems after the elections, hoping that their loyalty to the PRI would help. Otherwise, it was the general feeling to go back to the streets at the first opportunity, but it was up to the larger

⁹⁶According to Cross (1998) the largest commercial plaza—with 1,500 stalls packed into a crowded area of narrow corridors—never reached more than 20 percent of occupancy, even though all the street vendors had paid their down payments on schedule. Another commercial plaza, built for vendors who had been operating in the Metro, was placed three blocks away from its original market area on the opposite side of a major street. As a result, it lost all its customers and was unable to attract new ones.

⁹⁷*Toreros* or bullfighters are ambulatory or itinerant street vendors whose main characteristic consists of eluding the police and government officials by means of their mobility. The *toreros* do not have a fixed space and usually wander around in streets with a high circulation of cars and people. The goods they sell are fairly cheap and easy to carry, which helps them to have a greater degree of mobility unlike other forms of stall street vending.

and most powerful vendor associations to take the first step, as small associations would have been easily crushed by the city police (Cross, 1998).

The competitiveness among vendor leaders was such that as soon as one association started to reoccupy the streets, the others would be forced to follow suit to avoid other groups of vendors from taking over streets that over time they had considered theirs (Cross, 1998). This eventually would bring not only problems between street vendor associations and the city government, but also conflict between different street vendor associations as well.

Alejandra Barrios, the leader of one of the largest associations—who had made public her aspiration to get a seat in the ARDF on a PRI ticket (Monge and Ortega Pizarro, 1990; Cross, 1998)—harshly criticized the city government for not fulfilling the compromises established on the agreement and argued that this breach gave her association a legitimate right to revert it. Arguing that she had been coerced into signing the agreement, she accused the city government of building the commercial plazas in cheap areas rather than commercially feasible ones (Monge, 1992a; Cross, 1998). She also blamed the city government for allowing intensified vending around the Historical Center⁹⁸ which stole many of their potential customers. Finally, she pointed to the creation of a new type of *toreros* within the commercial plazas, who would only respond to the market inspector and not to the association leader. According to her, market inspectors would collect bribes every day to allow them to do *torero* vending in the commercial plazas (Cross, 1998).

The vendor associations did not have to wait too long. Within days of the inauguration of Ernesto Zedillo as president of Mexico, on December 1, 1994, the economic miracle of his predecessor, Carlos Salinas, collapsed. An attempt to adjust an overvalued peso—and in this way control the inflated trade deficit—led to a collapse of the exchange rate. The country was submerged into a sharp recession as the peso dropped to less than half its former value. This was accompanied by increasing interest rates and import costs, leaving the commercial plaza vendors trapped between lower sales and higher costs (Cross, 1998).

While suppliers increased their prices and customers were nowhere to be found, the variable interest rate on the stall mortgages rose rapidly from 10 percent to 50 percent (Cross, 1998). Having reached their limit, the vendor association leaders carried out their threat and started to organize street markets outside the commercial plazas. By the summer of 1995,

⁹⁸Groups of vendors left outside the initial commercial plaza buildings were relocated to areas on the edge of the Historical Center to give the impression the project was finished. However, they began to attract clients who decided to buy in those street markets outside the traditional commercial city center, aggravating the problems of vendors located in the commercial plazas (which were on the city center). This is what they meant with ‘intensified vending’.

around 4,000 informal vendors were again selling in the streets of the Historical Center (Cross, 1998).⁹⁹

Needless to say, the events and problems mentioned above affected the perception street vendors had of the city government, the PRI, and their own vendor leaders. Street vendors principally blamed the city government for the problems they suffered. They also accused the PRI and their own vendor leaders for failing to live up to the commitment to protect them (See Appendix A.2).¹⁰⁰ The failure of the plaza construction program was a key reason for the reduction in individual and organizational support for the PRI among those groups that were supposed to benefit from it—the informal street vendors themselves (Cross, 1998). All these reactions had an effect on the future strategy of the vendor associations as they attempted to reassert their role as organizations (Cross, 1998)

4.3.15 *The response of the vendor associations to their members*

The changes in political preferences and in the perception of their leaders among the vendors led the associations to rethink their responsibilities and take effective actions to reaffirm their relationship with their members. One measure was to protect vendors who were unable to continue paying the mortgages on their stalls. The stalls could be repossessed by the FONDEF if three payments were missed, though in practice very few stalls were repossessed despite the high default rates (Cross, 1998). Another measure taken by the vendor associations was to encourage vendors to establish stalls outside the commercial plazas in order to compensate for their losses and be able to survive, arguing that the city government had broken its part of the agreement because of the poor state of the commercial plazas and the large quantity of vendors still on the streets (Cross, 1998). The street vendor leaders Alejandra Barrios and Guillermina Rico, who together controlled about 80 percent of the vendors in the area at the time, began to put pressure on the city government to allow their vendors back on the streets to recuperate their original level of sales and thus be able to pay for their stalls¹⁰¹ (Cross, 1998).

⁹⁹Over time, the commercial plazas had different outcomes and levels of profitability. Some were commercially successful; others were plain failures. The commercial plazas that were not successful became deserted white elephants as the vendors who had been relocated inside them quickly went back to the streets. Many vendors became insolvent once they realized their reduced returns were not enough to pay for the mortgages on their stalls (Cross, 1998).

¹⁰⁰See Appendix A.2 and Table A.2 for a more detailed analysis on the reasons for the failure of the Plaza Construction Program, according to the vendors' perceptions. The analysis is based on the results of survey carried out by Cross in 1995.

¹⁰¹They were successful in getting support from the PRI. The national PRI president, María de los Angeles Moreno (1994–1995), called for the *bando* prohibiting vending in the area to be annulled because of the crisis.

Throughout the 1994 elections and despite the latent problems, there was the belief among vendors that the PRI still represented the best opportunity for the implementation of reforms in the plaza construction program that would reduce the costs for them. Moreover, the option of finding political sponsors or patrons in other parties seemed unfeasible at this point in time. Cross (1998) reported that one vendor told him that they had asked for the support of other political parties, but only the PRI offered to assist them (Cross, 1998).¹⁰²

However, as the situation deteriorated through 1994 and 1995, vendor leaders affiliated to the PRI did not spare their criticism of the plaza construction program and the city government. They claimed that the city government consistently ignored them but, paradoxically, favored opposition-affiliated groups. One leader complained: “We can give the system 80 percent of the seats (in upcoming elections for counselors), but they do not seem to realize how important we are... If we became members of the opposition, we would probably be better off” (Cross, 1998:223–224). Another vendor leader stated: “Nobody is affiliated with the PRI out of conviction. We are all with the system out of convenience. And there may come a time when it is no longer convenient” (Cross, 1998:224).

Thus, while the vendor leaders remained loyal to the PRI for the time being, activists belonging to the left-wing opposition Party of the Democratic Revolution (PRD) and even some militants from the more radical Independent Proletarian Movement (Movimiento Proletario Independiente, MPI)¹⁰³ approached them to discuss the prospect of combining forces (Cross, 1998). However, vendor leaders were unsure about taking this route. Association leaders wanted to avoid confrontation with the city administration, arguing that they would easily be crushed by the riot police, but they also made clear that if the city administration did not solve their problems, they would not be responsible for the consequences (Cross, 1998).

However, she was replaced soon afterwards (as a consequence of the PRI's defeat in Baja California Norte State, which was won again by the PAN in 1995), and her statement, which was badly attacked in the media, was ignored by government authorities (Cross, 1998).

¹⁰²As the problems they faced were caused by a PRI-led government, it is surprising that many of the vendors still expressed their support for the PRI. They saw it as the only option or cited past favours they had received from the official party as their main motives (Cross, 1998).

¹⁰³The MPI is one of the most radical union movements in Mexico. It was built around the SUTAU-100, the union of bus drivers whose leaders were arrested and whose members were fired unilaterally by the government when the company was declared insolvent in preparation for the privatization of the bus system. The government's main reason for attacking the union so severely was its open support of the Zapatista Army of National Liberation (EZLN). An official in the mayor's office admitted that the government's greatest fear was that the MPI would make an alliance with the street vendors in the Historical Center (Monge, 1995; Cross, 1998).

4.3.16 *The presidency of Ernesto Zedillo*

Ernesto Zedillo was elected president of Mexico on August 21, 1994, defeating the PAN's presidential candidate Diego Fernandez de Cevallos, and the PRD's presidential candidate Cuauhtémoc Cárdenas Solórzano. Ernesto Zedillo took office on December 1, 1994, and within a few days after taking office, one of the biggest economic crises in Mexican history—caused by the so-called December mistake, which eventually led to the Tequila Crisis or Peso Crisis—hit the country. Although the outgoing President Salinas was mainly blamed for the crisis, Salinas claimed that President Zedillo made a mistake by changing the economic policies of his administration. The crisis ended years later, after a series of reforms and actions led by Zedillo. US President Bill Clinton granted a US\$50 billion loan to Mexico, which helped one of Zedillo's initiatives to rescue the banking system (Philip, 1998).

When Oscar Espinosa Villarreal replaced Manuel Aguilera Gómez as mayor of the Federal District at the outset of Ernesto Zedillo's administration, vendor leaders began distinguishing their support of the PRI from their attacks on the city government for failing to deliver on promises made to them by Camacho Solís. Alejandra Barrios maintained: “the program was successful enough while Camacho was in office, but after his departure there was no more promotional support, the government gave us nothing” (Cross, 1998:213). Regarding Espinosa Villarreal, she expressed her discontent saying that he “hit [informal] commerce and mistreated [vendor] leaders” (Barrios, 2010).

Other vendor leaders also aired their discontent, arguing that the new mayor Espinosa Villarreal lacked political skills and would not go to the markets and plazas, sending representatives of inferior level instead (Cross, 1998). Furthermore, many of the vendor leaders distrusted Zedillo, whom they saw as a poor substitute for the late Luis Donaldo Colosio.¹⁰⁴ Complaints were directed twofold: first, vendors were expected to pay for the total cost of their new stalls, although over a five- or six-year period; second, stalls were built within two years of the notification about the project—a relatively short time—leading to a number of problems in the planning and design of the commercial plazas (Cross, 1998).

¹⁰⁴John Cross (1998, 2012) recounts that Alejandra Barrios had decorated her office with pictures of herself and Colosio during the latter's campaign visit to one of her plazas. I also saw an enormous canvas of Colosio in Barrios' office. After Zedillo took office, not a single picture of Zedillo was visible, not even the standard presidential portrait that vendor leaders used to place in their offices as a symbol of their affiliation with the PRI (Cross, 1998).

4.3.17 *The Espinosa Villarreal administration*

On December 1, 1994, President Zedillo appointed Oscar Espinosa Villarreal as the new mayor of Mexico City. Early in his administration, Espinosa Villarreal displayed his lack of expertise in city administration.¹⁰⁵ His stern way of treating protesters, his unwise public security program, and his controversial arrest of the leaders of Ruta-100—the city bus driver’s union—all worked against him, causing low levels of popularity among city residents (Monge, 1996a, 1996b, 1997a; Gordon, 1997b).

The street vending conflict was the one policy field in which Espinosa Villarreal was able to gain the public opinion’s approval when he used the police force to control street vending. The director of the Venustiano Carranza Delegation from 1994 to 1997, Raúl Torres Barrón, stated early in 1995 that the government wanted to avoid violence (Cross, 1998); but there was violence as the city government used the riot police to clear the Historical Center of street vendors, in open opposition to the street vendor associations (Monge, 1996a; Cross, 1998; Silva Londoño, 2010). In August and December of 1995, Espinosa Villarreal put into effect huge police operations to eradicate street vendors from the Historical Center.¹⁰⁶ The levels of violence displayed were such that in January 1996 the US State Department cautioned tourists against visiting the Historical Center of Mexico City (Monge, 1996a, 1996b; Gordon, 1997b; Silva Londoño, 2010).

Ironically, the PRI was still dependent on its associated street vendor groups for many political purposes, among them their role as infantrymen in the PRI’s effort to maintain political support in Mexico City.¹⁰⁷ In particular, the PRI mobilized street vendors to answer the new obligations that arose from the more open post-1988 political environment. Following the

¹⁰⁵Espinosa Villarreal was a member of the PRI and had previously been director of the government-owned bank Nacional Financiera, and finance manager in the Colosio’s presidential campaign.

¹⁰⁶In August 1995, about 3,000 riot police clashed with vendor groups associated with Guillermina Rico, who was the most prominent street vendor leader in Mexico City at the time (Monge, 1996a; Cross, 1998; Silva Londoño, 2010). In the course of the following months, though, vendors continued to occupy areas on the streets despite several further efforts by the city government to remove them by force (Cross, 1998).

¹⁰⁷An event in November 1995 illustrates the roles or functions street vendors associations could perform in favor of the PRI. The Federal District held elections for a new ‘citizen council’ (*consejo ciudadano*), an irrelevant and unnecessary body without real power whose goal was to open more spaces for political participation and to engage the population in the governmental decision-making processes in Mexico City. Nevertheless, the PRI, afraid of an electoral humiliation as a result of the Peso Crisis, manipulated the election rules so that contenders could run as independent citizens rather than as representatives of political parties. This enabled the PRI to take advantage of its control of grassroots groups such as street vendor organizations. Several street vendors—among them the daughters of Guillermina Rico and Alejandra Barrios—stood for office in their capacity as private citizens. Voters’ participation in the election was insignificant, but many observers agreed that contenders who were close to the PRI won the most seats (Gordon, 1997b; Cisneros-Sosa, 2001).

elections of 1988, the political parties in the opposition became more and more vocal, uninhibited about putting forward their claims, objections, and petitions, and using protest marches as instruments of coercion. The PRI began to use street vendors as violent clash groups (*grupos de choque*) to confront such demonstrations (Gordon, 1997b).

These types of political practices were primitive and crude in implementation but tactical in their planning, and the street vendors played a key role. For example, when the president, the mayor, or another notable PRI personage went to the Legislative Assembly or Congress, she or he had to enter through the main door as a sign of her or his power and political status. However, opposition supporters—mainly supporters of the PRD—came and took over the surrounding streets to prevent these people from entering the venue as a sign of protest, censure or disagreement. Then, enormous brawls would take place (between the opposition and the PRI supporters, or between the opposition supporters and police forces) in the struggle for the space and to prevent (or allow) the person in question from entering the premises. In order to avoid these embarrassing displays of disapproval, the PRI had to go to the site first and take over the streets before supporters of the opposition got there. The street vendors did the job for the PRI (Gordon, 1997b). PRI-affiliated street vendors, sometimes teamed up with informal settlers (*paracaidistas*) or garbage pickers (*pepenadores*), camped out overnight to ensure that no demonstrators from the opposition came near. When the president, mayor, or PRI personage arrived at the place in question, the followers cheered intensely and helped her or him to make their way through the main entrance into the Assembly, Congress, or designated location (Gordon, 1997b).

Under this tacit agreement, street vendors knew that police crackdowns against them would be provisional and recognized that the city administration was prepared to revert to the corrupt toleration scheme it had employed in the past. Similarly, government officials knew they could have it all: repressing the street vendors to calm down their critics while using them to advance their interests (Gordon, 1997b).

4.3.18 *Rupture and estrangement: the final balance of the PRI in Mexico City*

Nevertheless, in January 1996—and exercising the 1993 decree which banned street vending within the Perimeter A of the Historical Center—Espinosa Villarreal reactivated the actions against street vendors and began the process of distancing himself from the more than 200 street vendor organizations sheltered by the PRI. Actions included evictions of street vendors

and restriction to occupy streets, squares, gardens and public sites in different parts of the capital; the occupation of the Zócalo central plaza by the police; the gradual suspension of selling permits; and the imprisonment of influential leaders (Monge, 1996b). Convinced that the uncontrollable expansion of the informal street vending sector generated more harm than good to Mexico City, Espinosa Villarreal denied the old relationship with that sector and marked his distance.

In August of 1996, after a violent confrontation between government inspectors and street vendors in the city center, Espinosa Villarreal affirmed: “There will not be political clientelism as in the past, when complicity [between government officials and street vendors] was incurred.” (Monge, 1996b:116).¹⁰⁸ As a result of the systematic evictions and the ensuing clashes between government inspectors and the police with street vendors,¹⁰⁹ the relationship between city government and street vendors began to deteriorate, leading to reproaches, harassment, persecution, beatings, threats, and lawsuits.

In response, Alejandra Barrios—leader of the ALCC—warned that: “people are hungry and sometimes that goes beyond our control; I cannot imagine how people will react when they have no food to feed their children.” (Monge, 1996b:116). On the position of Espinosa Villarreal, Barrios said that: “the mayor is wrong, because we are not a few. We are many and we work as street vendors because the government cannot provide [formal] jobs for all those who need them.” (Monge, 1996b:116).

At the same time, the CANACO urged the city authorities to regularize the thousands of street vendors operating in the Metropolitan Area of Mexico City,¹¹⁰ build shopping bazaars, and extend the 1993 decree banning street vending to the areas of Coyoacán, San Angel, and Tlalpan, where informal street vending was growing at a fast pace (Monge, 1996b).

Faced with the government’s onslaught, Alejandra Barrios and Silvia Sanchez Rico¹¹¹—daughter of Guillermina Rico, who died in September 1996—tried to negotiate with the city government, without success. Barrios was furious and warned: “If the authorities try to evict us, there will be beatings, imprisonment, and theft of merchandise. They will beat us and

¹⁰⁸As seen before in this chapter, in previous administrations, authorities and street vendors had lived a relationship based primarily on tolerance, complicity and mutual benefit.

¹⁰⁹There were more than twenty clashes in the first eight months of 1996 (Monge, 1996b).

¹¹⁰The Metropolitan Area of Mexico City refers to the conurbation around Mexico City, which is also known as greater Mexico City. It is constituted by the Federal District—composed of 16 delegations—and 41 adjacent municipalities of the states of Mexico and Hidalgo. The reason why all these delegations and municipalities are usually aggregated is because they all form a single conurbation.

¹¹¹Silvia Sanchez Rico is the eldest daughter of Guillermina Rico (who died on September 4, 1996), and who assumed control over her mother’s association.

look bad [in front of the public opinion], adding on to their already damaged reputation” (Monge, 1996b:117). But Espinosa did not bow and said the 1993 decree could be good or bad, modifiable or not, but it was an ordinance that had to be respected.

Apart from the acts of intimidation in the Historical Center, the city government sought to get along with other groups of street vendors. First, the city government took the past-due loans of MX\$ 25 million pesos that several street vendor organizations had with the National Bank of Domestic Trade for the purchase of stalls in commercial plazas. Then it issued special regulations for the Bosque de Chapultepec Park which, among other measures, regulated commercial activity in this recreational area. Vendors would be allowed in the area but had to be properly accredited and up to date with the payment of their dues. In the vicinity of the *Basílica de Guadalupe* the government implemented similar actions.

The ARDF had also prepared, once again, a bill or law initiative for the regulation of public markets in the Federal District, which aimed to replace the 1951 Market Regulation, still in force.¹¹² Gonzalo Rojas Arreola, PRD local deputy and president of the Supply and Food Distribution Commission (*Comisión de Abasto y Distribución de Alimentos*) of the ARDF said in an interview that this law initiative was intended to give certainty to the public markets, as a public service, in compliance with Article 115 of the Constitution (Monge, 1996b).¹¹³ He alleged that, at that time, the public markets were involved in a complex problem: the government had abandoned them to their fate, the market administrators did not fulfill their functions, and street vending and large shopping malls were gaining ground (Monge, 1996b).

On October 21, 1996, Mexico City’s Secretary of Economic Development, Héctor Flores Santana, revealed part of the general strategy that the city government was seeking to implement on street vending. He said the reorganization of street vending would not be limited to the Historical Center, but would extend to Xochimilco, Tepito, Coyoacán, the Zona Rosa, and the Gustavo A. Madero Delegation, among other areas of the capital. He even detailed that the reorganization of street vending in Tepito would be conducted with tripartite investment: private sector, government, and street vendors (Monge, 1996b).

¹¹²While the 1993 decree banned street vending in Perimeter A in the Historical Center, the 1951 Market Regulation was still in force for the rest of the matters concerning public markets (and street vending where appropriate).

¹¹³Article 115 of the Mexican Constitution refers to the internal organization that Federal States and the Federal District will adopt for their internal governance, specifying the rights and obligations of municipalities (or in the case of Mexico City, its delegations). Municipalities and delegations are in charge of public markets and supply centers and thus the relevance of this article on the discussion.

Considered already by city authorities as one of the four main problems in Mexico City,¹¹⁴ street vending was registering an unprecedented growth at local and national levels. According to the president of the CANACO, José Alfredo Santos Asséo, the number of street vendors in Mexico City increased from 112,000 to 250,000 in the last six years (1990–1995) (Monge, 1996b).¹¹⁵ Likewise, according to the Confederation of National Chambers of Commerce (Confederación de Cámaras Nacionales de Comercio, Servicios y Turismo, CONCANACO),¹¹⁶ between 1988 and 1995, the number of street vendors in the country increased by 108.5 percent (from 561,794 to about 1.2 million street vendors), a rate of growth even higher than that of the economically active population and the employed population whose rates were 23.25 percent and 20.45 percent, respectively (Monge, 1996b).¹¹⁷

A count conducted by the city government reported slightly lower numbers. It quantified 98,379 street vendors, 79,851 stalls, and 181 critical points where street vending took place, distributed in the following way: 67 percent of the street vending activity (high concentration) was located in the Cuauhtémoc, Gustavo A. Madero, Iztapalapa, Miguel Hidalgo and Venustiano Carranza Delegations; 16 percent (intermediate concentration) in Álvaro Obregón, Coyoacán, and Iztacalco Delegations; and the remaining 17 percent (low concentration) in Azcapotzalco, Benito Juárez, Cuajimalpa, Magdalena Contreras, Milpa Alta, Tláhuac, Tlalpan, and Xochimilco Delegations (Figure 4.3) (Monge, 1996b).

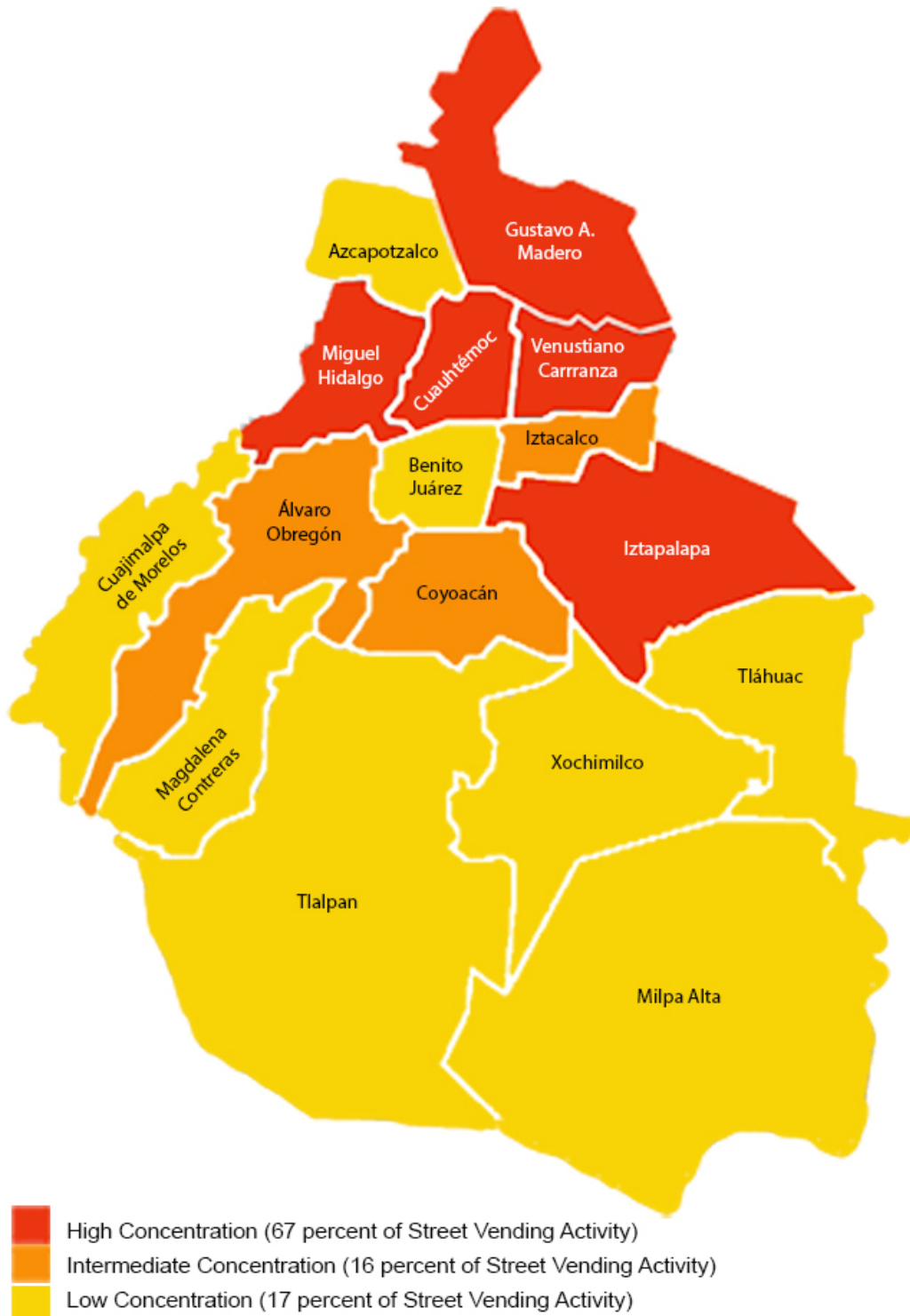
¹¹⁴The most significant public problems in Mexico City at the time were: public security, pollution, transport, and street vending.

¹¹⁵The INEGI's National Employment Survey (ENE) shows that, in 1998, there were 327,019 street vendors in Mexico City's Metropolitan Area, and 160,949 in the Federal District. This may be consistent with the 250,000 street vendors mentioned by the CANACO president in 1996 (INEGI, 2004, Monge, 1996b).

¹¹⁶The CANACO is the local chamber of commerce of Mexico City. The CONCANACO is the confederation of chambers of commerce of the country.

¹¹⁷The INEGI's National Employment Survey (ENE) shows us that in 1998 there were 1,197,136 street vendors in the country (INEGI, 2004). The number is consistent with the figures given by the CONCANACO, as quoted by Monge (1996b).

Figure 4.3.: Distribution of street vending activity in Mexico City (By delegation, 1996)



Sources: Monge, 1996b.

By type of operation, the city government found that of all street vendors: 52,603 were semi-fixed; 14,015 were fixed; 12,728 were itinerant vendors (or *toreros*); 9,647 were rolling vendors (or *sobre ruedas*); 5,510 were extensions (usually of formal businesses who ‘unfolded’ their business on the street); 2,227 were mobile vendors (who are able to set a stall, but able to move at any time), and 1,649 were automotive vendors (who sold from a car) (Monge, 1996b).

In a 1996 study carried out by the CONCANACO named *Disloyal Competition in the Commerce Sector*¹¹⁸ this institution stated that, based on the growing trend of this informal activity, it was projected that for the year 2000 there would be more than 2,200,000 informal traders in the country, which would represent 44 percent of the personnel employed on the formal trade (Monge, 1996b).¹¹⁹

These data reinforced the impression of the CANACO president, José Alfredo Santos Asséo, in the sense that while formal trade was plummeting, informal trade was on the rise. Only in the capital city there were 125,000 formally established businesses for 250,000 informal street vendors (Monge, 1996b). The CANACO president stated in an interview that this indicator was a clear sign that street vending had ceased to be a subsistence activity to become a profitable one: “I feel that this activity has been distorted: it is no longer a way out of unemployment and crisis; now is an activity that perpetuates unemployment and economic crisis” (Monge, 1996b:118). He illustrated this with a couple of numbers: “the informal trade, in all its forms, represents 40 percent of the commercial GDP of Mexico City; and the underground economy by itself represents 30 percent of the country’s GDP” (Monge, 1996b:118).

The CONCANACO study reinforced this theory by pointing out that tax evasion in the country, generated by street vending, represented 9.11 percent of the programmable government expenditure¹²⁰ of the public sector in 1995 (Monge, 1996b). The study also showed that street vending does not benefit those who exercise it, but those who organize and control it. The CANACO president, as the main advocate of establishing a legal framework to regulate informal street vending, mentioned that “disguised under a cloak of poverty”, street vendor leaders had created a kind of parallel power in the capital which, in his opinion, set a bad precedent (Monge, 1996b:118).

¹¹⁸Its title in Spanish is “Competencia Desleal en el Sector Comercio”, as quoted by Monge (1996b).

¹¹⁹According to the National Employment Survey (ENE) performed from 1998 to 2004, the total number of individuals working on street vending in Mexico, in the year 2000, was of 1,222,223 (INEGI, 2004). Thus, the projection of the CONCANACO was overestimated by about 1 million people.

¹²⁰In Mexico, government expenditure is divided into programmable and nonprogrammable. The first is directly associated to a public program to fulfill government administration or to perform social and productive activities, the latter are outlays that cannot be associated as part of some specific program and that refer to interest payments, transfers to states and local governments, debts from previous fiscal years, and third party expenditure (SHCP, 2016).

Moreover, all recent official attempts to regulate this activity had crashed in a contradictory and ambiguous legal wall: according to Monge (1996b), at this point in time, there were 16 legal codes that, on one hand, allowed the exercise of street vending and, on the other, penalized it.¹²¹

The president of the Supply and Food Distribution Commission at the ARDF, Gonzalo Rojas Arreola, admitted that, in addition to the legal discrepancy, it had been difficult to reconcile interests of city authorities and local legislators, as there were differing views on how to address the problem. He noted that there were currents of opinion arguing that the ARDF lacked the authority to legislate on this matter, and others who argued that creating a legal framework to street vending would be tantamount to legalizing the illegal. “These views have prevented any progress on the matter; and that the economic and political interests that revolve around street vending remain intact” Rojas Arreola said (Monge, 1996b:118). Moreover, he estimated that illegal profits obtained through extortion from street vendors by city public servants reached MX\$ 2.5 million pesos per day; an amount that annually represented the budget of two delegations and the fifth part of the health sector budget (Monge, 1996b). Rojas Arreola argued that it was the street vendors the most interested in having their activity clearly regulated as they were “tired of so much extortion, so much exploitation by leaders and authorities” (Monge, 1996b:118)

The CANACO president, Santos Asséo, corroborated that behind street vending there were economic and political interests that should be banished once and for all. He said that the authority should not, under any circumstance—neither the crisis, nor the unemployment, nor the social pressure—allow the contravention of the law, because this led to the breakdown of civic values “which are what gives cohesion to society” (Monge, 1996b:119). He explained that he was not against those who engage in this activity, but against the activity itself due to its illegal nature. In his opinion, what the city government had to do was to regulate street vending, because in that way the government would ‘dignify’ the work of those who exercised it. He suggested the construction of ‘popular plazas’ (available for lease to vendors), with the indispensable minimum services, surveillance on the origin of the goods and products sold, and the collection of taxes, services charges, and VAT. He added that these measures must be accompanied by a regulation that prohibits the sale of merchandise and food in the street (Monge, 1996b).

¹²¹ That is, 16 different legal codes that directly or indirectly could be used to allow or forbid the street vending activity (e.g. the Mexican Constitution made it possible while the 1993 decree banned it in the Perimeter A).

Unlike previous governments, the CANACO president was confident that Espinosa Villarreal would know how to overcome the challenge. He said that, at least, Mayor Espinosa Villarreal had shown political will, while admitting that it was not enough to control ‘the monster’. “If the Historical Center is invaded after the holiday season [of 1996], the message will be clear: that street vendors have more power than the authority” (Monge, 1996b:119). And that is exactly what happened.

This situation was about to change radically. Reforms in the electoral laws and the democratic opening in the political system made the alternation of power between different political parties possible. This first occurred in 1989 in the Baja California Norte state where the PAN won the state governorship displacing the PRI, and later it would occur in Mexico City in 1997—where the PRD displaced the PRI—and in 2000 at presidential or federal level—when the PAN displaced the PRI. The street vendors, their leaders, and their associations were about to enter a new political scenario where the rules of the game were unknown and their dynamics and *modus operandi* would have to be adapted.

4.4 Conclusions

Today, after more than 70 years, four different regulations, two sets of major market construction programs, and innumerable police operations against informal street vendors, the authorities of Mexico City and their federal counterparts are still searching for a solution to the problem of street vending. What conclusions can be drawn from the historical analysis of street vending in Mexico City under PRI governments? What lessons are there to be learned?

4.4.1 *Interpreting the cycles of toleration and repression*

In the first place, it is essential to understand that several features of the street vending problem have remained practically unaltered over time and it seems they will remain so in the immediate future (Gordon, 1997a). Essentially, the street vending problem has been a struggle among different sections of society who have different interests and opinions about the use of public space. The antagonism and resistance of formal established businessmen to competition from informal street vendors has also not changed. Moreover, street vendors have often been in an ambiguous legal situation, despite periodic attempts to regulate them effectively (Gordon, 1997a; Cross, 1998).

CONCLUSIONS

Street vendors have always maintained that their activity should be allowed because, in the absence of formal jobs, the only other options available to them would be criminal activity, or starvation and extreme poverty. They have never stopped defending their interests in the official political and legal systems (Gordon, 1997a).

Government officials have frequently used the street vending problem to obtain political advantages for themselves—or the political parties they represent—and as a source of illegal income through corruption. The administrations of Mexico City have both repressed street vendors—to obtain the support of the middle-classes and the business community—and tolerated them—to obtain, although unlawfully, additional revenue and the support of the urban poor who perform this activity.

Thus, a mix of powers, influences, and interests has shifted government policy to and fro between toleration and repression. Without a sense of direction from the higher authorities of the city government, lower-rank city officials have repeatedly imposed a policy of corrupt toleration, in order to improve their private (and illegal) earnings. However, at times, the mayor, or even the president himself—in various circumstances and in response to different events—took action in favor of interest groups opposed to street vending (Gordon, 1997a).

For example, the government reacted when the number of street vendors increased dramatically. At some point, the street vendors became not just an annoyance, but an impediment to the operation of Mexico City. This not only meant that there were traffic problems, but that those who wanted to consume and invest avoided the affected zones. The government attempted to reduce or at least control informal street vending after the Great Depression (1929), the Debt Crisis (1982), and the Peso Crisis (1994) because these events triggered an increase in street vendors beyond bearable and acceptable levels.

Sometimes the number of street vendors in Mexico City increased although there was no economic crisis to cause it, as in the early 1950s, during the Mexican miracle period. At this time the number of street vendors rose because the city's labor force grew excessively, surpassing the ability of the formal economy to absorb the extra labor. This phenomenon had several causes, some of them difficult to determine accurately. However, one of the causes that clearly contributed to it was the high rate of migration from rural areas and other states to the capital in the late 1940s and 1950s (Gordon, 1997a).

This observation illustrates the dynamic processes of the informal sector. The fluctuation in the number of street vendors shows that informality is often countercyclical (it increases during recessions, and decreases during periods of economic growth), but growth or reduction

in GDP is not at all the most important underlying factor. Intuitively, it is possible to assert that informal employment—and therefore informal street vending—increases when there are not enough formal jobs with adequate remuneration. This situation might coincide with an economic downturn, for example in the 1930s and 1980s, but this is not always the case, as in the Mexican miracle example.

In some cases, factors not directly related to street vending have exacerbated the aversion and frustration of formal established businessmen and city residents in relation to street vendors. For instance, in the 1930s and 1950s street vendor adversaries protested mostly about road congestion and sanitary problems, but their underlying goal was greater than these organizational issues. For some of the detractors, street vendors were the representation of an unwanted invasion by strangers, both from abroad and from other Mexican states (Gordon, 1997a).

Some observers have portrayed the Uruchurtu administration as the final attempt—by wealthier occupants of the Historical Center—to prevent urban decay and the transformation of Mexico City into an asphalt jungle (megacity). The crusade against street vending during the Uruchurtu administration is consistent with this interpretation. Something similar occurred in the 1980s, when the obvious deterioration of the Historical Center caused a national uproar for action. As attempts to renovate monuments and historic buildings started, street vendor detractors added the defilement of national treasures to the list of the street vendor's transgressions (Ponce, 1986; Vera, 1989; Monge, 1993a).

4.4.2 *Understanding the changing interests of the PRI*

The interests of the PRI—the ruling party until 1997 at city level and 2000 at federal level—had a decisive role in shaping government action in the second half of the 20th century. Important shifts in policy and strategy in 1952 and 1988 went together with negative electoral results for the PRI in Mexico City. In both cases, the plans that followed to contain street vending were part of a broader strategy implemented by the PRI to recover some of their constituents. In each of these cases, the severe measures taken by the government were endorsed by large segments of the population of Mexico City, and they helped the PRI to win the forthcoming elections (Gordon, 1997a; Cross, 1998).

Occasionally, the PRI attempted to gain popular support by abandoning its policies of repression. For example, at the end of the 1960s and early 1970s, the PRI acknowledged it had

distanced itself from the urban poor and the educated middle-class. The PRI wanted to portray itself as modern and considerate with the underprivileged so as to reduce the type of popular dissatisfaction that led to student protests, urban guerrilla groups, and underground revolutionary movements in those years. The city administration moderated its position towards the street vendors in search of this goal (Gordon, 1997a).

A comparable situation occurred in the early 1980s. The austerity measures put into action as a result of the 1982 Debt Crisis delivered a profound blow to the image of the PRI (Philip, 1998). As the national economy was staggering and general dissatisfaction was rising, a frontal attack on the numerous street vendors who had started to inundate the streets would have been perilous. In fact, I believe that the street vendor problem became uncontrollable between the mid-1970s and early 1980s. During this period, street vendor associations emerged larger and better organized than ever, corruption was rampant in the Mexican political system, the import substitution industrialization model was coming to an end, and the 1982 Debt Crisis exploded. All these factors, together with massive migration to the capital,¹²² contributed to make street vending an unsolvable quandary.

Throughout most of the 1980s, the government of Mexico City attempted to calm down detractors with seemingly impressive but insufficient relocation projects, which merely moved street vendors from one street to another (Gordon, 1997a). City authorities responded to criticism that they were not acting as quickly as necessary against the street vendors by pointing out that they were attempting to avert major social unrest.

When the city government decided to repress street vendors, it seemed reasonable to assume that such action would involve the loss of street vendors' support for the PRI. Nevertheless, the plans to contain street vendors actually brought them still more firmly into the party enclosure (Gordon, 1997a). The PRI was able to achieve this deed because of the unclear legal status of the street vendors and lack of solidarity among the different street vendor groups. With almost no other options, street vendors had to follow what concessions they could through their relationship with the PRI. The emergence of the PRD in 1989 opened a new channel through which street vendors could advance their cause. However, the lack of power of the PRD and its inability to influence the government ensured that the number of street vendors pursuing this option was low before 1997.¹²³

¹²²There was a population increase of 29 percent between 1970 and 1980 in Mexico City. The increase in Mexico City's Metropolitan Area was even greater (Table 4.1).

¹²³This state of affairs would change drastically after 1997, when elections to select the head of government of Mexico City were held for the first time, and PRD's Cuauhtémoc Cárdenas was the victor.

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Once the city government determined that it was ready to start a new crusade against street vendors it presented them with a set of incentives and disincentives (carrots and sticks). The street vendors who collaborated with the government would receive preferential treatment in the allocation of space in the marketplaces. Those who did not collaborate faced repression on the streets. Mexico City authorities clearly favored those groups associated with the PRI in the negotiations and planning, which helped to attract new affiliates into these associations. As a consequence, the PRI ended up with more affiliates at the end of the campaign against the street vendors than before it began (Gordon, 1997b).

During the mid-1990s, the street vendors became particularly relevant to the PRI's political operations in Mexico City, since the party had been losing control in its established strongholds of support—the Confederation of Mexican Workers (CTM) and the National Peasant Confederation (CNC) (Gordon, 1997a). Ilán Bizberg (1990) has argued that there was a crisis of Mexican corporatism dating back to 1982, provoked by the inability of the state—when confronted with the 1982 Debt Crisis—to keep on providing the economic incentives of populism. Thus, the gradual weakening of party support among the industrial and agricultural unions was in part caused by neoliberal programs of trade liberalization, privatization of state-owned enterprises, wage controls, and the promotion of foreign investment. As Bizberg (1990:721) pointed out, “It can be said that the PRI appears to have abandoned not only its original project, its ideology and its discourse, but also its bases [of political support].”

Other researchers—such as Azuela (1990) and Stamm (2007)—have also recognized a generalized deterioration of corporatism in Mexico during the 1980s and 1990s. However, within this widespread deterioration, there was a relative progress in the relevance of the popular sector. This progress did not emerge from the middle-class element of the National Confederation of Popular Organizations (CNOP)—such as teachers, small industrialists or bank employees—but from *lumpen*¹²⁴ or marginal groups such as informal street vendors.

Thus, the CNOP provided the PRI with a relevant tool in its attempt to recover Mexico City, in the form of informal street vendors and other groups in an equally fragile legal situation, such as informal settlers and garbage pickers. As one PRI official said, “The popular sector had become the spinal column of the party” (Gordon, 1997a:7).

¹²⁴*Lumpen*: Of or relating to dispossessed, often displaced, people who have been cut off from the socioeconomic class with which they would ordinarily be identified (i.e. Lumpenproletariat) (The Free Dictionary, 2010).

4.4.3 *The end of the PRI era in Mexico City*

The victory of the PRI in the 1991 midterm elections changed the institutional relationship between street vendor organizations and the PRI. Customarily, street vendors had been used by the PRI for several purposes—including attending rallies and making it appear as if the PRI had vast popular and grassroots support—not necessarily to help win elections but to legitimate electoral victories, particularly if they were highly contested or downright fraudulent.¹²⁵

When the 1991 midterm elections proved that the PRI could win without recurring to fraudulent practices, the city government decided to tackle the problem of informal street vending in key areas of Mexico City, as part of its wider neoliberal program, which included, among other things, a policy of increasing the tax base and cutting subsidies. Moreover, the promise of providing street vendors with stalls in a commercial plaza was a way of removing them from the streets and gaining their loyalty, to be used as valuable political capital.

The changes in government policy were certainly important, but also influential were the changes in political context. The construction of markets as a solution to the problem of street vending had been discussed several times before by other city governments, with no result. In fact, some people were surprised that commercial plazas were actually built during the Camacho Solís administration (Cross, 1998). One important factor to take into account was that Camacho Solís was seen as a prime presidential aspirant, and his plaza construction program was thought to be a central element of his political career as he sought the presidential ticket, as it showed his capacity to deal with important problems while developing his network of supporters.

Cross (1998) argues that, strictly speaking, the plaza construction program of Manuel Camacho Solís could be described as a fiasco in the sense that the city government made an attempt to buy off the leadership structure of the street vending movement by giving vendor leaders full control over the administration of the commercial plazas. However, by doing so, the city government renounced potential long-term success in dealing with the problem of street vending for the short-term appearance of success on which it hoped to capitalize for the 1994 elections.¹²⁶

¹²⁵For example, the election of Carlos Salinas to the presidency in 1988 was marked by wide-ranging charges of fraud and claims that the true victor of the elections was the candidate of the opposition, Cuauhtémoc Cárdenas, and thus street vendors were needed as a source of support and validation in the process of legitimization of the victory of Salinas.

¹²⁶However, Stamm (2007) showed that, some years later, the plaza construction program may have had some degree of success in one respect, as democratic practices have been registered in the vendor associations of com-

Thus, street vendor organizations were only momentarily contained, but not vanquished. Indeed the city authorities had bestowed considerable power on street vendor organizations in a way that helped to increase their organizational resources, and consequently strengthened their capacity to resist government policies in the future. Moreover, it facilitated numerous opportunities for bribery and corruption to their leaders. In fact, the control of the administration of their commercial plazas resulted in greater economic power and created a whole new bureaucracy within the largest street vendor organizations, as will be seen in Chapter 6, which eventually allowed them to hire advisers and professionals well connected to the political system (Cross, 1998; Barrios, 2010).

In the end, while the government had limited its role to that of a construction agent—guaranteeing financial backing but avoiding direct financial responsibility for the projects—the financial crisis and the consequent collapse of the peso showed how delicate this system was. The 1994 Peso Crisis not only forced many vendors to go back to the streets to recover their losses, but also ensured that state-owned credit institutions and the city government ended up carrying an uncollectable debt as numerous vendors stopped paying mortgages on their stalls. As interest rates oscillated between 50 percent and 70 percent, any possibility of negotiating funding for more projects was out of the question.

The Espinosa Villarreal administration represented the beginning of a new cycle of repression, with no alternative option for street vendors, who were complaining of unfulfilled promises from the city government and suffering the difficult economic situation as a result of the Peso Crisis. The street vending problem had grown to unimaginable proportions in size and power. The stern and confrontational approach used by Espinosa Villarreal was not the best policy option. It resulted in a disastrous outcome—with street vendor numbers skyrocketing and being repressed by the police—that had a sudden turn when the *alternancia* occurred in Mexico City in 1997.

Finally, neoliberal policies, with their corresponding reduction in resources and national spending restrictions, undercut the logic behind clientelistic informal politics. The resources the government employed to provide basic needs disappeared as the neoliberal directive reduced most forms of social expenditure. Many marginal poor groups, faced with economic policies under which their political value was diminished, responded by rejecting clientelistic party politics (Azuela, 1990; Shefner, 2006; Stamm, 2007). They asked themselves: Without even periodic compensations, why remain clients? (Shefner, 2006) Instead, several of these

mercial plazas as a result of the 'ownership scheme' implemented in them, as well as changes of political culture which have been gradually spreading in civil society groups and therefore in vendor associations.

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groups would organize themselves independently of party affiliations, would become less obsequious and more confrontational, would base their demands on citizenship claims rather than partisan loyalty, and would combine with other similar groups and organizations around mounting non-local demands (e.g. human rights) (Shefner, 2006). Thus, the neoliberal program implemented by the federal government had an important effect on the political practices of the informal street vendors during this time: with fewer resources available to the government and the ruling party for patronage, social welfare provisions, and urban services, the street vendors realized that old, risk-averse, and docile political behaviors no longer fulfilled their needs, which led them to look for new political opportunities (Thornton, 2000; Shefner, 2006). But this path of action would be feasible and realistic only after the arrival of democratic change and the alternation of parties in power.

5. INFORMALITY AND STREET VENDING IN MEXICO CITY (1997–2006): THE DEMOCRATIC YEARS

5.1 Introduction

This chapter is a continuation of the detailed political analysis and description presented in Chapter 4. It describes the development of informal street vending in Mexico City from 1997 to 2006, years in which street vending was consolidated as an important social, economic, and political phenomenon, while democratic transformations and new political cycles were taking place in Mexico City. They correspond to the first 9 years the PRD held power in Mexico City. Moreover, this chapter uses the process of democratization and the alternation of political parties in power as a natural experiment to offer this thesis variation in terms of which party is in power, and therefore the opportunity to observe how linkages between politicians, government officials and street vendor groups are made and unmade as power changes hands, through the different PRD city administrations.

The chapter is divided in two sections. The first section describes the development of informal street vending in Mexico City from 1997 to 2000, years which comprise the alternation of political parties in power that took place in Mexico City as a result of free and open elections in the capital and the arrival of a new party to govern Mexico City—the PRD government of Cuauhtémoc Cárdenas. Moreover, the section explains the attempts and strategies of the then-incumbent government of the Federal District and federal government of Mexico to cope with informal street vending during those transition years. On the same line, the section compares the different approaches to informal street vending used by the past PRI governments of Mexico City and the new PRD city government. The section also partially illustrates the provisions that informal street vendor organizations took after they learned that a government different from the PRI and emanating from the opposition was going to govern Mexico City. In addition, the section gives a detailed account of the political, economic, and social processes of the government of Cuauhtémoc Cárdenas in Mexico City, including his strategy towards

informal street vending, his overall government policies, the political particularities of his administration in comparison with previous ones, the obstacles and constraints he found before and during his city administration,¹ and his departure from the city government in pursuit of the presidency of Mexico, in the hope of achieving the democratic transition at the federal level in 2000.

The second section describes the development of informal street vending in Mexico City from 2000 to 2006, years in which the democratic alternation of political parties in power occurred at the federal level in Mexico, with the victory of the right in the presidential elections of 2000—the PAN government of Vicente Fox; while the left consolidated its dominance in Mexico City with a second consecutive PRD victory in the capital—the PRD government of Andrés Manuel López Obrador. The section analyzes the new political settings that existed in the Federal District after more political openness resulted in the election of the heads of the 16 delegations that form Mexico City, and the repercussions it had on informal street vending.² It explains the initial challenges that the city government undertook at the beginning of the administration of López Obrador, in particular, the existence of formal and informal powers in the capital that prevented the efficient administration of the city government. In an attempt to understand better the development of informal street vending during this period, the section analyzes the internal evolution of the PRD and tries to identify the reasons why the party came to use clientelistic practices to do politics, despite efforts to avoid the methods traditionally used by the PRI. A closer look into who makes up the PRD and what the party's immediate objectives were since its onset sheds some light to answer this dilemma. In addition, the section examines two phenomena that took place under the López Obrador administration in Mexico City: the multiplication of street vendor organizations throughout the city and the shift in political party affiliation (from the PRI to the PRD) that some street vendor groups underwent during this time. Following the political analysis, there is a description and detailed assessment of the struggle for space and power that two large street vendor organizations had during this time. Moreover, the section explains why this conflict represented, in reality, a

¹Some were political in nature, particularly the political inertias and bureaucratic culture of the city government after 68 years of PRI rule in Mexico City, inertias and customs that were extremely difficult to change and proved the biggest challenge to the new PRD administration in the capital.

²The section looks at the problems created by the delegation of authority from the central city government to the delegations and the effects of the lack of coordination and communication among these two branches of government on the implementation of policies and plans to address informal street vending. It examines how different authorities—regardless of their party affiliation—advocated different approaches (violent enforcement versus dialogue) to tackle the street vending problem. Lack of coordination and contrasting opinions about how to proceed in the implementation of policies relating to the informal street vending problem resulted in weak and uncoordinated efforts and incomplete policies and plans.

political confrontation—with two opposite political parties facing each other—for the control of these informal street vendor groups in the capital, and what were the outcomes of such confrontation. The section describes how politics took center stage during the second half of the López Obrador administration and how politics, and the pressing times of the electoral calendar, ended up displacing plans and policies for informal street vending to the lower levels in the list of priorities of the city government. The section concludes by giving a summary of the plans of the federal government to incorporate the informal sector in general (and informal trade in particular) into broader government plans to improve employment, broaden the tax base, and help develop small enterprises and entrepreneurs, and explains whether these plans were successful or not.

5.2 The Cárdenas administration in Mexico City (1997–2000)

5.2.1 *Political framework*

In the mid-1990s, the political situation of Mexico City in general and the executive authority of Mexico City in particular changed radically. The city's executive authority was transformed from being a post appointed by the president of Mexico—the position of *regente* (regent) or mayor of Mexico City—to being one defined by open democratic election—the position of head of government of Mexico City—after democratic reforms were put in place in 1993.

Thus, the status of Mexico City was transformed. Before, the *regencia* (mayoralty) of Mexico City was equivalent to a ministry of state, appointed by and always subordinate to the president of Mexico. After the election of July 1997, the status of Mexico City's head of government became closer to that of a state governor, with the occupant having more—although not absolute³—capacity of self-determination. This new political arrangement gave far more au-

³According to the Mexican Constitution of 1917, the states of the Mexican federation are free and sovereign. Each state has its own congress and constitution. However, the Federal District—the national capital commonly known as Mexico City—is a special case. Article 122 of the Constitution states the legal nature of the Federal District and notes that its government will be responsibility of the federal powers and of the local legislative, executive and judicial bodies. The reason why the institutions of the Federal District are considered 'bodies' and not 'powers' is because, being the residence of the federal powers, the Federal District cannot have two powers residing on the same territory. In addition, unlike the other states that make up the Mexican republic, the Federal District is not a sovereign entity, lacking a constitution, reason why they cannot be considered 'powers'. Nevertheless, on January 29 2016, the *Diario Oficial* (the government's official gazette) published a reform to Article 122 which has changed most of the above-mentioned provisions of the Federal District. Among them, the official name has been changed to Mexico City, and it will become the state number 32 of the Mexican Federation. Thus, the status of Mexico City will be similar to that of the other 31 states in the federation. A new constitution

tonomy to the executive authority of the capital. This fact is significant as it allows for a comparative analysis of how policies and strategies towards informal street vending—and eventually results—were different when the government of the city was an authoritarian, party-state government versus a new, opposition-emerged democratic government.

There were also changes to the representative body of Mexico City. In 1996, amendments⁴ to Article 122 of the Mexican Constitution allowed for the transformation of the Assembly of Representatives of the Federal District (ARDF) into a collegial body that combined legislative and administrative tasks. Therefore, the elections of 1997 allowed the integration of the First Legislative Assembly of the Federal District (ALDF).

In this manner, for the first time in recent Mexican history, Mexico City residents were able to vote and elect their executive authority as well as a new, more powerful version of their legislative body.⁵

5.2.2 *Alternation in power: Cárdenas wins the headship of Mexico City*

On Sunday July 6, 1997, Mexicans went to the polls for midterm elections to vote for a new congress. More importantly, Mexico City residents voted, for the first time in recent history, to elect the head of government of Mexico City (Jefe de Gobierno del Distrito Federal). The candidate of the PRD, Cuauhtémoc Cárdenas Solórzano, won the elections defeating the PRI's candidate, Alfredo del Mazo, and the PAN's candidate, Carlos Castillo Peraza. The 1997 elections in Mexico City were unique in the history of Mexico. They were not only the first elections in recent history held democratically in the capital to elect the head of government of Mexico City, but also led to a party other than the PRI governing in Mexico City for the

for Mexico City is being drafted and that will give Mexico City the same autonomy and sovereignty as the other states. A new local assembly or congress will also be elected holding legislative powers over public finance and security. Finally, the 'delegations' will be converted into 'mayoralties'.

⁴The Assembly of Representatives of the Federal District (Asamblea de Representantes del Distrito Federal, ARDF) is born by decree—published in the *Diario Oficial* on August 10, 1987—as a body of citizen representation with powers to issue edicts, ordinances and regulations for the police and good governance. The first ARDF started its administration on November 15, 1988. As a result of the political reform of the Federal District—which was published by decree in the *Diario Oficial* (the government's official gazette) on October 25, 1993—the ARDF became a governing body with powers to create legislation for the Federal District. Through this decree, the third ARDF officially became a legislature in 1994. Later, a new decree was published on August 22, 1996, which amends Article 122 of the Constitution and denominates the Mexico City legislative body as the Legislative Assembly of the Federal District (Asamblea Legislativa del Distrito Federal, ALDF). The same law states that the Assembly would be composed of deputies rather than representatives (ALDF, 2013a).

⁵Eventually, other city authorities, such as the delegation directors (or delegates), would also be determined by popular vote, but only after 2000. Between 1997 and 2000, the head of government of Mexico City appointed each of the delegation directors (or delegates) of the 16 delegations that make up Mexico City.

first time. Moreover, the fact that Mexico City is the capital of the country and its largest city gave the post of head of government a preeminence comparable to that of the ministries of state, and perhaps to the presidency itself.⁶

This victory was very meaningful for Cuauhtémoc Cárdenas and the PRD. After running and losing the presidential elections of 1988 and 1994, this victory put them on the verge of a third, and perhaps definitive, run for the presidency in 2000. Winning the elections in Mexico City proved to Cárdenas and the PRD that an undisputed electoral victory was possible and that the country was ready for—and perhaps demanding—political alternation in power at the highest level. But first, Cárdenas and his team had to prove themselves as public servants in Mexico City.

Five months later, when Cárdenas took office on December 5, 1997, he knew that his mandate as head of government would be a difficult one given its short length of only three years. This was an exceptional circumstance, but it was agreed by all political parties before the election that this city administration would only last for three years (1997–2000). This was so that the electoral cycle would align with the electoral calendar of the elections of president of Mexico and Mexico City's head of government by 2000. This put Cárdenas at a disadvantage when implementing policies, promoting changes, and demonstrating results, as he would only have half the time that previous *regente* administrations had (six-year terms) and administrations of future heads of government of Mexico City would have (six-year terms, starting in 2000). The population of the capital had great expectations and hoped for immediate results in the most sensitive areas: security, education, employment, environmental pollution, wages, transport, health (Ziccardi, 2005).

5.2.3 *Politics at work: the Mexico City of Cuauhtémoc Cárdenas*

Cárdenas inherited a city with many problems and difficulties, and one where economic activity was concentrated in the metropolitan area. It was an enormous urban agglomeration, whose daily interaction with neighboring cities (Toluca, Cuernavaca, Queretaro, Puebla) required at least a minimal coordination of public transport and safety with other states' municipalities, whether governed by the PRD, the PAN, or the PRI.⁷ The capital city until then

⁶Moreover, the PRI, whose dominance was increasingly challenged, lost its absolute majority in the Federal Chamber of Deputies. The PRD thus became the second political force in Mexico, followed by the PAN which was third.

⁷According to National Population Council (CONAPO), in 1998, the Federal District had a population of 8.5 million. However, the Metropolitan Area of Mexico City—which extends over part of the neighboring states

had been mismanaged; it was chaotic and faced problems of urban planning and insecurity, comparable to those caused by poverty and unemployment. Personal interests and corruption at all levels—especially at the top of the political hierarchy—prevented programs from being carried out effectively in crucial areas. It was a megalopolis whose needs and problems could perhaps only be resolved at the national level and with the full force of the state. This was the city Cuauhtémoc Cárdenas found.

In July 1997 the PRD candidates had won in 38 of the 40 constituencies (electoral districts) in the capital; the remaining two were won by the PAN. These electoral results gave the PRD the majority of seats in the newly elected ALDF. Paradoxically, this success caused some problems. Given the electoral system in place,⁸ the highest-profile political candidates—the heads in the proportional representation list of the PRD, consisting of key collaborators of Cárdenas—were excluded from the new ALDF.⁹ The victorious PRD candidates in the electoral districts, representing different currents (groups) within the PRD and chosen for their activism in grassroots organizations, had little experience of government (Monge, 1997b).

The outgoing *regente*, Oscar Espinosa Villarreal, had announced that he was leaving US\$100 million in the city's treasury. However, Cárdenas found distorted accounting information, manipulated figures, and empty files. There was a deficit of US\$40 million and a debt of US\$50 million more (Monge, 1998a; Escarpit, 1999).

One of Cárdenas's campaign promises was to recover the city for its inhabitants, which involved a struggle against petty crime and, most of all, against mafias of all kinds and existing everywhere: in the police, public transportation, wholesale markets, and prisons, among organized criminals such as car thieves or those running drugs cartels, and of course in the informal street vendor organizations that yet again encroached on the sidewalks and streets of the city to sell their products. In short, Cárdenas's challenge involved a struggle against an obscure world driven by huge economic interests. The task was daunting, especially with a police force undermined by corruption, consisting of poorly paid and poorly trained staff.

Another problem requiring urgent solution was environmental pollution. According to the World Health Organization (WHO), in 1997, Mexico City was the most polluted city in the world. On its 9,000 kilometers of streets and avenues, there circulated some 3 million cars;

of Mexico (Edomex) and Hidalgo—has about 20 million people, making it the largest metropolitan area in the Americas (Escarpit, 1999; INEGI, 2010a).

⁸The ALDF consists of 66 local deputies, of which 40 are elected in the first-past-the-post (FPP) system and 26 are elected by proportional representation (PR).

⁹In uninominal part (one representative per district) and in proportional part (to allow for representation of parties).

27,000 minibuses; 92,000 taxis; 2,000 buses and trolleybuses. The altitude of 2,260 meters in the city center, the age of the automotive fleet (an average of 17 years), the corruption existing within the motor vehicle emissions testing centers, and the poor quality of fuel thwarted all programs to fight pollution (Escarpit, 1999).¹⁰

The main problem was public security. Whether Mexico City's citizens approved or rejected the Cárdenas administration depended on how it attempted to address and solve this problem. According to a report published by the ALDF in 1998, where an assessment of the general situation of the city is made, between 1995 and 1997, the number of pretrial investigations (*averiguaciones previas*) increased by 20 percent, averaging 650 offenses per day (Monge, 1998e). During the first half of 1998—the first semester of the new city government—there were 119,921 offenses, which averaged 28 offenses per hour (Monge, 1998e). Offenses that increased included rape, kidnapping, and armed robbery of banks and passersby (Monge, 1998e). Perhaps the worst statistic was that the Committee for Attention and Citizen Complaints of the ALDF received 6,811 complaints, of which 4,460 involved members of the police (Monge, 1998e).

Finally, and as discussed at the end of the last Chapter 4, after the abandonment of the plaza construction program, the return of the street vendors to the thoroughfare, and the rupture and estrangement of the last PRI city government with the street vendor organizations—as well as the internal strengthening of the vendor organizations—street vending was registering an uncontrollable growth, both in size and organizational power, bringing back to the city all the problems it traditionally carried with and was blamed for: disloyal competition, tax evasion, congestion, sanitary and health problems, safety dangers, pollution, defacement of historical sites, etc.

In short, the most significant public problems Mexico City had could be reduced to four: public security, pollution, transport, and street vending. The three most important organizational problems were the lack of funds in the city treasury, the relative lack of governing experience of the PRD,¹¹ and, as will be shown later on this chapter, the political inertias and bureaucratic culture that existed, emanating from years of corrupt PRI administrations.

¹⁰The city government began to use substitute fuels, such as ethanol and natural gas, instead of gasoline in their own vehicles. Eventually, the city government also helped the owners of minibuses to renew their vehicles, which were one of the major sources of pollution in the city.

¹¹Previously, when he was still a member of the PRI, Cuauhtémoc Cárdenas had been governor of the state of Michoacán (1980–1986) so he had some previous experience in government, as did some of his closer associates and collaborators in Mexico City. However, this was the first time he would have to exercise power from the opposition and against the state apparatus. Many of the PRD figures had no experience in government whatsoever.

5.2.4 Informal street vending in Mexico City in the mid-1990s

In 1970, the category of ‘street vendor’ or ‘itinerant vendor’ had only been introduced in the economic censuses, but by 1997 street vending had become one of the most complex problems to be confronted by the newly elected Cárdenas government (Castillo Berthier, 2004, 2005). Street vending had grown monumentally in Mexico during the last decade of the 20th century. With the passing of time and the complicity of the authorities, informal vendors had taken over streets and avenues, Metro entrances and exits, parks and squares, among other public places. The 1998 ALDF report aforementioned stated that for each one of the 125,000 formally established businesses in the city, there were 1.8 street vendors (Monge, 1998e). The Ministry of Finance estimated that informal trade comprised 25 percent of the GDP; in comparison, formal trade comprised just 18.74 percent of GDP (Monge, 1998e).

According to the last census performed by the city government in the mid-1990s, in Mexico City there were more than 242,000 vendors distributed as follows: over 100,000 were itinerant vendors (*toreros*) and vendors with fixed or semi-fixed stands; 23,000 were *tianguistas*¹² distributed along 152 different routes; 20,000 were situated in 200 fixed locations; 2,000 belonged to ‘market on wheels’ schemes (*mercados sobre ruedas*); 27,000 were in commercial plazas; and 70,000 were located around the 318 public markets existing in the city (Bustamante and Castillo, 1997; Monge, 1998e; Castillo Berthier, 2004). However, if you add up the vendors’ dependants and those with indirect commercial relations to them, there was a total of more than half a million people whose livelihood and survival was directly linked to informal trade (Bustamante and Castillo, 1997; Castillo Berthier, 2004, 2005).

The 1998 ALDF report stated that the *tianguistas* and the vendors on fixed and semi-fixed stands were “the ones causing more conflict since their activities take place outside the laws and regulations” (Monge, 1998e:225). It also pointed out that there were around 25 street vendor organizations incorporated into some political parties, whose bond had allowed them to survive and grow stronger (Monge, 1998e).

According to research carried out by Carlos Bustamante Lemus and Moisés Castillo García on the realities and future of commerce in the thoroughfare in Mexico City—included in the book *Emerging Problems in the Metropolitan Zone of Mexico City*, published by the UNAM¹³ in 1997—the forecast for the city was chaos. Estimates by the National Chamber of Commerce

¹²A *tianguis* is a type of open air market, flea market, or bazaar, which usually operates on certain days of the week or month in a city neighborhood or town. A person who sells at this type of markets is called a *tianguista*.

¹³The National Autonomous University of Mexico (Universidad Nacional Autónoma de México, UNAM).

(CANACO) used by the above-mentioned researchers showed that, at national level, the number of people employed in the informal sector had doubled in the previous eight years (Bustamante and Castillo, 1997; Scherer Ibarra, 1997a), and from 1988 to 1995 street vending grew by 108.5 percent (Bustamante and Castillo, 1997). Moreover, it was projected that by 2000 there would be more than 1,250,000 vendors on the streets of the Federal District (Scherer Ibarra, 1997a).¹⁴

In an interview for *Proceso* magazine in November 1997, Saúl Escobar Toledo—Secretary of Labor Affairs of the PRD and one of Cuauhtémoc Cárdenas’s closer associates—provided a well-thought-out analysis of the situation and identified three main reasons for the aggravation of street vending in Mexico City. The first was the absence of accurate and reliable records of the number of street vendors. He suggested that this resulted from the political clientelism that existed between authorities and street vendor organizations. Escobar Toledo explained that the street vendor leaders gave the authorities the records of their organizations virtually at will, without requirements, forms, or protocols that would show whether this information was true or not. It was a kind of a (betting) game: the more records they presented and the larger the lists of members they showed to the authorities, the better their chances of obtaining selling permits. The second reason was that information and issuance of selling permits allowing street vending were obtained separately in each delegation, without rigor or consistency. Thus there were 16 different ways to request a permit—one for each delegation (Monge, 1998e). Moreover, the issuance of the permit also varied from delegation to delegation. For example, some delegations issued selling permits verbally while others gave a paper certificate. The third reason for the aggravation of the problem of street vending in Mexico City was the notion that informal work—especially street vending—was an activity tolerated but not regulated. “It is the kind of activity that goes into the closet” Escobar Toledo had said (Scherer Ibarra, 1997a:154).

Escobar Toledo stated that it was necessary to update the legal framework in such a way that it facilitated the formation of organizations of street vendors and the collection of more reliable information. He said that while the revision of the legal provisions applying to informal street vending would not take place during the first months of the Cárdenas government,

¹⁴According to the INEGI’s National Employment Survey performed from 1998 to 2004, the total number of individuals working on street vending in the Federal District, in the year 2000, was of 169,275 (INEGI, 2004). Moreover, the number of individuals working on street vending in the Metropolitan Area of Mexico City (the Federal District plus several adjacent municipalities of the states of Mexico and Hidalgo), in the year 2000, was of 320,467 (INEGI, 2004). Thus, the projection of the CANACO was overestimated by about 1 million people.

he was confident that after consultation with the ALDF and street vendor organizations, it would be possible to present an initiative or bill on the subject (Scherer Ibarra, 1997a).¹⁵

5.2.5 *The proposals of Saúl Escobar Toledo towards street vending*

Saúl Escobar Toledo knew in detail the problem of informal street vending. As a federal deputy in the preceding Federal Legislature LVI (November 1, 1994, to August 31, 1997) he had presented a government bill to regulate the informal work nationally. The bill, presented on April 3, 1997, sought to amend several laws in favor of informal workers. At the time, he was confident that if the bill was not approved in the Chamber of Deputies—which is what ultimately happened—the PRD would explore the development of a similar bill, exclusively for the Federal District (Scherer Ibarra, 1997a).

According to Escobar Toledo, informal workers were a very vulnerable group: “there is no law that mentions them, much less that defends them. There are no adequate institutions to protect them and to incorporate them gradually into the formal economy. There are no satisfactory public policies to rescue them, dignify them and make them more productive” (Scherer Ibarra, 1997a:154–155).

Escobar Toledo foresaw that informal sector workers—among them street vendors—once incorporated into the legal framework would be subject to rights and obligations. Among their rights would be the right to organize, to use the thoroughfare while observing the constitutional and legal framework, to be incorporated into the social security system, and to access education and health benefits. Among their obligations would be their inclusion in the tax system, complying with the payment of taxes and duties (Scherer Ibarra, 1997a).¹⁶

A new law on informal work, Escobar Toledo insisted, would allow “the most constructive dialogue between street vendor organizations and the government, not based on clientelism and political considerations. No matter if the vendor leader belongs to the PRI or the PRD, is white or colored; what matters is if she or he meets the legal requirements or not” (Scherer

¹⁵With ‘initiative’ or ‘bill’ I mean a ‘law initiative’ (iniciativa de ley), also known as ‘legislative proposal’ or ‘government bill’.

¹⁶Escobar Toledo had in mind a scheme that was somehow similar to what Santiago Levy (2008) would promote—in a more elaborate way—a few years later. Both Escobar Toledo and Levy reached the same conclusion: that informal workers were unprotected and abused by the system in place and that something had to be done about it. Both saw the incorporation of informal workers to the social security system as well as accessibility to education, health and pension benefits—as well as their direct or indirect contribution to the tax system—as key elements in the proposed reforms.

Ibarra, 1997a:155). For Escobar Toledo, the proposed law would have two key advantages: the ability to create reliable statistics, and therefore the possibility to diagnose what public policies would be required (Scherer Ibarra, 1997a).

For the first time, the approach towards informal street vendors and their activity had become more benevolent. Rather than treating street vendors as a plague that had to be eliminated by any means possible, Escobar Toledo's proposals were inclusive and conciliatory. He had claimed:

I see no reason why this type of organization and worker cannot have social security. Why can't they apply for a housing loan? Why can't they benefit from public policies that enhance their living standards? Why can't they be the target of development policies that allow them to move from the informal—increasingly precarious—economy to the formal economy and establish their own small businesses?

(Scherer Ibarra, 1997a:155)

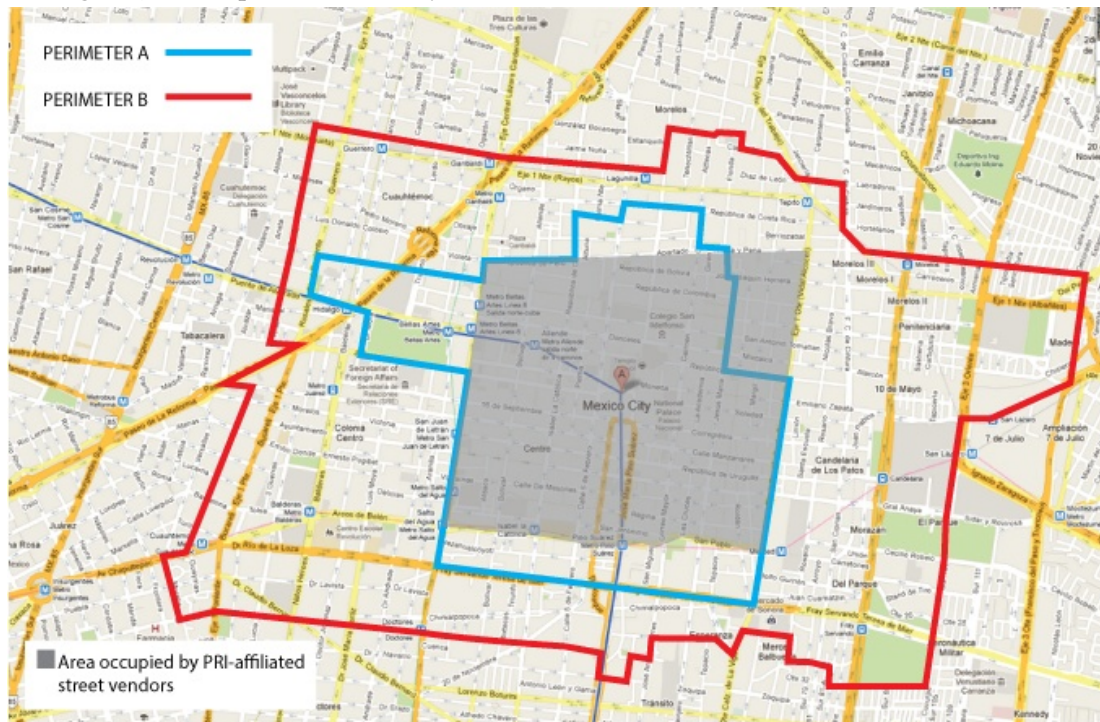
Saúl Escobar Toledo would become the under-secretary of labor and social welfare in the Cárdenas administration in Mexico City. Before the new city government took office, he already had a very clear idea of what had to be done. The new city government would deal with the street vending problem through two programs: a reorganization or relocation program for the informal street vendors, which would update the legal framework; and a program to rescue the Historical Center, one of the promises of Cuauhtémoc Cárdenas's campaign for the city government.

Escobar Toledo believed that the street vending problem could not be separated from the rest of the problems of the Historical Center and Mexico City, and that it could not be addressed by 'ejecting' or 'eradicating' street vendors, but rather should make them part of the project. Escobar Toledo acknowledged: "The street vendors do not have to be the dirt hidden under the carpet. They may also be part of the environment. They can give life to the Historical Center in a positive way. When they are where they should be, they can be one more attraction" (Scherer Ibarra, 1997a:156). Escobar Toledo also strongly emphasized his belief that the growth of informal street vending had political reasons: "I think that street vending has been fostered deliberately as a way to create a political clientele, mainly by the PRI" (Scherer Ibarra, 1997a:156).

In fact, working in the Historical Center there were about 8,506 street vendors whose organizations were affiliated to the PRI (Scherer Ibarra, 1997a). These organizations occupied an

area from the central road Lázaro Cárdenas to the Circunvalación beltway, and from the street República de Perú to the avenue José María Izazaga. The organization of Guillermina Rico controlled 77.6 percent of the vendors. After Rico's death—in September 1996—her daughter Silvia Sanchez Rico became leader of the organization. Another female leader, Alejandra Barrios, controlled 12.18 percent of this area; the rest was handled by vendor leaders Miguel Huerta and Benita Chavarría (Figure 5.1) (Scherer Ibarra, 1997a).

Figure 5.1.: Map of Mexico City's Perimeters A and B (Historical Center area, 1997)



Source: Author, with data from Scherer Ibarra, (1997a).

However, not all the vendor organizations were linked to the PRI. As a matter of fact, before the new city government took control of the city administration, in Perimeter B (Figure 5.1) of the Historical Center¹⁷—in the market area of La Merced—about 25 informal street ven-

¹⁷The Historical Center was born in 1980 as a result of a presidential decree that declared it 'Historic Monuments Zone', and later strengthened its importance with UNESCO's declaration as World Cultural Heritage Site in 1987. Through these public actions, the Historical Center also changed the way the problem of informal street vending was understood. From a hygienist vision that prevailed until the 1980s, street vending became a problem associated with the loss historical heritage, violating one of the most representative elements of the national identity. The 1980 decree defines the Historical Center as an area of 9.1 square kilometers divided into two perimeters: The Perimeter A of 3.7 square kilometers, which concentrates the highest density of monuments, and is surrounded by the Perimeter B, which covers an area of 5.4 square kilometers and functions as a buffer zone. This is an area that is characterized by being the political and symbolic center of the country in a space that has the largest density of historic monuments in Latin America (Silva Londoño, 2010).

dor leaders were active under a scheme of restricted tolerance. Among them were: Domingo Chavarría, of the Union of Tenants Traders of the Federal District (Unión de Comerciantes Locatarios del Distrito Federal); Rosa María Moreno and Guadalupe Núñez, supported by the Assembly of Neighborhoods (Asamblea de Barrios); and Teresa Garduño, of the Emiliano Zapata Popular Revolutionary Union (Unión Popular Revolucionaria Emiliano Zapata, UPREZ) (Scherer Ibarra, 1997a). Some of these groups would develop—or already had—liaisons with some PRD political activists and, directly or indirectly, would become PRD grassroots organizations, especially those groups close to the UPREZ¹⁸ and the Asamblea de Barrios.¹⁹ In addition, the UPREZ was a member of the Urban Popular Movement (Movimiento Urbano Popular, MUP) (Ramírez Saíz, 2006).²⁰

Knowing its size and complexity, Escobar Toledo did not dare to make any estimations nor predictions about how he would solve the street vending problem. Political will was not enough; it was important to have economic stability as well, and cooperation from the street vendor organizations: “We must have dialogue, no matter how lengthy it may be. They should not refuse to speak to us because they fear manipulation, fear to disobey their party’s orders, or because they resent having another party governing the city. This would make things more difficult” (Scherer Ibarra, 1997a:156).

Escobar Toledo was also well aware that the conditions for governing Mexico City at that particular time were not the best, but there was no choice. Cuauhtémoc Cárdenas and the PRD had won the election and would therefore have to face the challenges of governing.

¹⁸The UPREZ, for example, had offices in different states of Mexico. One of its objectives was to improve the living conditions of the Mexican population by renting their ‘political hauling’ services (*acarreo*)—carrying people to political rallies, in much the same fashion as PRI-affiliated street vendor groups did—and violent clash groups to political parties of the left.

¹⁹The UPREZ is a social organization—created in February 1987—which aims to improve the living conditions of the Mexican population through grassroots social struggle, in the cities and in the countryside. Likewise, the Asamblea de Barrios (Assembly of Neighborhoods) is another social organization, constituted two years after the 1985 earthquake (April 1987), as a response to the government ineffectiveness to rebuild the ruined houses and solve the serious housing shortage that prevailed in the city in those years. Both organizations would develop ties with the PRD.

²⁰The Urban Popular Movement (Movimiento Urbano Popular, MUP) is a front of left-wing social organizations, which became the most dynamic social current in Mexican cities for over three decades—between 1968 and 2002—and coincided with countrywide efforts to establish democratic forms of political participation. The MUP became a mainstay in the fight for democratic freedoms and the defense of human rights in the country. It was a fertile training ground for those seeking social and political change. It contributed by changing the urban landscape, increasing the organizational capacity, and providing new ideological resources. The MUP gained influence as groups combined demands with proposals in community and habitat design, and participated in the planning and construction of low-income housing. The MUP also changed the balance of power and influence in Mexico by attaining a legitimate status in the political arena, creating links with other organizations, and allying with democratic movements throughout the country (Ramírez Saíz, 2006).

5.2.6 A new political stage: beginning from scratch

Thus, as mentioned earlier, when Cuauhtémoc Cárdenas took office on December 5, 1997, he found a city in disarray. During his campaign Cárdenas and his closest aides pointed out that Mexico City, and the country in general, were struggling to deal with an economic crisis (deepened by governmental policy), a political crisis (expressed in the breakdown of the PRI regime and the questioning of the government institutions), a social crisis (whose most visible manifestation was the widespread impoverishment of many people), a moral crisis (evidenced by the escalation of violence, the absence of the rule of law, and pervasive corruption), and an environmental and territorial crisis (the dilapidation of non-renewable resources, the non-preservation of natural resources for future generations, increasing pollution, and the deepening inequality in regional development) (Scherer Ibarra, 1997b).

In the document *Una Ciudad para Todos* ('A City for All'),²¹ in which Cárdenas expressed his plans for government, he stated that the metropolitan area—which includes Mexico City and several municipalities of the states of Mexico and Hidalgo, whose inhabitants work in Mexico City and use its services—included the largest number of unemployed and poor in the country. The diagnosis was made by taking into account the loss of productive industry and employment in the Federal District. The document also mentioned that the failure of the internal productive structure was reflected in the high and visible unemployment levels and the increase of the population devoted to informal activities, in particular street vending (Scherer Ibarra, 1997b; Cárdenas, 2010).

Having identified informal street vending as one of the key problems to resolve in the city, Cárdenas and his teams sketched their initial ideas for dealing with it by stating that in the new government street vending would no longer be treated as an 'urban conflict'. Cárdenas warned that the new government would end "the corrupt relationship that city officials establish with street vendors by way of extortion" (Scherer Ibarra, 1997b:573). He also stated that street vending would be regulated and that street vendors would not be treated as a political clientele, making clear that corruption would have no place in his government (Monge, 1997b). On November 27, 1997, Cárdenas told members of the American Chamber of Commerce that he would encourage productive activity in the city and was considering a possible 'fiscal truce' in order to regularize the informal activities of street vendors (Scherer Ibarra, 1997b).

²¹The document also pointed out that insecurity was the main problem in Mexico City; violent acts occurred every day and the citizens of the capital were victims of theft, murder, sexual violence, and juvenile delinquency. Few crimes were reported and even fewer were solved, pretrial investigations were not followed up, and criminals walked free.

5.2.7 *The cabinet of Cuauhtémoc Cárdenas*

As a government of *alternancia*, Cárdenas wanted to form an inclusive government, and his cabinet was made up of an eclectic set of people, including personal friends, close associates, ex-officials, ex-PRI members, old left-wing militants, ex and active PAN members, businessmen, financiers, academics and researchers, political activists, and former policemen and military personnel (See Appendix A.3 for a more elaborate discussion on Cárdenas’s cabinet members and delegation directors at the beginning of his government).²²

Criticism emerged of the composition of Cárdenas’s government, particularly from the ranks of the PAN. Carlos Castillo Peraza, the PAN candidate who ran against Cárdenas in Mexico City, severely questioned the inclusion of those cabinet members who had links with social movements in the capital. He pointed out that several of them had frequently acted at the boundaries of the law and undertaken political maneuvering for the PRD in the city.²³ He suggested that Cárdenas intended to use these cabinet members to co-opt these groups (social movements)—among them street vendors—in order to control them and also as a way to start building a social support structure looking towards the 2000 presidential elections; but surely, this type of association would come into tension with the need to provide security in the city (Jaquez, 1997).²⁴

Following his condemnation, Castillo Peraza criticized Cárdenas’s initial words about the problem of informality and street vending: “Why does he say that the irregular—if not corrupt—relationship of street vendors and informals with the authority is a problem? Many

²²Appendix A.3 includes Table A.3.1 and Table A.3.2 which show detailed lists of both the cabinet members of the Cárdenas’s administration and the delegation directors, respectively, at the outset of his government.

²³In particular, Castillo Peraza referred to René Bejarano, the general director for government in Cárdenas’s administration. Bejarano has been described as a corrupt figure who has been accused of financial fraud, nepotism, and having an obscure background in social movements (Jaquez, 1997). In 2004 a video of Bejarano receiving money from a businessman in return for procurement favors was aired on TV. This exposed the corruption existing in the administration of López Obrador. Bejarano was imprisoned in 2004 but in less than a year was released after a judge ruled that there was no sufficient evidence against him.

²⁴In fact, the first mistake attributed to the Cárdenas government came with the appointment of the collaborators in charge of public security: Rodolfo Debernardi and Jesús Carrola Gutiérrez. With their appointment, Cárdenas signaled that he would have a strong hand in the city government, but Carrola resigned only days after the beginning of the new government under allegations of police brutality and links with drug traffickers. Debernardi, a man formed in the armed forces, attempted to impose a military-like system in the city’s Public Security Secretariat which failed. On August 28, 1998, Rodolfo Debernardi left his post and was replaced by Alejandro Gertz Manero. This marked the return of a civilian as head of the police and, with it, the implementation of a new policy whose pillars were the decentralization of responsibilities and citizen participation. Thus, with the arrival of Alejandro Gertz to the Secretariat of Public Security, in coordination with the office of the Attorney General of Justice of the capital, began an attempt to address the corruption in the police force, not without strong resistance from certain sectors.

of them [street vendors and informals] are members of groups that have been under the custody and control of the PRD” (Jaquez, 1997:173). When I asked Cárdenas about this claim, he denied the accusations (Cárdenas, 2010). It is important to notice that, while it is understood that some informal groups had a rapprochement with the PRD during this time, the majority were still affiliated to the PRI. Cárdenas’s victory was relatively unexpected and therefore it is hard to believe that the number of informal groups related to the PRD were significant at that particular time.²⁵ In addition, by its statutes, the PRD did not accept the affiliation of groups—only accepted affiliation of individuals—reason why it was not that easy to form ties with the PRD at an institutional level. The PRI, on the other hand, had done it systematically for many years.

Cuauhtémoc Cárdenas and his collaborators had to implement their policies and demonstrate that they had an impact on Mexico City in only three years. Cárdenas was aware that time was short and that performing well was important in the competition for the PRD nomination to the presidential elections of 2000. He said: “If we do not do a good job here [in Mexico City], it would be absurd to seek other political posts” (Monge, 1998a:178). Moreover, he knew that if he was going to run for the presidency, he would effectively be in office (as head of government of the Federal District) for less than three years because of the timing of the campaigns and elections.²⁶ Therefore, it was important to act quickly and efficiently.

5.2.8 *The government’s agenda*

On April 1998, four months after Cárdenas took office, the government of Mexico City presented its General Program for the Development of the Federal District 1998–2000 (Programa General de Desarrollo del Distrito Federal 1998–2000). This document contained a diagnosis on Mexico City at the end of the 20th century, which pointed out that “in the past, the decisions taken by the designated authorities did not respond to the demands of the population nor the criteria of long-term development but to political compromises or short-term business” (Corro, 1998:190). The document added that this was one of the main reasons why Mexico City was an urban concentration marked by conflict among some groups of the popu-

²⁵Later on, during the administration of López Obrador, this situation radically changed and the number of street vendor organizations with links to the PRD increased significantly; some of the old groups with ties to the PRI moved to the PRD and many of the new groups approached the PRD without considering other parties.

²⁶Cuauhtémoc Cárdenas was in office from December 5, 1997, to September 29, 1999—this was 662 days as head of government of Mexico City; not even two full years in office. The rest of the administration, 1 year and 62 days, was completed by Rosario Robles.

lation, characterized by a disorganized urban development and by an overall non-compliance of laws and regulations. These had been ignored for decades in return for perquisites and additional benefits, in an extreme broadening of the concept of clientelism that, in general, had ruled the country (Corro, 1998).

With this program Cárdenas aimed to rescue the city and to give back to it the preeminence it deserved as a capital of the country. Cárdenas wanted to convert the delegations into municipalities by giving them more independence; to professionalize and moralize the security forces and the justice system; and to introduce the possibility of holding referendums and plebiscites as means of participation. As the city government was left with an enormous debt,²⁷ he also aimed to achieve sound public finances by controlling public debt, modernizing the property tax structure as well as the collection of water consumption fees, and promoting comprehensive development and modernization projects (Corro, 1998).

When examining the factors that affect informal street vending, the General Program explained that because of the economic (Peso or Tequila) crisis, there were almost no new jobs being created, while immigration to the city continued. Although the flow of immigrants into the city had been greatly reduced and the birth rate in Mexico City was one of the lowest in the country, the labor supply was insufficient (Corro, 1998). The document noted that during the 1980s, the phenomenon of massive unemployment had forced some of the population into street vending and this had been acknowledged by the federal government as a ‘solution’ to social pressures. Therefore, the observation and enforcement of the law was relaxed to allow a large number of Mexico City inhabitants to make a living selling on the streets and sidewalks (Corro, 1998). Thus, towards the end of the 20th century, street vending in Mexico City had become a phenomenon of the greatest importance and complexity, as it allowed many city inhabitants to earn a living. However, it also presented serious difficulties for other population groups, among them the formally established merchants. The problem was fully acknowledged by the Cárdenas government.

The General Program emphasized that in a megalopolis like Mexico City, population groups tend to hold different positions on issues of interest, so conflict may naturally arise, but it considered that these are not beneficial to social harmony. For this reason, the city government was determined to maintain a permanent dialogue with the actors of potential or existent conflicts (Corro, 1998). The General Program explained that there were key players involved

²⁷ According to Antonio Ortiz Salinas, secretary of finances during the Cárdenas administration, the previous administration had left them with little budgetary leeway—85 percent of public expenditure was compromised and there was a debt of MX\$13,000 million (Monge, 1998a).

in commerce on the thoroughfare: formally established merchants, informal street vendors, neighborhood associations in the affected areas, and population groups affected by the installation of street vendors in public areas:

The government of the City, however, understands that the conflict does not have a sole origin and has no immediate solution. The use of force against street vendors is not possible, because it is not fair, but non-compliance of the law to the detriment of residents or formally established merchants is not correct either. In this, as in other cases, the best way for the government to defuse latent conflicts and achieve long-term solutions is through dialogue.

(Corro, 1998:193)

By the second quarter of 1998, the Cárdenas government took the first actions to tackle informal street vending. There was a police raid against street vendors in La Merced market, which was criticized by the opposition in the city: the PAN and the PRI. The police raid in La Merced was justified in the name of compliance of the 1993 decree that prohibited this type of activity in the area. PAN's Carlos Castillo Peraza once more criticized the city government by saying that while the decree existed and it was not bad to enforce it, it was important to remember how the PRD used to react to former PRI city governments when they energetically enforced this rule. Informal vendor groups would seek and find political protection in Cárdenas's henchmen. Castillo Peraza (1998:197) commented:

The tortilla turned around: the PRI—as hypocritical today as the PRD was before in relation to the [1993] decree—gives protection to those who violate it, in the same way that the PRD did in the past. The tortilla is the same. It just changed sides on the clay hotplate.

Castillo Peraza was right. In June 1998, former PRI city officials, who were protecting informal vendor groups, organized a demonstration against the new PRD city government. Around 20,000 street vendors gathered in the Zócalo—Mexico City's central plaza—to protest and to defend their right to sell on the streets. The demonstration was a political success as it forced the government of Cárdenas into the same position as the PRI had been in when it governed the city. In the words of Castillo Peraza: “The PRI does in the opposition what the PRD used to do; and the latter, once in power, what the PRI perpetrated there” (Castillo Peraza, 1998:198).

This demonstration showed that the bond between informal vendor groups and the PRI was not broken—at least during those years—as a result of the arrival of an opposition party into

power in Mexico City. What is more, the informal vendor groups were being used politically by the PRI to put pressure on the PRD city government. The demonstration also illustrated that the PRI, as weakened as it might have been after losing Mexico City, was not politically dead; on the contrary, it was ready to challenge the government of Cuauhtémoc Cárdenas by all means at hand. The PAN used the hesitant first actions of the Cárdenas government to associate it with the PRI and concluded that the PRD city government was a ‘reheated’ version of the PRI city government. “The discourses are identical: they only changed mouths,” said Castillo Peraza (1998:198).

5.2.9 *Implementing policies to rescue the Historical Center and relocate street vendors*

Cárdenas learned from this initial state of affairs that he had to implement his campaign promises as soon as possible and also be as effective as he could be. Knowing that time was running out and that the financial situation of the city government was less than healthy, he decided to find ways to generate resources for the capital. One of the best ways to achieve this was by developing the city center into a touristic, commercial and cultural hub. To accomplish this, the city government created a program with the slogan ‘*El corazón de la ciudad está en el centro*’ (‘The heart of the city is in the center’).

It was not a new idea. Previous city administrations had put in place similar programs. In 1991, Manuel Camacho Solís started a process to restore 692 buildings, with private and public capital. ‘*Echame una manita*’ (‘Give me a hand’) was the slogan of this campaign. Oscar Espinosa Villarreal gave continuity to the project started by Camacho—Espinosa called it ‘*Vivir en el centro*’ (‘Living in the center’)—and increased the number of rescued edifices to 840. The restoration of buildings and the recovery of public spaces within Perimeters A and B of the Mexico City center became part of the set of measures implemented by the Cárdenas government, which was eager to accelerate the city’s renovation process in an urban space that concentrates more than 1,400 listed buildings into an area of 9.1 square kilometers. In this way, through the program with the slogan ‘*El corazón de la ciudad está en el centro*’, the Cárdenas government took on the challenge of continuing to restore the Historical Center (Monge, 1998b).

The government of Mexico City thus started to reactivate the process of transforming the largest group of historical architectural monuments in Latin America, using policies of promoting land value, creating opportunities for undertaking economic projects, recovering and

regenerating public spaces—buildings, plazas, fountains and gardens—in the Historical Center, as well as injecting resources into the Alameda Central public municipal park. However, a key element for the success of this project was the relocation of street vendors occupying the streets and public spaces of the city center (Monge, 1998b).

The city government revived the 1993 decree that prohibited street vending, and enforced it, despite the resistance of the street vendor organizations affiliated to the PRI. The legal code—also referred in this thesis as ordinance, decree or *bando*—had been approved by the then ARDF²⁸ on July 12, 1993, under the administration of Manuel Camacho Solís (ARDF, 1993). Incongruously, PRI member Jorge Schiaffino—who in 1993 was the vice coordinator of the parliamentary faction of the PRI at the ARDF and had voted in favor of the ordinance that year—in 1998, as leader of the popular sector of the PRI (CNOP) and representative of PRI-associated groups, refused to comply with the ordinance.²⁹ This demonstrates the contradictions in the political decisions and stances taken by members of the governing bodies before and after the alternation of political parties in power.

Moreover, on July 25, 1998, the under-secretary of labor and social welfare of Mexico City, Saúl Escobar Toledo, made public the Land Use and Territorial Planning Program³⁰ (Plan de Reordenamiento), a package of proposals to organize and regulate street vending in the Historical Center. It recommended several lines of action:

- the immediate relocation of street vendors into the 24 existing commercial plazas (22 of which belonged to PRI-affiliated organizations)
- readjustment in the commercial plazas to avoid competition in the activities and occupations
- the extension of public markets
- the construction of new commercial plazas
- the adaptation and authorization of commercial sites (*solares comerciales*), corridors, and bridges
- the organization of productive projects and creation of an employment agency (Monge, 1998b)

²⁸As mentioned earlier, the Assembly of Representatives of the Federal District (ARDF) is the predecessor of the Legislative Assembly of the Federal District (ALDF).

²⁹In other words, now in the opposition bloc, Jorge Schiaffino refused to comply with the ordinance for which he had voted as PRI local deputy when the PRI was in power.

³⁰Also known as the Land Use Payment Program (Programa de Pagos de Uso de Suelo).

Around 50 percent of the 24 commercial plazas, administered in 1998 by the Economic Development Fund of the Federal District (Fondo de Desarrollo Económico del Distrito Federal, FONDECO),³¹ were abandoned, and the city authorities made efforts to recover the premises, consisting of about 1,110 stalls (Monge, 1998b) where they planned to locate the street vendors.

With the Plan de Reordenamiento, the city government was trying to attain two objectives: to clean the streets of the Historical Center of street vendors, and to insert them within the universe of taxpayers. In 1998, the city authorities estimated that in that area of the city there were between 10,000 and 12,000 street vendors, 90 percent of which were linked to the PRI (Monge, 1998b).

Thus, through these two programs (the one with the slogan ‘*El corazón de la ciudad está en el centro*’ and the Plan de Reordenamiento) Escobar Toledo and the Cárdenas government finally put into action their strategy to tackle the street vending problem in Mexico City.

5.2.10 *Breaking political inertias: the battle within the city government*

The challenge Cuauhtémoc Cárdenas faced in governing Mexico City was to try to change not only laws, policies, and citizens’ habits but also the city government itself. Mexico City had never been governed by a party other than the PRI and there were many unlawful and corrupt practices rooted among government officials and workers in Mexico City’s bureaucracy. Thus, not all the pressure on the Cárdenas government was external—there was some from within as well.

In an interview with the political magazine *Proceso* in 1998, René Arce—vice coordinator of the PRD legislators at the ALDF—claimed that the Cárdenas government only controlled about 70 percent of the real power in Mexico City (Monge, 1998e). He warned that there were street vendor organizations and sections³² of the Federal District Government Workers Union (Sindicato Único de Trabajadores del Gobierno del DF, SUTGDF) that could throw into crisis some city delegations (Monge, 1998e). Indeed, by mid-1998 the new city government

³¹The FONDECO was created in October 1996 and, most likely, took over some of the functions of the FONDEF, among them what was related to the administration of the abandoned commercial plazas. The FONDECO was closed in February 2001 (FONDECO-DF, 2015).

³²In Mexico, some unions are divided into ‘sections’. Usually each section represents the workers of a specific workplace, department, or institution within the union.

first began to suffer from sudden attacks by the union (SUTGDF) in response to measures it had taken to eliminate power bases (*cotos de poder*) and sources of corruption.

From the very beginning of his government, the union (SUTGDF) had warned Cárdenas that it was a bad idea to confront the city workers organizations. Their leader had warned, “without us, the city comes to a halt” (Monge, 1998c:212). They carried out their threat.

The first week of July 1998, workers belonging to the union (SUTGDF) disrupted the activities in the city’s Secretariat of Finance and the Cuauhtémoc Delegation, with a partial strike and full work stoppage, respectively. In the Cuauhtémoc Delegation, followers of the section representative for the Markets and Provisions Office—Pedro Maldonado Echevarría—stopped activities for a week (from July 2 to July 9) by preventing trusted and non-union employees (*empleados de confianza*), unionized employees, staff members, government officials, and the general public from coming into the premises (Monge, 1998c).

The sub-delegate of government of the Cuauhtémoc Delegation, Francisco Saucedo Perez, explained what in reality was behind these actions. He declared that the problems with the union—and with Maldonado Echevarría in particular—started when the middle and high rank officials of the Cuauhtémoc Delegation in charge of the Markets Office were substituted with people related to the new city government (Monge, 1998c).

The dissatisfaction among union members grew even more after it was announced that structural changes were going to be implemented in the management and operation of the 39 public markets of the Cuauhtémoc Delegation, with the purposes of updating the single register of tenants of all the markets, professionalizing the markets’ administrators and other market personnel, modernizing the regulatory framework, establishing a service desk (*ventanilla única*) to deal specifically with market issues, and formalizing the accreditation of all board of directors of each market. These all had the goal of making the overall operation of public markets in the delegation more efficient (Monge, 1998c). Finally, the rebellion came when an old unionist—Teobaldo Santana Cruz—was dismissed as head of markets of the Cuauhtémoc Delegation and in his place María Elena Lara, a PRD activist who was member of the union, was appointed. Maldonado Echevarría condemned the removal of Santana Cruz and argued that the post belonged to the union and not to the PRD, since it was a ‘union’s conquest’ (Monge, 1998c).

The sub-delegate Saucedo Perez pointed out that there was neither a document nor a regulation that stated that the post of head of markets belonged to the union. He remarked that it was the intention of the union to put pressure on the authority to maintain their bastions of

power and concluded: “We are affecting vested interests, that’s the truth” (Monge, 1998c:212). PRD’s local deputy René Arce had stated ironically: “It is a union that considers corruption as part of its labor rights” (Monge, 1998e).

Officials within the Cárdenas government considered that the union (SUTGDF) was responsible for breaking the ‘social fabric’ of the public markets and popular provisions in Mexico City. The rupture took place through different violations of the market and provisions laws, for example: the union made room for new activities not authorized in the markets, it sold or authorized changes to market spaces, it fostered the existence of street vendors in the markets area, and it profited from the market permits, all in exchange for money. In short, the union (SUTGDF) had turned the public markets into a gold mine (Monge, 1998c).³³

In fact, during the last PRI administrations in Mexico City, the administrators of public markets had operated with total freedom. Acting in connivance with the city authorities of the time, and in return for large amounts of money, market administrators granted permits to sell alcohol and open videogame sites inside the markets; they sold spaces inside and outside the markets, fostering informal street vending; and they administered as private businesses those services that were part of the market’s public services, such as dental offices or public bathrooms. All these activities violated the provisions of Mexico City’s Market Regulation, which had been in force since 1951 (Monge, 1998c).³⁴

However, connivance was prevalent not only between administrators of public markets and city officials; it also included leaders of street vendor organizations. A 1998 city government report that analyzed the functioning of the 39 markets that operated within the Cuauhtémoc Delegation stated that informal commerce was growing at an alarming rate, capturing and obstructing the space around the public markets, and urged the government to regulate and disentangle this problem (Monge, 1998c). According to the report, the leaders of street vendor organizations—Alejandra Barrios, Miguel Angel Cordero, Miguel Galan and Marciano Islas, among others—were responsible for having encouraged this activity around public markets (Monge, 1998c).

To close the circle, there was also connivance between public market administrators and political parties and political organizations. The Cuauhtémoc Delegation recognized at the

³³To give a very specific example of how the union profited from public markets, to apply for a change of selling activity, the market administrators charged between MX\$1,200 and MX\$4,000, while at the government’s over-the-counter services the real cost of the procedure was only MX\$48 (Monge, 1998c).

³⁴The worst was that some markets, such as Tepito and La Lagunilla markets, became centers of drug distribution and weapon trafficking, where commercial stalls were priced between MX\$250,000 and MX\$500,000, depending on their type of activity (Monge, 1998c).

time that Section 29 of the union controlled all posts in the markets' administrative unit in the delegation, and three political organizations controlled the board of directors of the 39 markets.³⁵

The official analysis concluded that markets had become “a complex system of corruption involving government officials, tenant leaders, market leaders, market's boards of directors, union leaders, street vendor leaders, and political activists” (Monge, 1998c:213). The Cárdenas government intended to end all this: “this is over” sub-delegate Saucedo Perez had asserted (Monge, 1998c:213); but the task was certainly monumental.

It is important to understand the situation of the public markets and their administration in this period because public markets were the following step upwards in the ladder that goes from informality to formality; in other words, from selling in the streets to selling in an established public market or a commercial plaza. The fact that public markets administration in Mexico City was deficient, disorganized and corrupt did not add any incentive to the condition of being formal. It was better to remain informal, selling on the streets—as risky as it could be—than formalize by entering into a public market or commercial plaza and be abused by the market organization in place. Given the collusion between public market administrators, street vendor leaders, city officials, and political party activists, street vendors were better off remaining on the streets and continuing to be loyal to their vendor leaders.

5.2.11 *The real dimension of the problem: too much to do, too little time and resources*

In an interview with the political magazine *Proceso* in July 1998, Clara Jusidman—the city's secretary of education, health and social development during the Cárdenas administration—gave some alarming numbers to illustrate the plight of the poor in the Federal District, many of which were informal workers. The hospital network of the capital—with 26 hospitals and 230 health centers—served 4.5 million people excluded from social security³⁶—employees without benefits, the unemployed, and the self-employed—many falling into the category of ‘in-

³⁵These three political organizations were: i) Under the leadership of (unionist) Jesús Dichi Pacheco, the Public Markets Unified Group (Grupo Unificado de Mercados Públicos) controlled 17 markets. Dichi Pacheco was also coordinator of 19 self-administered markets. ii) The PRI-DF Coordinating Committee for Markets (Coordinadora de Mercados del PRI-DF) had a presence in 22 markets. It was run by Carlos Alonso Ceballos Torres, who was linked to the leader of the PRI's CNOP, Jorge Schiaffino. iii) Different PRD activists shared out the control of at least ten other markets; thus, in some markets, control was shared among different political groups or organizations. (Monge, 1998c).

³⁶That is, medical care provided by the network of hospitals of the city government—that usually targets general population that is not covered by the IMSS of the ISSSTE—served 4.5 million people (Monge, 1998d).

formal workers'.³⁷ This number was equivalent to half of the total permanent population of the Federal District, which was roughly 9 million people in 1998 (Monge, 1998d). Of these 4.5 million people, between 30 percent and 40 percent were indigenous individuals residing in the Federal District, and 120,000 patients had diseases associated with poverty (Monge, 1998d). Clara Jusidman admitted that the numbers were shocking. They reflected, on one hand, the process of conversion from the formal to the informal economy; and on the other, the increasing levels of poverty in the metropolis (Jusidman, 1993; Monge, 1998d).

Jusidman was aware that it had been very difficult to stop the decline in the living standards of the middle sectors of society, which started in the 1980s, with the emergence of the first generation of new poor (Jusidman, 1993). “Many qualified professionals have been forced to be employed in marginal activities or to join the informal trade, in view of the impossibility to fulfill themselves as professionals”³⁸ (Monge, 1998d:454).

However, the indicator that really worried Clara Jusidman was the continuing process of social decomposition, which was increasingly manifested in the loss of values, lack of solidarity, growing individualism, and desire for personal and family growth at any cost (Monge, 1998d). These types of behavior often led to illegality, crime, and violence. It was this kind of poverty—in which economic, family, and educational factors concur—which concerned Jusidman the most, particularly because it was an area the government knew little about.

In the interview, Jusidman stated that the budget authorized to the Secretariat under her responsibility in 1998 was MX\$3,400 million, of which MX\$550 million would be spent on breakfast in schools, and a similar amount on salary payments (Monge, 1998d). She anticipated that with that budget it would be impossible to do anything, so she chose to focus the Secretariat’s work on changing the models of provision of social assistance to the population. Instead of favoring a type of ‘clientelistic’ welfare policy—the one that had prevailed during the times of PRI city governments—Jusidman opted to change the priorities and assistance models to make them more responsive to the realities of the city mentioned above.

At the time, Jusidman did not see any short-term solution to all these problems, admitting that the public resources were not adequate to offset the deterioration in the quality of life

³⁷Santiago Levy (2008:33) defined informal worker in this way: “Informal workers are self-employed individuals and comisionistas working on their own or in a legal non-salaried capacity with a firm, along with salaried workers who are hired by a firm and paid a wage but, in violation of the law, not registered with the Mexican Social Security Institute [Instituto Mexicano del Seguro Social, IMSS].”

³⁸The city government itself had attorneys who were earning MX\$1,400 per month and doctors who earned MX\$1,200 a month (Monge, 1998d); this was the equivalent of approximately US\$155 and US\$133 in 1998, respectively (using an exchange rate of US\$1 = MX\$9).

and coexistence of the majority of the inhabitants in the capital, even less when the social gap between rich and poor widened.³⁹

5.2.12 *The attacks on Cárdenas: evading obstacles in the race for the presidency*

It was not surprising that Cuauhtémoc Cárdenas—a symbol of a center-left political force and capable of conquering power—became the target of furious opposition. Moreover, because Cuauhtémoc Cárdenas was an emblematic figure of the PRD, his successes or failures governing Mexico City would inevitably have an impact on the local and federal elections of July 2000. Since he had become the head of government of the capital city, Cárdenas was the target of countless attacks, mostly in the mass media, particularly private television networks. The news programs of Televisa and TV Azteca emphasized the city government's inability to solve the city's fundamental problems.

In 1999, the harassment against Cárdenas increased, nurtured by the fears of certain economic groups of seeing him in the presidency, or seeing the PRD occupying new areas of power (Cárdenas, 2010).⁴⁰ Perhaps, the main reason was because Cárdenas—as head of government of Mexico City—had progressively gained dimensions of head of state, at times overshadowing President Ernesto Zedillo. Invited to the inauguration of several Latin American leaders, on tour in Washington or in Montevideo, attending the Davos Economic Forum, Cárdenas had received in all these occasions the treatment of a head of state (Escarpit, 1999).

Despite the discomfort created in the Presidency of the Republic by the international dimension reached by Cárdenas, a degree of peace seemed to prevail between the two powers, right from the beginning of the Cárdenas's administration. However, President Zedillo opposed Cárdenas's request for federal authorization for a loan of US\$650 million. Using his veto

³⁹Jusidman had said: "The challenge is enormous. The deterioration of quality of life and social decomposition of the capital city is brutal. At least in these three years we will not see radical changes in the quality of life because the problem is not only the responsibility of the government of Mexico City. It has to do with the national economic context and, I would say, even the global context." (Monge, 1998d:456).

⁴⁰A strike organized in April 1999 by the students of the National Autonomous University of Mexico (UNAM) against the payment of tuition fees—which lasted almost ten months—heightened the attacks against Cuauhtémoc Cárdenas. Previously, Cárdenas had declared himself in favor of free university education. In addition, the new president of the PRD in Mexico City, Carlos Imaz, was a former member of the University Student Council and had directed the last major student strike at UNAM in 1987. These two circumstances were tendentiously related with the students' strike and Cárdenas was accused of manipulating the strike for his own benefit (Escarpit, 1999). The murder of Paco Stanley, a popular TV Azteca entertainer, on June 7, 1999, led to a campaign of political lynching. Using the popularity of the victim, whose funeral was attended by thousands *in situ* and through television screens, the journalists turned into judges and called for Cárdenas's resignation. The media frenzy only relented when the first police reports stated that Stanley was a cocaine addict and probably linked to certain drug cartels.

power, Zedillo significantly reduced the amount of the loan, even at the expense of various social programs. This measure taken against the inhabitants of Mexico City, and indirectly against Cuauhtémoc Cárdenas, was considered by some as a declaration of war (Escarpit, 1999).⁴¹

Moreover, the relentless struggle to which certain currents (groups) of the PRD devoted themselves, in order to retain their political clientele and share of power, became a serious problem, as did the ideological differences and personal animosities within the party.⁴² These internal struggles weakened the image of the PRD. Inevitably, these big and small scandals damaged the image of both Cuauhtémoc Cárdenas and his party (Lemoine, 1998). Despite running an administration that had nothing serious to be criticized about, the slow rate of change and the disappointment of not witnessing the expected miracle in the city led many to doubt the ability of Cárdenas and the PRD to take control of the presidency (Vázquez Montalbán, 1998).

5.2.13 *Cárdenas is presidential candidate: what happens to the policies in the city?*

On September 29, 1999, Cuauhtémoc Cárdenas stepped down from leading the government of Mexico City to start his third campaign for the presidency of Mexico. Rosario Robles Berlanga—who was general secretary of government during his administration—replaced him as the head of government of Mexico City.

At the time of his departure, the outcomes of the policies to tackle informal street vending implemented by the Cárdenas government were mixed. It was not clear whether Robles would continue to operate the policies Cárdenas had implemented, not least because she might wish to avoid problems with informal groups during the elections and instead prefer to gain their political favor.

In an interview with me, Cuauhtémoc Cárdenas (2010) said that at the time he left the Mexico City government, much progress had already been made. Several street vendor groups

⁴¹It was precisely to avoid such vengeful manifestations that Cárdenas wanted the city to become a fully fledged state, the 32nd of the Federation: the state of Anáhuac (Estado de Anáhuac).

⁴²Despite the great expectations created by Andrés Manuel López Obrador who, in August of 1996, became the national leader of the PRD and revamped the party, making it once again electorally competitive and helping Cárdenas win the election in Mexico City (Escarpit, 1999). However, the internal struggles showed the limits of this change. For example, the violent campaign of Porfirio Muñoz Ledo (the second most prominent figure in the PRD) against his party rival, Cárdenas, in the race for the PRD presidential ticket; or the election to choose the successor of López Obrador as leader of the PRD (on March 14, 1999), which had to be cancelled with the discovery of massive fraud perpetrated within the party, are examples of the internal struggles in the PRD which damaged the party's image.

had been relocated to commercial plazas and some public markets had been built (Cárdenas, 2010).

Cárdenas argued that, in general, in the year Robles was in office she had continued to implement—and even expand when possible—his policies (Cárdenas, 2010). While Cárdenas did not give details, he was certain that there was no overall change in any important policy of the city government regarding street vending and informality. To emphasize this, Cárdenas pointed out that Robles had not changed the heads of the city government offices in charge of these issues,⁴³ and not because he had expressly requested her to keep the same officials. Robles had a better relationship with some officials than with others, but the very few who left the administration after Cárdenas stepped down did so out of personal choice and not because of differences with her (Cárdenas, 2010). Nearly all the other staff, including all the delegation directors,⁴⁴ retained their positions. Consequently, as Cárdenas affirmed, there was continuity in the policies towards street vendors and informality after he left the city government and when Rosario Robles was in charge (Cárdenas, 2010).

When I questioned Cárdenas about his possible intention to create a political clientele out of the informal vendor groups for electoral purposes, as the PRI had done in the past, he was swift and clear in his answer:

There was no intention of forming a political clientele. There was the intention to fulfill an obligation that the state had, in general, and the government of the city had, in particular. That obligation was to have good governance, to solve the problems of the city. If the positive results of fulfilling this obligation generated supporters—I would not call them political clientele—well, that is great and they are welcome. But that was not the main goal of the government’s activity. The sympathizers came about because it was a government that worked efficiently for the general benefit of that person, or that group, or that activity.

(Cárdenas, 2010)

⁴³Francisco Cano Escalante—who substituted María Leticia Calzada Gómez in June 1998—continued in the Secretariat of Economic Development, Moisés Rivera Espinosa at the Economic Development Fund of the Federal District (FONDECO)—involved in constructing commercial plazas—Jorge Legorreta as director of the Cuauhtémoc Delegation, Clara Jusidman as Secretary of Education, Health and Social Development, and Saúl Escobar Toledo as Under-Secretary of Labor and Social Welfare.

⁴⁴The ‘delegation directors’ or ‘delegates’ (*delegados*) were the directors of the 16 delegations of Mexico City. Until 2000, they were appointed by the mayor or the head of government of Mexico City. From 2000, the delegation directors (or delegates) were elected by popular vote and their official title was changed to head of delegation (*jefe delegacional*).

Cárdenas accepted that, at the time of the interview (September, 2010), it was evident that there were ties between informal vendor groups and the PRD, but that was a rarity in his city government and social policies during his administration were not deliberately aimed at forming a political clientele. Indeed, the change of *modus operandi* towards informality and street vending came later, in another PRD city government: “the change came with the administration of Andrés Manuel [López Obrador]” (Cárdenas, 2010).

5.2.14 Cárdenas, informal street vending, and democratic change

In retrospect and being directly asked whether he considered informality a phenomenon independent of politics, Cuauhtémoc Cárdenas replied that he believed that the phenomenon was not independent of politics, but a problem closely linked to, or even largely a product of, social policies and social conditions (Cárdenas, 2010).

Moreover, Cárdenas considered that democratic change had an important influence—for better or worse—on the informal sector, but he underlined that what really mattered was the change of model:

It is true that in 1997 in Mexico City the ‘alternation in power’ took place, if we understand ‘*alternancia*’ as a change of party—and evidently of people—in power. Nevertheless, it is important to point out that there was also a change in the model implemented in the Federal District. (Cárdenas, 2010)

Cárdenas went further in his analysis and compared the *alternancia* in Mexico City in 1997 with the alternation in power that occurred at the federal level in 2000, stating that in the alternation in power that occurred at the level of the federal government, the political, economic, and social national project was maintained:

Being socially exclusive, concentrating wealth among a small group of people, the federal project maintained, in general terms, what we call ‘neoliberal’ economic policies... Thus, I would say that in the first case [city government] there was a change of model, while in the second case [federal government] there was a change of party—a change of personnel but not a change in the model that was being implemented as national model. (Cárdenas, 2010)

When I asked Cárdenas about the most important legacy that his city administration had made, or would have liked to contribute with, in matters of resolving the informal sector

problem, he replied that, if anything, the legacy that he would have wanted to leave in the city was a culture of legality. He affirmed:

Under this new model the city stopped from being plundered and the new government—my government—sought to serve its citizens effectively.. With all the limitations and all the errors that may have been committed [by my government], we did not seek—and here I speak for all the people who were in key bureaucratic-administrative positions in my administration—we did not seek to profit from the city personally.

(Cárdenas, 2010)

5.2.15 *The approach of the Ministry of Finance towards informality and street vending*

At the federal level, after five years of unsuccessful attempts to reduce tax evasion—by attempting to eliminate fiscal privileges and amend legal loopholes—the Ministry of Finance focused its efforts on those who were doing business in the informal economy.

On October 11, 1999—at a rather late stage in the administration of President Zedillo (1994–2000)—the fiscal authority⁴⁵ launched the National Program for the Regularization of the Informal Economy (Programa Nacional de Regularización de la Economía Informal). The program aimed at reducing the tax evasion of a large group of companies—some of them clandestine and informal in nature but many formal and fully registered—whose practices consisted on providing informal vendors with merchandise.

The idea was to create an accurate register of those who participated in the informal economy—street vendors, *tianguistas*, employees and proprietors of fixed and semi-fixed stands, among others—and compel them to report from whom and how they obtained their merchandise. The fiscal authority believed that this would enable them to detect who was behind the provision of goods and products to the informal vendors; they would be able to identify what companies or (sometimes large) organizations supplied informal vendors with merchandise for which they did not pay any taxes.

⁴⁵The fiscal authority refers to the power the president and congress have to deal with matters related to public revenues (taxation), public spending, debt, and finance. In Mexico, the fiscal authority is embodied in the Ministry of Finance and the Tax Administrative Service (Servicio de Administración Tributaria, SAT).

Alma Rosa Moreno Razo, appointed head of the Tax Administrative Service (Servicio de Administración Tributaria, SAT⁴⁶) on July 7, 1999, was principal designer and advocate of the Program of Regularization. She explained that the program was not targeted at those who were the ‘visible faces’ of the informal economy—almost 16 million people (Acosta Córdova, 1999),⁴⁷ most of them informal vendors—since their incomes were nearly always so low that they were legally exempt from taxation. Moreover, any tax collected from the more successful informal vendors—those who sold more on the streets—would be negligible, according to the tax authorities (Moreno Razo, 2012).

Thus, the program was aimed at those companies that distributed massive amounts of merchandise without paying a single *peso* in taxes at any point in the production-consumption chain, companies with inexplicable phenomenal profits, companies that evaded VAT (Impuesto al Valor Agregado, IVA), companies that were not subject to taxation as they dealt with illegal imports or stolen merchandise, and companies that evaded income tax (Impuesto Sobre la Renta, ISR) because they were ‘shell companies’ (*empresas fantasma*). In short, the program was aimed at all those companies that used informality in one way or another to increase their earnings or reduce their costs (Moreno Razo, 2012).

In an interview with me, Alma Rosa Moreno Razo—who had also worked as coordinator of revenue policies at the Ministry of Finance—argued that the task they were undertaking was not new and its planning had been systematic, to the point of using intelligence tactics to gather information: “We had worked on this for many years. We had even infiltrated people in this scheme of investigation, to learn the forms of operation of the informal economy” (Moreno Razo, 2012).

One of the most surprising findings of the investigation was that many of the vendors seen on the streets, or with fixed or semi-fixed stands on the sidewalks, were nothing but employees of large merchandise distribution chains—much of it stolen, produced underground or smuggled into the country—or employees of large producers with a manufacturing production scheme that used, at times, entire villages to produce and distribute a particular product

⁴⁶The SAT in Mexico is the equivalent of the Internal Revenue Service (IRS) in the USA or HM Revenue & Customs (HMRC) in the UK.

⁴⁷While Acosta Córdova (1999) says there were almost 16 million people working on the informal economy in Mexico in 1999; the INEGI’s National Survey of Employment and Occupation (Encuesta Nacional de Ocupación y Empleo, ENOE) says there were 10,021,991 people working on the informal sector in Mexico that year (INEGI, 2010c).

such as clothing. “Those are the companies that are behind the informal vendors; that is where the big money is,” commented Moreno Razo (2012).⁴⁸

Dealing with these types of clandestine informal agents is not an easy task. Moreno Razo said that the approach to dealing with these agents was complex, expensive and, above all, elusive (Moreno Razo, 2012). She provided an example to illustrate the situation:

When we detected, for example, that itinerant or street vendors were picking up their merchandise from a warehouse located in a certain place, or from a trailer coming from a particular warehouse, we immediately organized a police operation. We came to the place, we confiscated the merchandise, we detained the warehouse’s caretaker... but the next morning we would realize that there was another warehouse in a different location, which belonged to the same organization, from where vendors were picking up their merchandise. It is a difficult, elusive task. (Moreno Razo, 2012)

This type of informal activity reached even those traditional, popular consumer goods that nobody would think were industrially manufactured in large quantities, such as the traditional *tamales* (tamales)⁴⁹ that are sold from bicycles or tricycles throughout the city or found at many street corners:

Trucks or vans came to a predetermined location and started distributing steaming, barrel-size tamale containers to people on bicycles or tricycles. When you see these people selling tamales on the street, anyone would think: ‘Poor thing, they have to get up really early to make the tamales and sell them outside the office building, in front of the school or hospital, outside the church...’ But no. These tamales are made industrially and on a large scale. We found trucks with up to 80 tamale containers. That was what we set out to detect. The people behind these organizations were the ones we were going after, not the ones who sold these products on the streets. (Moreno Razo, 2012)

⁴⁸The then vice-president of the CANACO—Manuel Tron—had stated that: “we have verified that about 80 to 85 percent of the people selling goods on the street are only employees—poorly paid and without any social benefits—of larger organizations. Only very few are proprietors of their merchandise and stands” (Acosta Córdova, 1999:258). Just as Moreno Razo, Manuel Tron also confirmed that there was an enormous organization behind the informal street vendors, which was in charge of importing without paying taxes, purchasing stolen goods, or secretly manufacturing products. Everything to achieve competitive prices. “Most [of the street vendors] receive their merchandise in the morning, they are checked two or three times a day, and finally merchandise is collected from them in the afternoon. There is a tremendous organization behind them” (Acosta Córdova, 1999:258).

⁴⁹A *tamal* or tamale is a traditional Mexican dish made of minced meat, fruits or vegetables, mixed with crushed maize and seasonings, wrapped in maize husks and steamed.

The SAT and Ministry of Finance decided not to tax the street vendors directly for economic reasons. The income of those engaged in the ‘visible’ informal economy—15.7 million people, among employers, employees, and the self-employed (Acosta Córdova, 1999)—was very low.

A study conducted by the Vice-Ministry of Revenues of the Ministry of Finance showed that 72.6 percent of those working in the informal sector earned up to two minimum wages; 18.6 percent up to three minimum wages; 5.5 percent up to four; 1.7 percent up to five; and the remaining 1.6 percent more than five minimum wages⁵⁰ (Acosta Córdova, 1999).⁵¹

The same study indicated that the average salary of informal employees—about 10.7 million people—was equivalent to 1.86 minimum wages, and the salary of both informal employers and the self-employed—about 5 million people—was equivalent to 2.11 minimum wages. Both figures give an average of 1.94 minimum wages for all those who are working in the informal economy⁵² (Acosta Córdova, 1999).

Therefore, the amount of fiscal revenues that could be collected from this group was trivial,⁵³ as those working on the informal sector (e.g. street vendors) had low productivity and profitability and, perhaps more importantly, the cost of incorporating this group into the tax system would be greater than the amount the group would pay in income tax once their financial transactions were formalized; this in what concerns to income tax. In what refers to the VAT, the potential collection of VAT from this group would also be very low because companies earning less than MX\$1 million per year (around US\$105,263 in 1999) were exempt from paying this tax, and most of the individuals and small firms operating in the informal economy were below this threshold (Acosta Córdova, 1999). Thus, it was very clear to the Ministry of Finance and the SAT that the big profits of all forms of informal commerce were somewhere

⁵⁰In January 2000, the minimum wage in Mexico for Zone A (the wealthiest geographical zone) was MX\$37.90 per day, equivalent to US\$3.95 (US\$1 = MX\$9.5) (SAT, 2011).

⁵¹In other words, 72.6 percent of the people working in the informal sector earned US\$7.9 or less per day.

⁵²In other words, the average salary of a person working in the informal economy in 2000 would be around MX\$73.5 per day, equivalent to US\$7.66 per day.

⁵³Tax collection can be increased significantly by enhancing enforcement; for example, by criminalizing certain tax offenses. However, as mentioned in Chapter 2, if informal firms and workers in fact have low productivity and profitability, their formalization, though desirable, does not necessarily imply automatic increases in tax collection. This is the case of Mexico. As discussed in Chapter 2—and reinforcing the conclusions reached by Acosta Córdova (1999) and Moreno Razo (2012) on this direction—there is the analysis performed by Flores et al. (2004) where they used Mexico’s National Survey of Micro-Businesses (Encuesta Nacional de Micronegocios, ENAMIN) data to compute potential changes in tax collection if informal workers were taxed. They found that in fact tax collection would not change and net spending would increase, as most informal salaried and self-employed workers in Mexico would then be eligible for transfers (negative taxation) as their income is below the threshold for taxable income. Their analysis did not consider potential increases in income after formalization, so in this sense they took the standpoint of the ‘worst case scenario’ (Flores et al., 2004; Oviedo, Thomas, and Karakurum-Özdemir, 2009).

else, well concealed by the large and well organized supplying companies and organizations that so skillfully evaded both taxes and the authorities.

It was not only clandestine-informal organizations that profited from the informal economy. Large formal companies also used informal means to improve their economic returns. “There is always a form of evasion for the large companies through the informal commerce,” said Moreno Razo (2012). She confirmed that they had found that a large number of goods (tires, car oils, rims, and all sorts of auto parts) sold in large *tianguis* (open air markets) had been manufactured by large formal companies whose sales staff would ask at the moment of sale: “with or without an invoice?” (Moreno Razo, 2012). According to Moreno Razo, some of these companies even distributed the products in vehicles with the company’s logo, driven by people bearing the company’s badge. “If the company did not report these sales, it was hiding some form of evasion,” she concluded (Moreno Razo, 2012). Moreno Razo would not give out any names of the companies on the grounds of tax secrecy, but it was clear

that companies and individuals did not have to be in the informal sector to profit from the informal economy.⁵⁴

Moreno Razo acknowledged that another front that needed to be tackled in order to reduce tax evasion was not informal street vending but those large formal companies that took advantage of legal loopholes to pay less taxes by using all kinds of fiscal planning; and those that abused special tax treatments,⁵⁵ which allowed them to pay lower taxes. In general, large formal national and international companies and business groups knew well where the flaws in the fiscal legislation were, because they had teams of specialists who were well informed in fiscal and financial—and even engineering—matters, and this knowledge allowed them to manipulate the law for the company’s fiscal benefit (Moreno Razo, 2012).

⁵⁴Here again, it is possible to detect another situation: it is not only tax evasion, but also some kind of semi-formality (as discussed in Chapter 2) where formal companies supply the informal market; and that allows formal companies to avoid paying taxes on those sales.

⁵⁵A special tax treatment (*tratamientos especiales*) is a legal scheme—devised in the early 1990s and thought of as a major driver of the economy—to give greater capacity of development to the private sector. One example is the so called ‘*régimen simplificado*’ (simplified regime) implemented by the Salinas administration with the goal of capitalizing the primary sector of the economy—specifically, to strengthen the weak agricultural sector in Mexico—through the exemption of income tax. Another example is the ‘*régimen de consolidación fiscal*’ (tax consolidation regime), through which, within a business group or conglomerate, the profits of some firms are merged with the losses of others, so that those firms making money do not pay tax, and those firms not making money repay their loss faster. It was also designed to stimulate domestic productive investment. Both schemes were pertinent in a closed economy because it was important to stimulate the national economy. However, once Mexico became an open economy, many of these fiscal schemes needed to be changed to adjust to the new economic realities. The problem then was how to revoke these fiscal privileges from powerful companies.

Moreno Razo was aware that there were strong political and economic interests behind both large formal and clandestine-informal companies. So strong that when she included changes to the legislation of these subjects on a bill presented to the Chamber of Deputies, it was promptly rejected. “Every time that a law initiative of this sort—proposing changes in fiscal matters that affect large enterprises or organizations—reaches the chambers, lobbying and political trouble erupt in such magnitude that it cuts off any attempt to change,” she commented (Moreno Razo, 2012).

Alma Rosa Moreno Razo lasted less than a year in her post as president of the SAT. She was removed by President Zedillo in March 2000 and substituted by Raul Sanchez Kobashi, who subsequently was substituted by Ruben Aguirre Pangburn in January 2001 under the new Fox administration, which signified the end of the Program of Regularization. Learning of the large organizational schemes that are behind informal activities—particularly informal street vending—will be useful in Chapter 6, which addresses the case study of the ALCC group.

5.3 The López Obrador administration in Mexico City (2000–2006)

5.3.1 *Political framework*

On Sunday July 2, 2000, Mexicans went to the polls to vote in general elections. Voters elected at the federal level for:

- a new president of the Republic to serve a six-year term, replacing then Mexican President Ernesto Zedillo Ponce de León
- 500 members—300 by the first-past-the-post system and 200 by proportional representation—to serve for a three-year term in the Chamber of Deputies
- 128 members—3 per each of the 32 federal entities by first-past-the-post system and an additional 32 through proportional representation from national party lists—to serve a six-year term in the Senate.⁵⁶

⁵⁶In each federal entity (31 Federal States and 1 Federal District, for a total of 32 federal entities), of the three first-past-the-post seats, two are allocated to the party or coalition with the largest share of the vote, and the remaining seat is given to the first runner-up party or coalition. There are also other 32 seats elected by proportional representation. For this, each political party or coalition registers a list of 32 candidates and the seats are assigned by proportional representation according to the number of votes obtained by each political party or coalition in the national election.

Several state and local elections were also held on the same day, most notably the election in the Federal District. At stake was the position of head of government of Mexico City. This time, it was not only the head of government and members of the Legislative Assembly of the Federal District (ALDF) who were being elected; in addition, the headships of the 16 delegations that form Mexico City were also going to be elected by popular vote and for the first time in Mexico City's history.

The elections of July 2, 2000, became a turning point in Mexican political history. The presidential elections were won by PAN's Vicente Fox Quesada of the Alliance for Change (*Alianza por el Cambio*)—formed by the National Action Party (PAN) and the Ecological Green Party of Mexico (*Partido Verde Ecologista de México*, PVEM)—which received 42.52 percent of the vote, defeating the PRI's candidate Francisco Labastida Ochoa, who received 36.11 percent, and the PRD's Cuauhtémoc Cárdenas of the Alliance for Mexico (*Alianza por México*)—formed by the PRD, Labor Party (PT), Party of the Nationalist Society (PSN), Convergence for Democracy (CD), founded by ex-PRI dissidents, and Social Alliance Party (PAS)—which received 16.64 percent (Nohlen, 2005; IFE, 2011). It was the first time in Mexican history that the PRI was defeated in a presidential election.⁵⁷

In the congressional elections, the Alliance for Change—formed by the PAN and the PVEM—emerged as the largest faction in the Chamber of Deputies with 224 of the 500 seats, although the PRI remained the largest faction in the Senate with 60 of the total 128 seats. Voter turnout was 63.97 percent in the elections, one of the highest in Mexico's history (Nohlen, 2005).

The election for head of government of Mexico City was won by PRD's Andrés Manuel López Obrador, who led a coalition of the following six parties—PRD, PT, PSN, CD, PAS, and the Party of the Democratic Center (PCD). He received 38.32 percent of the vote, defeating the PAN's candidate Santiago Creel, who received 33.42 percent, and PRI's candidate Jesus Silva Herzog Flores, who received 22.83 percent (IEDF, 2010).

As mentioned earlier, it was the first time that Mexico City residents voted to elect the head of their delegations (*jefes delegacionales*).⁵⁸ The political alliances formed for this election were similar to those formed for the presidential election, with the exception of the common candidacy formed out of six parties and led by the PRD—PRD, PT, PSN, CD, PAS and PCD. This alliance participated in 13 delegations while in the remaining three delegations—Benito Juárez,

⁵⁷Since its foundation in 1929—as the National Revolutionary Party (PNR)—and until 1994, all the presidents of Mexico had been candidates of the Institutional Revolutionary Party (PRI). But now, after 71 years of PRI rule, the presidency was in the hands of an opposition party—the National Action Party (PAN).

⁵⁸In 2000, for the first time the delegates or delegation directors (*delegados*) were elected by popular vote and their official title was changed to head of delegation (*jefe delegacional*).

Álvaro Obregón and Tláhuac—it was joined by the Social Democracy Party (DSPPN), making it a common candidacy of seven parties.

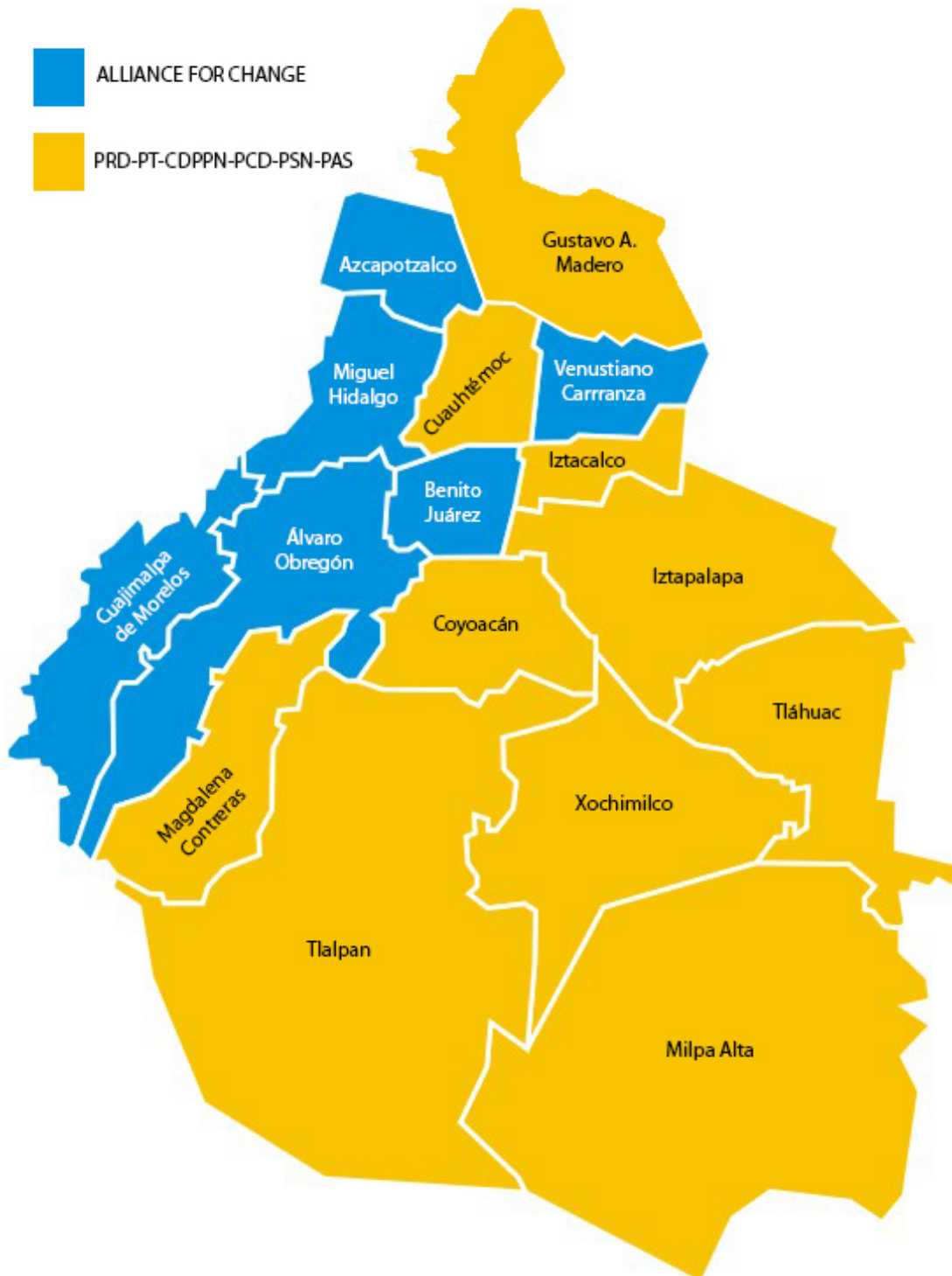
The coalition Alliance for Change won six delegations, while the coalition of parties led by the PRD won ten delegations (Figure 5.2), among them, the Cuauhtémoc Delegation, the one which includes the Historical Center and where the street vending problem was at fever pitch (IEDF, 2010).

The 66 seats—counting the 40 first-past-the-post seats and the 26 won through proportional representation⁵⁹—at the Legislature II of the Legislative Assembly of the Federal District (ALDF) were distributed as follows: 17 seats for the PAN, eight seats for the PVEM, 16 seats for the PRI, 19 seats for the PRD, one for the PT, two for CD and three for DSPPN. In other words, the Alliance for Change had 25 seats, the PRI had 16 seats, and the coalition led by the PRD had 25 seats, so there was a high possibility of reaching a stalemate in which the PRI would play the role of the needle of the scale (*el fiel de la balanza*) (IEDF, 2010).

It is important to be aware of the highly complex political map that resulted from the 2000 elections, to understand the events that were to unfold in the subsequent administration at city and federal level, and how these affected the development of informal street vending.

⁵⁹The ALDF is formed out of 66 seats, 40 first-past-the-post seats (corresponding to 40 uninominal districts that make up the Federal District) and 26 seats by proportional representation.

Figure 5.2.: Map of 2000 election results at delegational level (Mexico City).



Source: Author, with data from the IEDF (2010).

5.3.2 *Politics at work: the Mexico City of Andrés Manuel López Obrador*

Although, after winning the election, he still had five months before taking office as head of government of the Federal District, López Obrador had a full agenda. Politically, he wanted to carry out three main tasks. First, supported by the legislators of his party, he wanted to promote changes in the Law on Citizen Participation to fulfill one of his main campaign promises: empowering the neighborhood committees (*comités vecinales*), giving them authority and power of decision and action to co-govern along with the delegations. “I want to make a reality the idea of ‘government from below’ and with the participation of all” (Monge, 2000:605). Second, he also planned to amend the Statute of Government in order to decentralize administration and expand the powers of the heads of delegations. This would include handing over the command of the Preventive Police to the delegations. Finally, he wanted to complete the political reform of Mexico City, left unfinished by past city governments, which consisted of converting the local legislature in local congress, establishing the figure of the ‘town councils’ (*cabildos*) and equalizing the powers of Mexico City’s head of government with those of the state governors. “We are working on a project of reforms... once the initiative is completed, we will start negotiations with the political parties and the federal government,” López Obrador said (Monge, 2000:605).

Administratively, López Obrador wanted to undertake actions that would generate saving. In principle, and without touching line-level workers (*trabajadores de base*) and temporary workers, he wanted to cut payrolls and reduce the governmental structure that Cárdenas and Robles had increased. “We could not govern well if we do not adjust the administrative apparatus, if we do not sacrifice certain benefits that public officials have,” he stated (Monge, 2000:605). He considered that the administration of the city government could be divided into five large areas: finance and administration, works and public services, development, government, and citizen participation and organization (Monge, 2000).

Among the many issues pending in the city’s agenda—security, street vending, transport, civil protection, education—one of the issues that worried López Obrador the most was the lack of funds. He knew that the public finances in the city were weak and that the weight of the debt—MX\$23,000 million at the end of 1999 (Monge, 2000)—and the reduction of the federal contributions to the city government would reduce his room for maneuvering even more.

For this reason, he had two main priorities in this area: an austerity plan and a program of progressive fiscal reform. This last measure did not involve introducing new taxes but fighting

tax evasion; at that time almost 400,000 citizens did not pay taxes in Mexico City (Monge, 2000).

However, the great bet of López Obrador was based on strengthening the social policy of the city government: “I want the humblest people to get compensation from the government. My compromise is to slow down, to stop the impoverishment of the people. If I accomplish this, I will be satisfied,” he said (Monge, 2000:606).

To form his government López Obrador stated that the key characteristic of his cabinet members would be honesty:

The distinctive sign will be honesty; they will be honorable men and women with a history [of militancy] on the left, not necessarily members of the party [PRD] or with experience in public administration. The handling of money and work in areas where there has been corruption in the past will be undertaken by the most honest people, the least corruptible ones. (Monge, 2000:606)⁶⁰

When López Obrador was questioned about the criteria he was using for electing members of his cabinet, which were based on moral merit rather than efficiency and effectiveness—and if honesty was enough to ensure a good government—he replied that integrity was very important since the city operated by keeping the balance among different powers:

There is a block of informal powers, something similar to the informal economy, which interacts with the legal powers. There are informal powers and, sometimes, [they are] real mafias. To dismantle them you need people with moral integrity. Power generates a lot of temptation. For this, you need people with principles and convictions, incorruptible people. (Dresser, 2000:284)

López Obrador was also aware that the political inertias and bastions of informal power against which Cárdenas had fought were still in place and functioning. He stated: “We will observe how they work and who is behind them. I will put an end to corruption. If it is about interests that affect the city, my hand will not tremble... I am ready to face everything, with the help of the population” (Monge, 2000:607).

Although he had publicized these views, López Obrador’s candidacy was supported by PRD groups and currents that were characterized by using corporatist and clientelistic practices,

⁶⁰One of the key conditions to bear in mind for the Mexico City government was that appointments made by the head of government could be revoked by the president of the Republic. It was one of the constitutional powers the federal government had over the government of the Federal District. It was put into effect when Marcelo Ebrard was dismissed by President Fox from his position as Mexico City’s secretary of public security, after the violent events in the Tláhuac Delegation in November 2004.

such as the Current of the Democratic Left (Corriente de Izquierda Democrática, CID⁶¹) led by René Bejarano. However López Obrador downplayed criticism of these groups, arguing that the internal struggles within the PRD had inaccurately magnified things; he commented, “In politics what it is desirable is one thing, what it is possible is another. [Politics] is made by humans, not by saints. What matters is to uphold the principles, but let’s not look for total purity because even holy water is not chemically pure” (Monge, 2000:603). These very PRD groups had already started to expand among the street vendor groups and proved to be influential in future developments.

Therefore, López Obrador knew that the task of governing Mexico City would not be easy. In addition to the formal and informal powers existing in the city—mostly caused by the vices of previous PRI administrations—and the newly clientelistic and corporatists practices being developed by his own party, he was inheriting a backward city that had been poorly developed and had many social contradictions. He was aware of this and not afraid of the challenge: “I am confident that if we open up opportunities for citizen participation, if we make everyone feel they are part of this project, if we stop corruption, if we put together an efficient and austere government, we will move forward” (Monge, 2000:606).

5.3.3 *A brief history of clientelism, factionalism and personalism in the PRD*

To understand what happened to informal street vending during the López Obrador administration, it is important to understand how clientelism, factionalism, and even personalism developed inside the PRD.

The PRD is Mexico’s largest left-wing political party. It was founded in 1989 in opposition to the PRI, which had dominated politics in Mexico since its inception in 1929. The PRD has been fundamental to the democratic transition in Mexico, and has been the cause of hope for political and economic prosperity for millions of people. Simultaneously, however, the PRD has been hampered by clientelism, factionalism, and personalism, losing many members and followers who became disenchanted by its practices (Hilgers, 2008, 2012).

Why have PRD politicians come to be involved in clientelism, factionalism, and personalism despite their efforts to keep away from the methods of the PRI? It is important to recognize a series of external factors—such as poverty, the long history of clientelism in Mexican politics,

⁶¹The CID evolved into the National Democratic Left (Izquierda Democrática Nacional, IDN) led by René Bejarano, until he was forced to resign after the video scandals in 2004. In August 2011 there were more than 14 groups and currents within the PRD.

the PRI's widespread use of these methods to guarantee political stability, and the PRD's founding members' expertise in them—in answering to this question. These factors, however, do not fully explain the extent to which the PRD has been marked by these practices. In addition, a series of internal events, among which the PRD's strategy for achieving a transition to democracy stands out, have a more direct causal relationship with the consequence of clientelism, factionalism, and personalism in the PRD (Hilgers, 2008, 2012).

The PRD was created from a wide range of left-wing parties, social movements, and individuals, with different ideological visions and beliefs. These different groups were able to coexist effectively during the short electoral campaign that brought them together in 1988, but as soon as the short-term goal of winning the 1988 elections failed, they had difficulties conciliating their strategic and ideological differences (Sanchez, 1999; Semo, 2003). In an attempt to maintain the loyalty of as many adherents as possible, the founding statutes of the PRD authorized the existence of currents, tendencies, or convergences in a democratic context, with the objective that the different groups could preserve their individual identities (PRD, 1993).⁶² Because it opposed the PRI and its methods, the PRD refused to utilize corporatist internal processes to organize its body of members. Permitting the existence of currents (or factions) appeared to be the only way to neither hamper the identity of the different groups nor create corporatist sectors (PRD, 1993). However, thorough and systematic formal procedures for organizing the currents and guaranteeing democratic processes were not developed (Hilgers, 2008, 2012).

Ordering these groups under a single organizational scheme could have taken several forms, based on individual direct participation, ideological or programmatic groups, centralized or decentralized power, and so on. However, the rise of one principal leader, Cuauhtémoc Cárdenas, and the supremacy of his political strategy positioned the party on a path of personalistic factions and centralized power, despite the best intentions of the party not to adopt these characteristics of the PRI. As a result of Cárdenas's goal to oust the PRI from power, to do so in the electoral arena, and to do it as soon as possible, the PRD focused resources on winning elections. Thus, the resources that would have been necessary for institutionalizing party rules and regulations to secure democratic procedures and internal cohesion were not available. Consequently, leadership, alliances, and pacts were personalized, and factions fought each other for power. When the PRD began to win local and state governments, these practices spilled over into its form of administration and evolved as clientelistic relationships with the citizenry (Hilgers, 2008, 2012).

⁶²This is found in the PRD's statutes, chapter 12, articles 15, 16 and 17 (PRD, 1993).

As much as the PRD rejected the PRI's corporatist methods, the PRD's currents began to resemble the PRI's *camarillas*,⁶³ but with an important difference. The PRI could preserve unity among its *camarillas* because its control over the state meant that all *camarillas* had the chance to access power in time. The PRD, on the other hand, had little access to power and not many resources to distribute, which exacerbated the struggle for access to what power it did have. Thus, according to some observers, instead of bringing the PRD militants from different backgrounds together in a common project, the party statutes granted formal permission for internal conflicts to take place (Martínez González, 2005; Hilgers, 2008).

The rise of a second principal leader in the PRD—Andrés Manuel López Obrador—further divided the party. López Obrador was elected head of government of the Federal District in 2000, and used his post to further the interests of the poor. His social policies were popular and his personality—a modest man of the masses, but unafraid to rock the establishment—was so different from that of other politicians that followers inside and outside the party began to consider him a possible presidential candidate for 2006. Hence, by 2004, Cuauhtémoc Cárdenas was no longer the undisputed leader of the PRD, as López Obrador had emerged as an alternative. The PRD was divided between those loyal to Cárdenas and those who preferred López Obrador (Hilgers, 2008).

Being a pragmatist, López Obrador strengthened his and the PRD's national presence through coalitions with various external politicians and internal operators and activists. However, this led to further deterioration in party unity and loyalty to the statutory principles of democracy. The “franchise operation” (Meyenberg and Carrillo, 1999) implemented by López Obrador—which proved electorally successful—allowed non-PRD members to run for election on the PRD ticket. Pacts were made between the PRD and individuals with important political capital whose careers in other parties had been hindered. These individuals became the PRD's electoral candidates in return for joining the party and bringing their supporters with them (Meyenberg and Carrillo, 1999; Hilgers, 2008). The PRD's urge to win elections had overshadowed its principles, and those candidates with the best clientelist networks were wooed simply because they were most likely to win the elections in a given state or locality (Hilgers, 2008).

⁶³A *camarilla* or clique is a political interest group, in this case, within a political party—a partnership between individuals or groups of individuals, united by a common interest, who promote the interests of those who are part of the group, while at the same time frequently preventing or impeding the interests of those outside that group.

5.3.4 *The PRD in government: what happens to the PRD currents?*

Once the PRD won elections at the state and local levels, it carried its factional disputes and power-seeking behavior into office. Now power was to be used not only to influence party strategies and gain positions in the national congressional opposition (federal, state, and local legislative and representative bodies) but also to determine the political and economic benefits of forming governments (Hilgers, 2008).

In 1997, when the PRD won the first democratic elections in the Federal District, its representatives in the Legislative Assembly were evidently inexperienced. They not only failed to secure consensus with PRI and PAN representatives, but they and their colleagues in the Mexico City administration were often motivated by factional interests, a trend that proved too obvious to hide. In the delegations, internal disputes occurred among administrators from different PRD currents, who saw themselves as power-brokers (Aguila Franco and Salgado 1999; Ward and Durden 2002; Hilgers, 2008). Moreover, clientelistic deals designed to strengthen individual factions were reached between social organizations—among them street vending groups—and PRD politicians and activists with access to public resources.

As mentioned earlier, the Federal District is extremely difficult to govern, given the size of its population—close to 9 million (INEGI, 2010a)—and its socioeconomic diversity. For example, demands from middle and upper-class residents for improved public security clash with demands from the lower classes for employment and shelter. The middle and upper classes desire clean streets free of informal vendors and pirate taxis,⁶⁴ and buildings or empty lots free of informal settlers. The lower classes cannot find employment in the formal sector and demand the right to make a living—even if unregulated and on the streets—and access to housing (Hilgers, 2008).

In government, the PRD's official response to the problems described above has been to regulate street vending, take a tough stand against pirate taxis, and evict informal settlers. Unofficially, however, party factions are associated with street vendor, pirate taxi, and informal settler organizations, using the electoral strength of these groups to increase their own bargaining power in negotiations for positions and policy direction inside the party. In return, they provide preferential treatment to the members of these organizations (Hilgers, 2008). Thus, street vendor organizations—such as the organization of María Rosete⁶⁵—with links

⁶⁴A pirate taxi or *taxi pirata* is an unlicensed taxi whose drivers are often responsible for theft and kidnapping.

⁶⁵As mentioned in previous chapters, María Rosete is a street vendor leader with links to the PRD. Since 1992, Rosete has been organizing informal street vendor groups in Tepito and she is the leader of the Union of Merchants

to PRD factions have seen their membership and influence increase in the years the PRD has been in power in Mexico City. Similarly, informal settlers from the Francisco Villa Popular Front⁶⁶ (Frente Popular Francisco Villa, FPFV) have benefited from their links with one of the most powerful PRD factions in Mexico City by gaining better access to social housing credits than other citizens (Grajeda, 2005). Individuals unable to make such clientelistic partnerships are evidently at a disadvantage.

This does not mean that the PRD has not had successes in government. The administration of Cuauhtémoc Cárdenas in Mexico City created programs to reorganize and improve the civil service, the police force, and the criminal justice system; to encourage citizens to denounce corruption; to mitigate unemployment; to expand health policy and continuing education; to promote gender equity; and to revitalize the Historical Center (Hilgers, 2008). Cárdenas managed to avoid being totally dominated by the federal government and to maintain confidence in the viability of a democratic Mexico City (Ward and Durden, 2002; Baena Paz and Saavedra Andrade, 2004). Subsequently, López Obrador extended many of the programs implemented during the Cárdenas administration. Among other things, he subsidized nutrition for senior citizens, school supplies for children, and health care for vulnerable sectors of the population; he created commissions and found the funding to enhance access to subsidized housing; and he formed partnerships with large-capital businesses to restore the city's Historical Center (Hilgers, 2008).

However, the processes that lay beneath these successes also prevented further advances; they were characterized by the clientelism and factionalism already noted, as well as the absence of institutional commitment. Therefore, the devotion of López Obrador to the poor—and his aversion to long-established elites—led him to protect and work in the interests of the underprivileged through occasionally unorthodox or even extra-institutional methods. He thought the committees and agencies that ensured transparency in governmental spending or evaluated the economic status of subsidy beneficiaries were an unnecessary waste of resources that should go directly to the poor (Trelles and Zagal, 2004; Hilgers, 2008). While this commitment to the poor was praiseworthy, the consequences of López Obrador's actions in the long term for democratic governance processes were questionable.

'Sons of Tepito' (Union de Comerciantes 'Hijos de Tepito'). Her organization has grown at a surprising pace over the years that the PRD had been governing Mexico City.

⁶⁶The FPFV is a radical social organization that defends the rights of the homeless and poor. It has reportedly led numerous land invasions in Mexico City and built several thousand homes for its members. While the FPFV has been described as an organization affiliated with the PRD and was credited with contributing to the PRD's 1997 electoral victory in the Federal District, its relations with the party have not always been simple.

According to the World Bank (2010), approximately 51.3 percent of the Mexican population is considered poor. The poor as a segment of the population have few chances of receiving support from their insolvent governments, but as individuals they can help themselves by forming relationships with social and political leaders. These leaders step in as power-brokers or political patrons to provide assistance to needy individuals and represent them at various government institutions. In return, the support of these people gives the leaders considerable political capital. Individuals who are successful in obtaining the resources they sought through these relationships tend to be thankful for the negotiating role played by the leaders who represented them. The *norm of reciprocity*, as explained by Gouldner (1960), translates into political support.⁶⁷

The tendency for clientelistic arrangements has not come only from PRD politicians and activists. Several of the social movements that joined the party in its formative years, and others that currently seek or take advantages from an alliance with the PRD in power, have a long history of clientelist relations with PRI politicians and officials. Such organizations also frequently arrange internal relationships with their membership according to clientelistic rules. These are not necessarily organizations whose purpose is simply to exploit their members but groups that have been highly effective in defending their affiliates' interests with public officials⁶⁸ (Hellman, 1995; Cross, 1998; Haber, 2006). Their organizational experience and expectations about the relationships between the general public and politicians affect the PRD in government nevertheless. As one founding member of the PRD with a long history in left-wing opposition politics said to scholar Tina Hilgers, “When you form a group that brings together existing leaderships, such as regional movements that have been fighting other movements for existence, you’re going to be bringing in their clientelistic practices” (Hilgers, 2008:137).

Thus, as the PRD became electorally successful—particularly through its 1997 victory in Mexico City—and gained access to public resources, a growing numbers of individuals and organizations turned to PRD politicians and activists as possible political patrons in clientelistic arrangements. The urge of certain sectors of the general public to take part in such deals

⁶⁷American sociologist Alvin Gouldner (1960) proposed the existence of a universal, generalized *norm of reciprocity*. He argued that almost all societies endorse some form of the reciprocity norm, and that only a few members were exempt from it (i.e. the very young, the sick, and the old). The norm regulates the exchanges of goods and services between people in ongoing group or individual relationships, dictating that people should help those who have helped them, that people should not injure those who have helped them, and that legitimate penalties may be imposed on those who fail to reciprocate. Reciprocity thus calls for positive reactions to favorable treatment and for negative reactions to unfavorable treatment.

⁶⁸Such is the case of the informal street vendor organizations, especially the well-organized ones.

further reinforced trends towards clientelism in the PRD, as the factions eagerly used such pacts to outdo each other as they attempted to increase their number of public followers (Hilgers, 2008). The informal street vendor organizations were not an exception.

5.3.5 *The formal and informal powers in Mexico City during the PRD governments*

Inside and outside the structure of the Federal District government there were formal and informal power groups operating at ease and adopting corruption as *modus operandi*—plundering the Treasury resources; extorting money; evading taxes; altering, falsifying and extracting of official documents; imposing their own rules; and not hesitating to sabotage and obstruct the work of the authority.

To understand the magnitude of the problem, one single illustration is enough: López Obrador had admitted—shortly before taking over as the new head of government of the Federal District on December 5, 2000—that the functioning of Mexico City depended 70 percent on informal powers (Monge and Zamorán, 2000).

Since 1997, with the end of the PRI dominance and the rise to power of the first PRD government in the Federal District, Cuauhtémoc Cárdenas had raised concerns about the government in Mexico City. In his first report on the state in which he had taken over the administration of Mexico City from his predecessor Óscar Espinosa Villarreal,⁶⁹ Cárdenas denounced the existence of a “vast network of corruption, which leaves no trace” (Monge and Zamorán, 2000:75).⁷⁰

Thanks to the power accumulated through the years and the network of vested interests on all sides, these groups not only withstood the onslaught of the first PRD city government but,

⁶⁹In March 2000, Óscar Espinosa Villarreal was charged by the city government of Rosario Robles for the crime of embezzlement and misappropriation of funds for MX\$420 million. The city government itself called for his impeachment in the Chamber of Deputies, when he was still minister of tourism under the administration of President Zedillo. Espinosa subsequently resigned as minister of tourism to face trial, which was marred by irregularities. To avoid arrest, he requested political asylum in Nicaragua, where he was detained by the Nicaraguan authorities (Smith, 2000). Finally, after receiving an injunction (*amparo*) from the Mexican federal courts, Nicaraguan authorities released him and Espinosa Villarreal returned to Mexico, where he continued his trial in freedom, until the nation’s Supreme Court exonerated him of all charges. All legal proceedings were declared null and he is currently free.

⁷⁰After only 100 days as head of government of the Federal District, Cuauhtémoc Cárdenas had warned: “The phenomenon of fraud against the government of Mexico City shows characteristics that suggest the action of organized crime. To date, we have detected this type of behavior in emission control centers for vehicles (verificentros), in license-issuing centers, in offices of the city treasury, and in urban registry offices, where one or more of the following criminal acts have occurred: forgery, theft of official stationery, and disappearance of accounting records, which suggests embezzlement on a large scale” (Monge and Zamorán, 2000:75).

in the end, even managed to impose conditions and confront the authorities by organizing strikes and work stoppages, and by staging outbreaks of insubordination (Monge, 2001a). Among these groups of formal power were the Federal District Government Workers Union (Sindicato Único de Trabajadores del Gobierno del DF, SUTGDF), the Metropolitan Union of Collective Transport System (Sindicato Metropolitano del Sistema de Transporte Colectivo, Metro) and the Auxiliary Police of the Federal District (Policía Auxiliar del Distrito Federal). The aforesaid actions were carried out by these groups with the purpose of retaining their bastions of power against the onslaught of the PRD city governments, which threatened their privileges and methods of operation. The fight against these groups was perhaps the hardest, and yet unnoticed, challenge that the first PRD governments had to undertake when they came to power in Mexico City. To illustrate the situation, some examples of the way the SUTGDF functioned will be briefly discussed in Appendix A.4.

Thus, neither Cuauhtémoc Cárdenas at the beginning of his mandate, nor Rosario Robles subsequently, were able to solve the problem entirely; at the end of the three-year administration, these power groups had managed to rebuild themselves and even recover some privileges. In the new López Obrador administration, they were very much alive (Monge, 2001a).

However, what worried the majority of the members of the López Obrador administration the most were the informal power groups—those organizations devoted to street vending, drug-trafficking, operating informal public transport, and buying and selling robbed car parts.

The new head of government of the Federal District had a clear idea of the problem and knew that the restoration of legal powers was essential. López Obrador said: “I aspire [to the fact] that legal power begins to gain ground. In the correlation of forces, legal power must have more decision, more command, because as legal power advances, there will be a better coexistence in the city” (Monge and Zamorán, 2000:80).

5.3.6 *Street vending as a form of informal power in the López Obrador administration*

Thus, informal street vending fell within the realm of the informal powers that existed in Mexico City. At the beginning of the López Obrador administration, the precise number of street vendors in the city was unknown. The city government had a census of almost 100,000 street vendors distributed in the 16 delegations, while the National Chamber of Commerce (CANACO)—Mexico City’s chamber of commerce—estimated there were 250,000 street ven-

dors (Monge and Zamorán, 2000). An additional reliable source, INEGI's National Employment Survey (ENE), showed there were 169,275 individuals working as street vendors in the Federal District in 2000 (Table 5.1) (INEGI, 2004).

Table 5.1.: Individuals Working as Street Vendors (1998–2004). (Federal District, Metropolitan Area, and Country)

Year	Federal District	Metropolitan Area*	Country
1998	160,949	327,019	1,197,136
1999	164,151	290,381	1,155,812
2000	169,275	320,467	1,222,223
2001	163,040	335,644	1,398,781
2002	167,792	348,919	1,549,081
2003	173,964	315,136	1,713,281
2004	220,917	397,989	1,874,915

Source: INEGI's National Employment Survey (Encuesta Nacional de Empleo, ENE[†]) (INEGI, 2004).

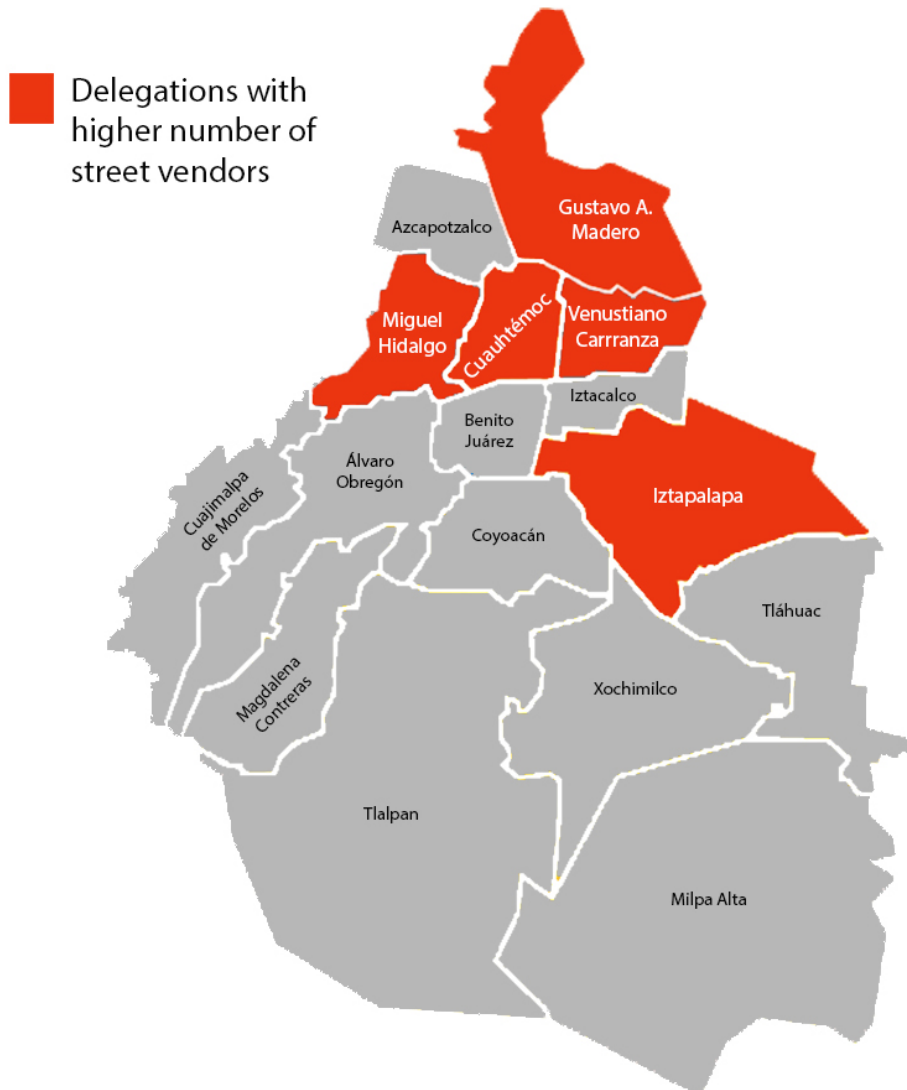
*The Metropolitan Area of Mexico City refers to the conurbation around Mexico City, which is also known as greater Mexico City. It is constituted by the Federal District—composed of 16 delegations—and 41 adjacent municipalities of the states of Mexico and Hidalgo. The reason why all these delegations and municipalities are usually aggregated is because they all form a single conurbation.

† The National Employment Survey (Encuesta Nacional de Empleo, ENE) was a demographic tool developed by the INEGI and implemented between 1998 and 2004. Together with the National Urban Employment Survey (Encuesta Nacional de Empleo Urbano, ENEU) (1987–2004), they provided information about the employment status of the Mexican population. In 2005, the National Survey of Occupation and Employment (Encuesta Nacional de Ocupación y Empleo, ENOE) replaced both surveys (ENE and ENEU) as the main labor-demographic tool used by the INEGI. The ENOE did not classify 'individuals working as street vendors' (as it had been done in the ENE), instead using 'individuals working in the informal sector'. Because of this, it became harder to follow the 'street vendor' sub-category after 2004.

By 2000, over 65 percent of informal commerce in Mexico City was located in the Cuauhtémoc, Gustavo A. Madero, Iztapalapa, Miguel Hidalgo, and Venustiano Carranza Delegations (Figure 5.3). Most of the street vendor organizations had links or were affiliated to organizations run by the PRI, the PRD, and the PT⁷¹ (Monge and Zamorán, 2000).

⁷¹The Labor Party or Partido del Trabajo (PT) is a nationally recognized political party in Mexico. It was founded on December 8, 1990. Its roots lay in a network of community organizations formed by Maoist activists. The party first participated in federal elections in 1991, but failed to win 1.5 percent of the vote (the amount necessary to be recognized as a national party). In 1994, the prominent activist Rosario Ibarra became the presidential candidate but later declined in favor of Cuauhtémoc Cárdenas. In the 2000 elections, the party took part in the PRD-led alliance, Alliance for Mexico (Alianza por México). As part of the Alliance, it won seven seats in the Chamber of Deputies and one seat in the Senate (Partido del Trabajo, 2013).

Figure 5.3.: Delegations where 65 percent of street vending was located in 2000.



Source: Author, with information from Monge and Zamorán (2000).

In 2000, according to authorities in the Cuauhtémoc Delegation,⁷² street vendor organizations located in that delegation were selling a piece of sidewalk to set up a stand in the Historical Center for between MX\$5,000 and MX\$10,000 (worth between US\$526 and US\$1,052 at the time). In the Tepito neighborhood, a square meter was valued as worth up to MX\$20,000; in the Condesa neighborhood: MX\$7,000; in the Roma, San Cosme, Alameda, Doctores, and Zona Rosa neighborhoods: MX\$5,000; in the Balderas neighborhood: MX\$4,000; in Santa

⁷²Moreover, the most important street vendor organizations had debts—for permits given to them by the Cuauhtémoc Delegation but that they never paid—hanging over them for ten years (Monge and Zamorán, 2000).

María la Ribera, Tlatelolco, and Obrera neighborhoods: MX\$3,000; and so on (Monge and Zamorán, 2000).

By early 2001, it was obvious again that the different previous governments of the Federal District had failed to mitigate the problems of public security (delinquency and organized crime) and informal commerce in the Historical Center of Mexico City. Throughout its 9.1 square kilometers and 668 city blocks—within which there are rich historical, cultural and architectural sites—there existed an underground world where informal and illegal groups operated openly and with a highly efficient organizational level (Monge, 2001b).

According to an investigation undertaken by the Federal District government, behind these groups there were a handful of informal commerce leaders. The report obtained by Raúl Monge—a journalist for the weekly magazine *Proceso*—described a number of criminal activities performed by these groups in the Historical Center, which included drug distribution, armed robbery, and illicit sale of firearms.⁷³

Moreover, according to the investigation, with the proceeds of the sale of public spaces and the collection of fees from members of their organizations, the most important street vendor leaders in the Historical Center had increased their personal assets and engrossed their bank accounts (Monge, 2001b).⁷⁴ According to the investigation, in 2001 the city government estimated that the street vendor leaders received at least MX\$200 million per year from fees and the sale of spaces on the streets, equal to US\$20,408,163 in 2001. Despite the prohibition of street vending in the Perimeter A of the Historical Center, the authority identified more than 25,000 points of sale in the downtown area of the city (Monge, 2001b).

⁷³The report states, for example, that in a second floor of a tenement building, located between the streets of República de Bolivia and República de Argentina in the Historical Center, a so-called shoe repair business in reality sold drugs. The parking attendants who worked on those streets offered small packets of cocaine (*grapas*) to passers-by and regular customers. In another tenement building in the República de Argentina Street, a group of muggers operated throughout the day. Anyone passing through the entrance was at risk of being taken by force into the tenement building and robbed. Behind the Abelardo L. Rodríguez market, one of the oldest markets in the capital, there was a shooting-range, which was used to test the weapons sold on street stalls or in formal established businesses (Monge, 2001b).

⁷⁴For example, on April 1989, Alejandra Barrios Richard—leader of the Legitimate Civic and Commercial Association (ALCC)—and her siblings acquired several real estate properties—two ancillary facilities and 36 apartments—with a value of 466,202,500 old pesos (the Mexican currency before 1993), equivalent to US\$172,668 in 1989. She also bought a house and a plot of land in the downtown area (Monge, 2001b). In June 1987, Silvia Sanchez Rico—daughter of the late Guillermina Rico and leader of the Civic Union of Merchants of the Old Merced (Asociación de Comerciantes de la Antigua Merced, ACAM)—bought a house in the city center area valued at the time at 27 million old pesos, equivalent to US\$20,610 in 1987 (Monge, 2001b). On December 21, 1983, Benita Chavarría, another of the most powerful street vendor leaders in the Historical Center, bought a house, as well as some plots of land. The total value of the transaction was 218,506,000 old pesos, equivalent to US\$1,560,757 in 1983 (Monge, 2001b; Monge, 2009). While it is difficult to confirm the accuracy of these figures, it is certain that street vending was becoming a very profitable activity for the leaders of the street vendor groups. Chapter 6 will shed more light on this.

By becoming one of the most profitable businesses in Mexico City, informal street vending caused several problems. One problem was that the dispute over the street sites generated confrontations between rival street vendor organizations. Another problem was that some street vendor groups openly opposed the reorganization (or relocation) programs to be implemented by the city government.⁷⁵ One more problem was that the number of street vendor organizations multiplied throughout the city during this time. Some examples are given below.

Óscar Liebre Espinosa used to work in the street vendor organization of Silvia Sanchez Rico, but left the group of Sanchez Rico and joined a separate street vending group, which operated on República de Colombia Street, in the Historical Center. Through threats and intimidation he gained control of the group. He was always armed and accompanied by three people who allegedly were engaged in robbing transport trucks and trailers (Monge, 2001b). Gun in hand, Liebre Espinosa seized a building lot located in Rodríguez Puebla Street, where the residents had planned to build houses. Without any permit, he set up an imported goods shop. His headquarters were in República de Argentina Street, where he ran a nightclub and, according to the city government investigation, distributed drugs (Monge, 2001b).

The case that drew the most attention was that of the PRI local deputy, Edgar Rolando López Nájera, leader of the Metropolitan Alliance of Popular Organizations (Alianza Metropolitana de Organizaciones Populares, AMOP). Despite having been the subject of three preliminary criminal investigations,⁷⁶ he still managed to get a seat in the ALDF and chair the Supply and Food Distribution Commission (Comisión de Abasto y Distribución de Alimentos) (Monge, 2001b).

On January 31, 2001, López Nájera chaired a meeting with representatives of various vendor organizations affiliated with the AMOP, in the auditorium of the annex of the Legislative Assembly, right in the heart of downtown Mexico City. There, all the street vendor leaders—most of them affiliated to the PRI—without exception strongly criticized PRD's Dolores Padierna, who had been elected head of the Cuauhtémoc Delegation in 2000. For example, Marco Hernández Guerrero, from the vendor group called Los Marcos, said that in the last meeting

⁷⁵The city authorities documented how Alejandra Barrios—leader of the ALCC—asked each member of her organization for MX\$1,000, equivalent to about US\$100 in 2000, with the intention of promoting a writ of *amparo* (injunction) against the relocation of street vendors that the Cuauhtémoc Delegation planned to undertake (Monge, 2001b).

⁷⁶On November 17, 1983, Edgar Rolando López Nájera—elected PRI local deputy in 2000—was charged with property damage. The lawsuit was filed in Criminal Court 26. On March 29, 1989, he was subjected to a second criminal inquiry, coded 30/245/89. And in a third inquiry, on April 10, 1989, he was denounced for the crime of violation of copyright law (Monge, 2001b).

he and his colleagues had with Padierna, she had insulted them and threatened to put them in jail. Alejandra Barrios—leader of the ALCC, which had been affiliated with the PRI since its outset—also complained; she said that Padierna had told her she was her enemy number one (Monge, 2001b).

The fact is that Dolores Padierna knew very well the workings of the informal street vending groups in the Cuauhtémoc Delegation as she had profound knowledge of the Tepito neighborhood where she had done political work for the PRD since 1988. For example, she knew the route followed by the 150 truck trailers that delivered stolen or contraband merchandise to the clandestine warehouses located in Tepito every day. In Díaz de León Street, truck trailers would stop and about 20 individuals with dolly carts would move merchandise to different warehouses. The whole procedure would only take ten minutes (Monge and Vivas, 2001). Padierna had this and more information about the illegal activities taking place in the Historical Center area, which she had passed to the Federal Judicial Police, the Mexico City Police, and even the Federal General Attorney, but to no avail as there was no police or governmental response (Monge and Vivas, 2001).

The Cuauhtémoc Delegation had an urban rescue program which it had not been able to execute. The program included several actions, which included the reordering of public markets; the rehabilitation of land plots, sidewalks, and streetlamps; with private funds, the construction of a number of town squares; and the rehabilitation of several emblematic sites in the delegation (Monge and Vivas, 2001). However, when the project was presented, the groups in the delegation—particularly the street vending groups and organized crime groups—reacted negatively as they felt their interests would be affected. This created a lot of strain between the delegation and the potentially affected groups. The street vendor leaders had their own version of the facts, and accused Padierna of having a high-handed attitude. Alejandra Barrios recounted how she started her rivalry with Dolores Padierna. Barrios said that Padierna told her: “If you do not work with me, in my program, I am going to put you in jail.” Barrios responded, “I want to be your friend and want to work with you, but do not beat up my people... That is when the rivalry started” (Paramo, 2004; Barrios, 2010). This reveals the animosity and tension that existed between some street vendor organizations and the authorities who were responsible for solving the problems street vending was generating.

5.3.7 *The Historical Center Rescue Program and its impact on street vending*

In reality, at the bottom of the revolt of the street vendor organizations lay the ambitious urban rescue program of the Historical Center, to be implemented by the López Obrador administration. The relocation of street vendors would certainly prove detrimental for them, but not for the Federal District government. With the Historical Center Rescue Program (Programa de Rescate del Centro Histórico), the city government aimed to give a new image to this important area of the capital (Monge, 2001b).⁷⁷ To revitalize the economic activity of the city center, it was crucial to make this program a success; but of course, it would be detrimental to all those street vendor groups operating in the streets and spaces that were part of the program.

On February 9, 2001, Head of Government Andrés Manuel López Obrador officially announced the Historical Center Rescue Program, which included the recovery of streets and public squares; refurbishment of nursery, primary and secondary schools; restoration of historic buildings; and construction of housing units, among other works (Monge, 2001b).

In addition, historic buildings were given in bailment (*comodato*) to research centers and private enterprises in return for bearing the cost of renovating the premises. The Historical Center Rescue Program also proposed to close certain streets to vehicular traffic; improve street lighting, street furniture and signposting; set up outdoor cafés; and promote high-quality artistic and cultural shows in public squares and gardens (Monge, 2001b). With such an ambitious plan, it was imperative to find a solution to the informal street vending problem.

5.3.8 *The situation worsens: conflict between city government and street vendor groups*

Thus, by the second year of the López Obrador administration it was evident that leaders and *caciques* that controlled informal street vending in Mexico City were, once again, prevailing and imposing their practices, as they had done under successive governments in the past. The degree of conflict street vending was generating was more apparent day by day.

For example, on February 4, 2002, on Palma Street and 16 de Septiembre Street, police patrols had a confrontation with a street vendor group led by David García Castañeda, better

⁷⁷The Historical Center (Centro Histórico) of Mexico City has the largest proportion of economic activity of the Federal District. It also houses, among other things, 196 civil monuments, 67 religious monuments, 53 museums, 78 public squares and gardens, 19 cloisters, 28 fountains and 12 sites with murals (Monge, 2001b).

known as ‘El Cari’, just one of the more than 148 street vendor leaders who had taken over some of the main streets of the Historical Center of Mexico City (Monge, 2002). Previously, authorities in the Cuauhtémoc Delegation and street vendor leaders had agreed that after the Christmas season of 2001 they would vacate sidewalks, bus stops, Metro stations, and public squares, but the vendor leaders violated the agreement by remaining in these places. Consequently the head of the delegation, Dolores Padierna, sought support from the sectoral police to evict them by force (Monge, 2002). Street vendors—who were superior in numbers and perhaps in weaponry—reacted strongly to the police onslaught and not only withstood the buffeting but made the police forces retreat and then chased them once they realized their superiority. During that incident, the car of a minister of the Supreme Court of Justice of the Nation was damaged. The complaint came to the office of the head of government of the Federal District—Andrés Manuel López Obrador—who referred the matter to Francisco Garduño Yañez, at the time under-secretary of government of Mexico City⁷⁸ (Monge, 2002).

In the following meeting of the interagency group of the Federal District government, Garduño Yañez instructed Padierna to contain street vending activities, especially in the areas near and around the National Palace, the Supreme Court of Justice, the Metropolitan Cathedral, the Merchants’ Portal, and Pino Suárez Avenue, as well as the financial district, all within the limits of the Cuauhtémoc Delegation (Monge, 2002).

However, the street vendors, incited by their leaders, categorically refused to leave the streets. By the end of 2002, they had managed to retain the most important streets of the Historical Center, and by early 2003 it was obvious that the influence of some street vendor leaders and organizations was not confined to the Historical Center. Street vendors had begun to set up in corners, at bus stops and Metro stations, in the atriums of churches, on sidewalks surrounding hospitals, in urban corridors, on public squares, and at any site in the capital that had a high pedestrian flow.

5.3.9 *The distribution and growth of street vendor organizations in the Historical Center*

According to information gathered by the Federal District government, the Legitimate Civic and Commercial Association (ALCC) run by Alejandra Barrios controlled Motolinía Street, Palma Street, and part of 16 de Septiembre Street, where it had just over 700 street vendors. In

⁷⁸During the López Obrador administration in Mexico City, Francisco Garduño Yañez served as under-secretary of government and, eventually, as secretary of transport and roads administration. In the previous city administration, he was general director of government.

the last months of 2002, the ALCC appropriated spaces in Eje Central Street, Pino Suárez Street, Motolinia Street, and República de Argentina Street, and outside the Historical Center, the ALCC had territorial fiefdoms at the Insurgentes roundabout and the Chilpancingo-Insurgentes crossroads (Monge, 2002).

According to the same source, during those years Alejandra Barrios gained relevance as her association was protected and supported by Enrique Jackson—former PRI leader in Mexico City and, in 2002, coordinator of the PRI parliamentary group in the Senate—and for bribing officials in the Cuauhtémoc Delegation. According to the investigation carried out by the city government, she had the protection of hundreds of white guards,⁷⁹ whom she paid twice the minimum wage for their services (Monge, 2002).

Considered by city authorities as one of the most violent street vendor leaders, David García Castañeda ‘El Cari’ maintained dominance in Donceles Street, 16 de Septiembre Street, and sections of Tacuba Street and Palma Street, where he had about 500 street vendors (Monge, 2002).

Edgar Rolando López Nájera—head of the Metropolitan Alliance of Popular Organizations (AMOP) and local PRI deputy in the Legislative Assembly—exercised his influence over various areas of the Historical Center. He admitted street vendors who worked on their own or had left other vendor organizations to AMOP (Monge, 2002).

Marisela Sanchez, another leader championed by the PRI, exercised her powers in the western part of the city center (Monge, 2002).

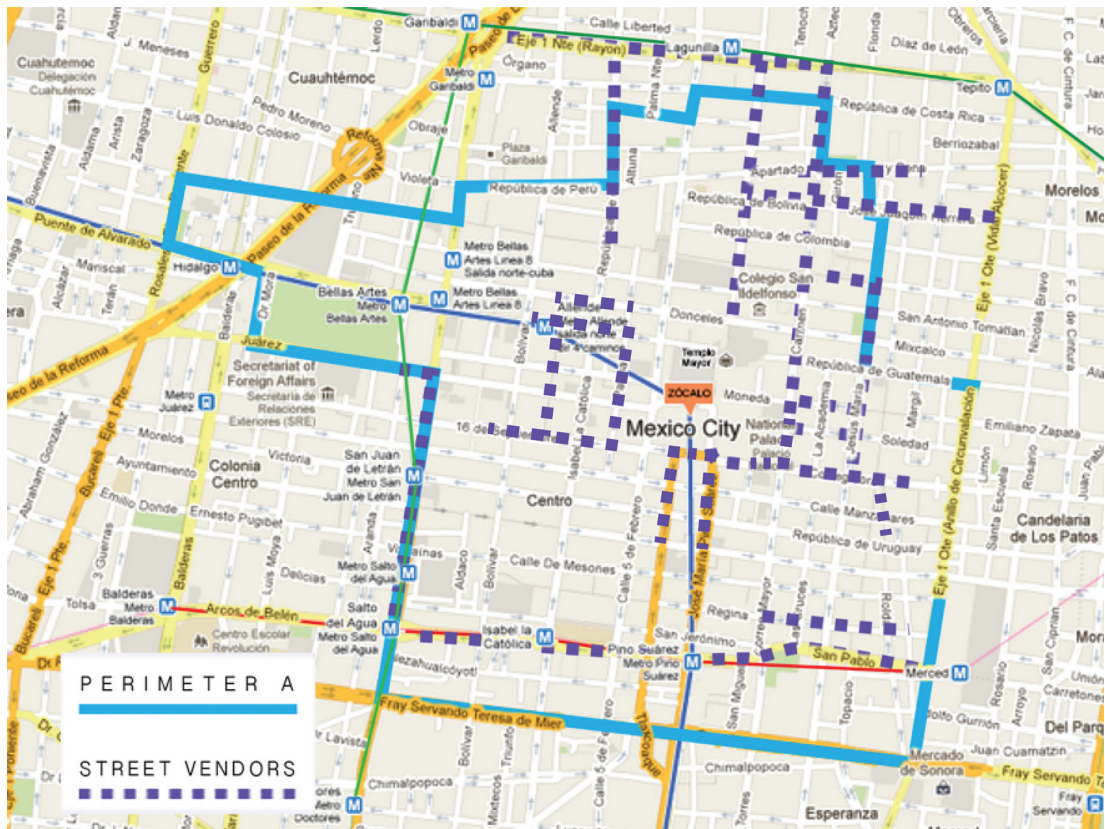
The eastern part of the city center was dominated by PRD groups. According to some sources, the strongest informal street vending group in this area was controlled by Roberto López, who until mid-2002 served as director of public roads in the Cuauhtémoc Delegation; he made sure to maintain his links with the PRD. The Mexico City government estimated that Roberto López represented the interests of no fewer than 6,000 street vendors located on Correo Mayor Street, Corregidora Street, and Roldan Street, where Guillermina Rico—deceased in 1996—and her daughter Silvia Sanchez Rico had their strongholds (Figure 5.4) (Monge, 2002).⁸⁰

⁷⁹The white guards are paramilitary or mercenary groups—from the French expression *Mercenaires de la Garde Blanche*—who give protection in return for money.

⁸⁰In November 2002, two months after being dismissed from his post (as director of public roads) in the Cuauhtémoc Delegation, Roberto López met with Dolores Padierna in the delegation offices. He told her that he had an important base of street vendors and he wanted to be a local deputy at the ALDF. Otherwise, he threatened, he would cause her serious problems. Padierna threw him out of her office (Monge, 2002).

This reflects another phenomenon that started to occur more frequently during the López Obrador administration. As street vendor groups multiplied, these new groups became political, but looked for the support of the PRD rather than the PRI. Where there were once strong and traditionally PRI-affiliated street vendor organizations—such as Guillermina Rico’s—now there were new street vendor groups with links to the PRD. In this, some of the PRD activists, PRD factions, and PRD grass-root groups played an important role.

Figure 5.4.: Map of distribution of street vendors in Mexico City (Historical Center area, 2002).



Source: Author, with data from Monge (2002).

The 20 de Noviembre Avenue was controlled by Benita Chavarría, one of the historic street vendor leaders who in the first years of the López Obrador administration left the PRI and took refuge in the PRD (Monge, 2002).

This is yet another street vending phenomenon that occurred during the López Obrador administration. Seeing that the PRD had won the head of government elections for a second consecutive term in Mexico City, some of the traditional PRI-affiliated street vendor organizations (e.g. the organization of Benita Chavarría) started to change parties. This confirms that

the real interests of the street vending organizations were economical and not political; seeing that their organizations were in danger for belonging to a party that was no longer in power, street vendor leaders thought it appropriate to align with the new party in power in order to ensure the survival of their organization and be favored by it. Gradually, the political clientele began to switch political parties and allegiances. Only the largest and strongest organizations such as the ALCC resisted, but they used the opportunity to demand more support from the PRI.

5.3.10 *Marcelo Ebrard enters the stage: the negotiations with street vending groups*

On February 17, 2002, López Obrador surprised his colleagues with the appointment of Marcelo Ebrard as secretary of public security and chief of the police of the capital⁸¹ in place of Leonel Godoy, who had accepted the invitation from Lazaro Cárdenas Batel—Cuauhtémoc Cárdenas' son who had just been elected governor of the state of Michoacán—to take charge of the Secretariat of Government in Michoacán (Monge, 2002).

In 2000, Marcelo Ebrard had been a candidate for the headship of government of Mexico City for the Party of the Democratic Center (PCD),⁸² but in March of that year declined in favor of López Obrador with whom, Ebrard argued, had many coincidences (Ebrard, 2010). From 2000 to 2002, Ebrard was on the board of advisors of López Obrador. Ebrard was a PRD outsider so his appointment as secretary of public security caused surprise among PRD members and officials in the López Obrador administration. However, his previous experience in Mexico City would prove to be useful for López Obrador, particularly in the subject of street vending.⁸³

⁸¹The Secretariat of Public Security of the Federal District is the law enforcement agency of the capital. It manages a combined police force of over 100,000 officers in Mexico City. The secretariat has under its command the Federal District Police which is divided in two main branches; the first branch is the Preventive Police (the uniformed police of the capital) which has four subdivisions: the Proximity Police (*Policía de Proximidad*), the Metropolitan Police (*Policía Metropolitana*), Special Forces (*Jefatura del Estado Mayor*), and Public Transit Police (*Policía de Tránsito*). The second branch is the Complimentary Police, which operates under the supervision of the secretariat, but is not considered a part of the Preventive Police; it is formed by the Auxiliary Police (*Policía Auxiliar*) and the Bank and Industry Police (*Policía Bancaria e Industrial*).

⁸²The Party of the Democratic Center (Partido del Centro Democrático, PCD) was a party created in 1999 by Manuel Camacho Solís as a platform to contend in the presidential elections of 2000. It came last in the presidential elections of 2000 and did not reach the required minimum 2 percent of the total vote, reason why it lost its register as a national political party.

⁸³Marcelo Ebrard had been Secretary of Government during the city administration of Manuel Camacho Solís (1988–1993) and had directly participated in the elaboration of street vending policies as well as negotiations with the vendor leaders.

In his first meeting with the institutional group in charge of resolving the problem of street vending, Marcelo Ebrard told Dolores Padierna—head of the Cuauhtémoc Delegation—that the Insurgentes roundabout area was a real “rubbish dump” (Monge, 2002:5) as a result of the street vending activity taking place there. Two days later, the two officials visited the Zona Rosa⁸⁴ and Ebrard asked Padierna to impose some order. Padierna replied: “I will do it, as long as you support me, because it is one of the strongholds of Alejandra Barrios” (Monge, 2002:5).

Padierna reminded Ebrard that Alejandra Barrios—the new queen of street vending in Mexico City, with whom Padierna had a long-standing rivalry—had no fewer than 700 white guards at her service distributed around the city, while the Cuauhtémoc Delegation had only 20 code enforcement inspectors for street vending. Marcelo Ebrard said he would try to convince Alejandra Barrios to relocate the street vendors who had taken over the entrances and exits of the Insurgentes roundabout. Nothing happened (Monge, 2002).

In September 2002, the Cuauhtémoc Delegation launched a new police operation to remove street vendors from Donceles Street, which was one of the bastions of David García Castañeda, better known as ‘El Cari’. However, things got out of control. The police forces gave García Castañeda a thrashing and left him almost dead. After that incident, Marcelo Ebrard forbade the police to intervene in street vendor evictions and ordered them to concentrate on patrolling (Monge, 2002).

For the time being, the streets of the Historical Center remained under the control of the street vendor organizations, despite the 1993 decree (*bando*) which prohibited such activity in the area (ARDF, 1993; Monge, 2002).

5.3.11 *Haggling, shady deals, and political chicanery*

Alerted by UNESCO officials of the risk of the Historical Center losing its status as a World Cultural Heritage Site because of the deterioration of the urban space there—including criminality, prostitution, mendicancy, drug addiction, road congestion, pollution, low levels of education and income, housing shortages, deterioration of the cultural and historical richness of the city, in addition to social conflicts—López Obrador questioned Padierna on the

⁸⁴The Zona Rosa or Pink Zone is a neighborhood in Mexico City which is known for its shopping, nightlife, gay community, and recently established Korean community. The neighborhood is officially part of the Colonia Juárez, belonging to the Cuauhtémoc Delegation, located just west of the Historical Center of Mexico City. The Zona Rosa is where the Insurgentes roundabout is located.

cause of the anarchy.⁸⁵ Padierna cited the aggravation of street vending as one of the main causes of these problems. “This is an abuse, the situation has got out of hand,” reproached the head of government, and instructed Padierna to impose order on the streets (Monge, 2002:5). Padierna replied that this task would be virtually impossible, as Marcelo Ebrard had withdrawn his support, arguing that the removal of street vendors was the responsibility of the Cuauhtémoc Delegation and not the Preventive Police (Monge, 2002).

Worried of getting into a confrontation with the PRI of Mexico City—which was supporting those street vendor organizations affiliated with it—that could ruin his plans to regenerate the Historical Center, and under pressure from a handful of investors headed by businessman Carlos Slim—who had bought more than 50 properties in the area—López Obrador took a categorical decision: he displaced Dolores Padierna from the responsibility of dealing with the street vending problem and entrusted Marcelo Ebrard with the task of bringing order to the city center, in particular in those streets that were part of the comprehensive rehabilitation program, located to the west of the Plaza de la Constitución (Monge, 2002).

The secretary of public security and chief of the police of the capital—Marcelo Ebrard—tried to get out of the task, and argued that the problem of security in the city demanded all his time and attention. However, López Obrador reminded him that he knew personally most of the street vendor leaders—Ebrard had dealt with them during his time as secretary of government under Manuel Camacho Solís, when the latter was Mexico City’s mayor—and that this would help him find a solution (Monge, 2002).

Reluctantly, Ebrard accepted the undertaking, though he made clear to López Obrador that he did not want to enter into a confrontation with the street vendor leaders. López Obrador agreed and ordered Padierna to hand in to Ebrard information and records of the street vendor leaders with whom Ebrard would have to negotiate (Monge, 2002).

Padierna complied with López Obrador’s orders and in addition sent Gustavo Cabrera to help Ebrard with the assignment. Gustavo Cabrera was an official from the Cuauhtémoc Delegation who had dealt with the street vending problem in the delegation before—and most likely was close to Padierna. In addition to providing expertise on the subject, he could give Padierna confidential information about Ebrard’s plans and actions.

Thus, with the support of Gustavo Cabrera from the outset, Marcelo Ebrard drew up a first project which consisted of the creation of an agency in charge of street vending, with its own

⁸⁵In 1987, Mexico City’s Historical Center had been declared by UNESCO as World Cultural Heritage Site for its architectural, historical, and cultural richness (Monge, 2002).

resources and structure—similar to that created during the Camacho administration. The idea was not well received by López Obrador, who argued that the problem of street vending would not be resolved with decrees or with more bureaucracy (Monge, 2002).

With the works about to start, Ebrard removed Cabrera from the team and instructed his advisor, Federico Escobedo Miramontes—who had worked at the Miguel Hidalgo Delegation with PAN's head of delegation Arne Aus den Ruthen Haag—to enter into negotiations with street vendor leaders, especially those affiliated to the PRI who occupied several blocks west of the National Palace building (Monge, 2002).

At this point, it is worth to make a brief digression to note that there had been previous separate attempts, particularly by the local deputies and delegations, to regulate and/or remove the street vendors who were causing problems. In April 2002, a group of PAN local deputies presented a bill to the ALDF that would regulate commerce and the different uses of the properties of common use in the Federal District, which basically was an attempt to regulate vending in the public thoroughfare. The bill was not passed by the Legislative Assembly (Toscano, 2012). Previously, in 2001, a year after taking office as head of the Miguel Hidalgo Delegation, Arne Aus den Ruthen Haag—a PAN member who had won that delegation in 2000—had expressed the need to clean the delegation of street vendors, and he proceeded with a plan to relocate them to commercial plazas. The following year (2002), unable to reach an agreement with the street vendors, he attempted to remove them from the streets forcibly with the help of 50 high-security police officers. The operation resulted in a violent confrontation in which the police were on the losing side. Aus den Ruthen accused Marcelo Ebrard of not providing enough resources to ensure the security of the operation (Servin Vega, 2002). Ebrard declared in a press conference that the operation had not been coordinated by the Secretariat of Public Security and that he thought it was a bad idea to confront street vendors in such a manner (Servin Vega, 2002). This event again demonstrates the lack of coordination and communication between delegations and the central city government. This lack of coordination might have to do with the different approaches each authority had in dealing with the street vending problem; but also it might have to do with the fact that each authority belonged to a different party—Aus den Ruthen belonged to the PAN, while Ebrard worked for the PRD.⁸⁶ However, belonging to the same party was not a guarantee for success, as Ebrard and Padierna were about to realize.

Dolores Padierna became very upset when she was informed that Escobedo Miramontes, and not Gustavo Cabrera, would be responsible for conducting the negotiations with the street vendor organizations during the first phase of the regeneration program, and withdrew her

⁸⁶Marcelo Ebrard became a member of the PRD on September 12, 2004 (Lloyd, 2009; Maciel, 2010).

support for the Secretariat of Public Security, although Escobedo Miramontes asked her not to do so. Ebrard and Escobedo Miramontes continued their negotiations and succeeded in liberating four streets on the west side of the Historical Center that were part of the rehabilitation program, shortly before the deadline imposed by the head of government (Monge, 2002).

The terms of the agreement were not released, but according to journalist Raul Monge (2002), the PRI-affiliated street vendor leaders and Marcelo Ebrard negotiated the provision of 1,500 stalls in commercial plazas, as well as a certain number of houses, some money, food provisions (*despensas*), benefit vouchers for the elderly, permission to sell on primary roads of the city, and the abolition of a registry of street vendors. When Padierna asked Ebrard why he had yielded to the demands of the street vendor leaders, he said he had no other choice, and that in doing so he was avoiding an unnecessary confrontation (Monge, 2002).

By taking this stance, Ebrard sacrificed—for the rest of the López Obrador administration—any possibility of effectively reducing street vending in return for the avoidance of conflict, in order to carry out the regeneration program in the Historical Center. He gave away all control to informal street vendor leaders and placed the city government in a very weak position for future negotiations. Ebrard justified his decision by stating that he wanted to avoid unnecessary confrontation, but it could also be the case that he wanted to build a political or clientelistic base to support his candidacy to become the next head of government of the Federal District. The fact that he decided to cancel the plan of having a registry for informal street vendors would make it virtually impossible to control them or to implement any policies to lessen the street vending problem. As discussed in the Cárdenas administration section, Escobar Toledo had stressed the importance of creating reliable statistics and thus the possibility of diagnosing what public policies must be implemented (Scherer Ibarra, 1997a). In addition, it also would give leeway to vendor leaders to keep using membership numbers as they pleased and for their own benefit, which was detrimental to both the city government and their own street vendor members.⁸⁷

The head of the Cuauhtémoc Delegation—Dolores Padierna—told Ebrard that he had made a mistake, and that it would have been better to follow other courses of action, such as reviving the preliminary criminal investigations that existed against most of the street vendor leaders, which she said would set a precedent. Marcelo Ebrard retorted: “I did not sign anything, everything was done verbally” (Monge, 2002:6).

⁸⁷Without reliable data, no policies could be effectively implemented and that affected the performance of the city government in solving the problem and individual vendor members since they could not get the benefits of government policy.

Padierna was not satisfied with this response. In November 2002, she complained to López Obrador, whom she reminded that Ebrard's agreement with the street vendor leaders contradicted his promise of "not entering into political chicanery or shady negotiations with the political mafia, not negotiating democratic principles and values, and not implementing a traditional governmental policy" (Monge, 2002:6). Padierna also told him that it was unacceptable that López Obrador's government itself had shady dealings with "the street vending mafia", whose leaders, feeling protected, expanded their domains into other streets in the Historical Center and the rest of the city (Monge, 2002:7).

Negotiating without having a general agreement among the different levels of government authority—delegational and city governments—in Mexico City about how to proceed or what policies to follow on street vending caused several problems. The street vendor organizations observed the lack of unity among the different authorities and used it to their advantage.

For example, on December 9, 2002, street vendors in the city center staged a sit-in at the esplanade of the Cuauhtémoc Delegation, demanding permits to allow them to sell on the thoroughfare during the Christmas season. As there was no response from the delegation, the next day a group of street vendor leaders, among them Alejandra Barrios and David García Castañeda 'El Cari', openly challenged its head, Dolores Padierna: they warned her that with or without selling permits they would go out onto the streets and sell their products. And they did (Monge, 2002).

In an interview with *Proceso* magazine, Padierna explained that, in the Christmas season of 2002, selling permits were not given because, the previous year, the vendor leaders misused them and violated the agreements that had been made. She recalled, for example, that most of the street vendor leaders photocopied the certificates permitting them to sell on the street and sold them for a price ranging between MX\$7,000 and MX\$10,000 each, equivalent to US\$765 and US\$1,092 in 2001 (Monge, 2002).⁸⁸

Again, this shows lack of communication between city and delegational authorities. While street vendor leaders reached an agreement with Marcelo Ebrard, they simultaneously put pressure on Dolores Padierna to obtain the selling permits as delegations were the authorities in charge of issuing them. It was impossible to find a solution unless the delegation and city authorities were working under the same policy or plan.

Dolores Padierna claimed that if the government really wanted to control street vending, it had to implement a set of actions:

⁸⁸The exchange rate in December 2001 was US\$1 = MX\$9.15 pesos.

- to freeze the street vendor organizations' member lists
- to reach agreements directly with street vendors, not with their leaders
- to open commercial plazas and commercial corridors to relocate street vendors
- to disarm the white guards used by some vendor leaders for the purposes of protection, intimidation and fighting police forces
- to organize police raids in the warehouses where merchandise and products were kept
- to reactivate the pending criminal proceedings against those street vendors leaders who refused to leave the areas included in the reorganization program
- to set specific hours of sale for street vendors.

Padierna stated:

As long as there is no sanction against those who misuse the public thoroughfare or no action is taken against those who sell stolen goods, the phenomenon of street vending will grow without control, because the force of the government is not big enough to stop this organized and armed army in which street vendors have become.

(Monge, 2002:7)

This is a rather serious statement as it showed that street vending could not be controlled and the problem had certainly surpassed the capacity of the delegational authority—and perhaps even the capacity of the city government. It was necessary to implement a common policy at delegation and city level to control them, otherwise it would be impossible ever to do so. The differences between Padierna and Ebrard obviously benefited the street vendor leaders, who threatened Padierna and negotiated with Ebrard, boosting their bargaining power. While Padierna might have had a legitimate intention to eradicate and solve the street vending problem, it seemed that Ebrard was more interested in avoiding the problem altogether and perhaps wanted to use the support of the informal vendor groups to improve his chance of becoming head of government of Mexico City in 2006.⁸⁹

⁸⁹It is interesting to note that, in an interview with me, the words of praise or criticism that Alejandra Barrios had for Ebrard and Padierna, respectively, fit the story perfectly. She was supported by Ebrard—whom she described as “good man” and “friend”, but not by Padierna—whom she called a “filthy rat”, a “liar”, and a “revolting and evil person” (Barrios, 2010).

By the end of 2002 and early 2003, the Cuauhtémoc Delegation estimated that in the Historical Center co-existed a little over 30,000 street vendors, grouped into 148 organizations (Monge, 2002). The majority were already political clientele of the PRI or the PRD.

5.3.12 *The conflict between Alejandra Barrios and María Rosete*

On April 2, 2003, Dolores Padierna left the Cuauhtémoc Delegation to run for a seat in the Chamber of Deputies. She was elected on July 6 to a first-past-the-post seat in the LIX Legislature (2003–2006), which started on September 1, 2003. Her position as head of the Cuauhtémoc Delegation was taken by José Alfonso Suárez del Real for the remaining delegational term, to end in September 30, 2003.⁹⁰

On August 19, 2003, there was a big confrontation over selling spaces on the street between two of the most powerful informal street vendor organizations in the Historical Center. That morning, authorities from the Cuauhtémoc Delegation received reports of unusual activity on República de Bolivia Street, between República de Argentina Street and El Carmen Street. The head of the Cuauhtémoc Delegation, Suárez del Real, sent watch-keeping personnel to find out what was happening. They found lines of wooden crates blocking the street and posters on the walls with the caption ‘Bolivia street for the neighbors’ (Monge, 2003:107). It is worth noticing that Alejandra Barrios, leader of the PRI-affiliated Legitimate Civic and Commercial Association (ALCC), had her offices on República de Bolivia Street No. 5 and thus was part of the neighborhood. The ALCC had become the largest street vendor organization in the city center. The first report back to the delegation indicated that the people who had placed the wooden crates on the street were street vendors belonging to the association of María Rosete Sanchez (Monge, 2003).

María Rosete Sanchez was born in Tenochtitlan Street, right at the heart of the Tepito neighborhood. Since 1992, Rosete has been organizing informal street vendor groups in Tepito and she is the leader of the Union of Merchants ‘Sons of Tepito’⁹¹ (Union de Comerciantes ‘Hijos de Tepito’). María Rosete is affiliated to the PRD and her organization had grown at a

⁹⁰PRD’s Virginia Jaramillo won the elections in the Cuauhtémoc Delegation in 2003 and replaced José Alfonso Suárez del Real on October 1, 2003. Previously, Jaramillo was director of social development during the administration of Dolores Padierna in the Cuauhtémoc Delegation. At the same time, María Rosete had served as territorial deputy delegate (*Sub-delegada Territorial*) in Tepito (Paramo, 2003).

⁹¹I was able to find at least two more organizations that recognize María Rosete as their leader: United Organizations of the Tepito Neighborhood (Organizaciones Unidas del Barrio de Tepito) and the Metropolitan Front of Popular Organizations (Frente Metropolitano de Organizaciones Populares, FMOP). The author was not able to find if these are organizations different from the one mentioned above, or if they are related to them.

surprising pace over the years that the PRD had been governing Mexico City. A source claims it expanded from 100 members to 600 members in only five years—from 2000 to 2005 (Cross, 2005)—but other sources say she had more than 700 members (Jiménez, 2006; Mexico Sí, 2006). One more source also claims that her organization also included 450 itinerant vendors or *torerros* (Reforma, 2003).⁹² There are sources which link María Rosete with certain PRD factions, more specifically, with the National Democratic Left group (Izquierda Democrática Nacional, IDN), led and created by René Bejarano, who happens to be Dolores Padierna's husband (Sanchez, 2005). Sources say that the relationship between Rosete's organization and the PRD's National Democratic Left may explain the rapid increase in members of Rosete's organization, as well as the increasing power the organization has acquired in Mexico City (Sanchez, 2005).

Between 7:30am and 8:00am on August 19, 2003, officials in the Cuauhtémoc Delegation received phone calls from residents of República de Bolivia Street asking the delegational authorities to prevent informal street vendors from setting up on the street. The same day, residents had sent a letter to López Obrador in which they asked him to prevent street vendors from setting up stalls in the street, arguing that street vending would block entrances of homes, schools and businesses; foster crime; and could lead to conflicts with residents, neighbors, teachers, and established business owners. The letter added: "It should be noted that the aforementioned [República de Bolivia] street does not belong to any leader and has no history of having been occupied by this type of [informal] trade" (Monge, 2003:107).

Responding to this request, Suárez del Real ordered 40 public roads officials to keep the area free of street vendors. Just after 10am, María Rosete and her followers arrived, and officials told her that they would not be allowed to settle in the street. But Rosete—who before joining the ranks of the PRD was an active member of the PRI (Monge, 2003)—remained there with her group. Around 11am, and aware of the possible invasion of street vendors onto República de Bolivia Street, Rocío González—then general director of delegational programs for the Mexico City government—ordered Christian Javier López Rubio, head of the Departmental Unit for Monitoring of the Reorganization of Commerce on Public Roads, to go to the zone of conflict accompanied by some security personnel. Once there, López Rubio noted that in the corner of República de Argentina Street and República de Bolivia Street were at least 300 people with sticks, metallic tubes, and stones, belonging to Alejandra Barrios's group, while at the other end of the street, near República de Bolivia Street No. 41, was another group

⁹²It is worth mentioning that during the 1990s María Rosete received help from PRI officials such as Manuel Aguilera. In 2001, Rosete was arrested by the police in a shooting in which a 16-year-old was killed (Reforma, 2013).

of around 150 people with the same equipment, belonging to María Rosete's group (Monge, 2003).

In the middle of the two antagonistic groups were 50 public roads officials and some police units of the Secretariat of Public Security assigned to the Historical Center (Monge, 2003). López Rubio asked to speak to the person in charge of Barrios's group and was directed to Javier Jiménez Barrios,⁹³ son of the leader Alejandra Barrios. Javier Jiménez Barrios told López Rubio that María Rosete and her group wanted to remove them from their territory and that Rosete was bringing them into conflict with residents, neighbors and established merchants, with whom, he said, they shared sales in the area.⁹⁴ López Rubio instructed him to calm down his people to avoid a confrontation, while he tried to negotiate with his opponents (Monge, 2003).

López Rubio then spoke with María Rosete, who explained that they were there because "the residents and neighbors were afraid of being stripped of their workplace" (Monge, 2003:108) by the people of Alejandra Barrios.⁹⁵ The conversation was interrupted when members of Barrios's ALCC began throwing objects. López Rubio saw that Javier Jiménez Barrios was approaching. López Rubio went out to meet him and asked him to draw back his group, since he was still in negotiations with Rosete. Javier Jiménez Barrios replied: "It's too late and I am not going to control the people" (Monge, 2003:108). According to sources, hidden somewhere in the vicinity, Alejandra Barrios used her cell phone to call the head of the Cuauhtémoc Delegation to whom she said that people wanted to invade República of Bolivia Street, where her offices were (Monge, 2003). Moments later, Javier Jiménez Barrios made a signal and his people ran to where their opponents were. Before being pulled to safety by uniformed police, López Rubio could see one of Alejandra Barrios's supporters pull out a handgun; he then heard several shots, two of which were aimed at Jorge Ramírez Espíndola, the husband of María Rosete. (Monge, 2003).

⁹³Though, several sources consulted mention that the name of the son of Alejandra Barrios that led and participated in this clash is Javier Jiménez Barrios, it is likely that the real name is Javier Alejandro Sanchez Barrios. The latter is the son of Alejandra Barrios and Javier Sanchez Becerra (current husband of Alejandra Barrios), and half-brother of Sergio Jiménez Barrios and Ruben Antonio Jiménez Barrios who are children of Alejandra Barrios' first marriage. I will use the name I found in the original sources for consistency (Javier Jiménez Barrios).

⁹⁴During the course of this research, I found that Alejandra Barrios had one of her properties right in República de Bolivia Street, which explains why they defended their territory so vigorously.

⁹⁵This was a rather vague statement by María Rosete. República de Bolivia Street did not have much commercial activity and there were only very few residents and neighbors with small shops on the street. However, since Tepito is very near, she may have used the word 'neighbors' to refer to her people and, in that way, justify her attempt to take over that street.

López Rubio ran towards República de Argentina Street; on his way, he heard screams indicating that there were snipers on the rooftops. He looked up and saw a person on the roof of a building in República de Bolivia Street with a long-range weapon pointing to where the battle was occurring. In the distance, he still saw how some young people overturned a vehicle, spilling gasoline on the pavement. Around 12:15pm, five police patrols arrived, but when the police realized the size of the brawl, they retreated and called for backup. At that time, a group of vendors were crying aloud for an ambulance, but what arrived was a contingent of riot police, led by the deputy secretary of public security of the Federal District, Gabriel Regino. Seeing the heavy police presence, the conflicting groups dispersed. Ramírez Espíndola was lying on the ground, with two gunshot wounds, and minutes later he died in an ambulance on the way to a nearby hospital (Monge, 2003).

After Ramírez Espíndola was buried, María Rosete filed a formal complaint against Alejandra Barrios for the murder of her husband. On September 6, 2003, an arrest warrant was issued against Alejandra Barrios, who went into hiding. Preliminary investigation found that the person who shot Ramírez Espíndola was Ernesto Vargas Ruíz, who was linked to Barrios's organization and had been released from prison barely two months before the confrontation (Bermeo and Herrera, 2003). Alejandra Barrios was detained on October 21, 2003, in the State of Mexico, under the charge of being the intellectual author of the assassination of Jorge Ramírez Espíndola (Rodríguez, 2003a).

During the trial and defense of Alejandra Barrios, very different versions of the events surrounding Ramírez Espíndola's death were given by the parts in conflict. María Rosete argued that Alejandra Barrios had been present at the fight and that her original goal was to kill Rosete instead of Ramírez Espíndola, who had covered Rosete with his body to prevent her being assassinated. Another version confirmed by some witnesses argued that Alejandra Barrios was present and that it was her who had pointed out Ramírez Espíndola to the shooter. Alejandra Barrios argued that she had not been anywhere near Ramírez Espíndola during the confrontation, and that Rosete's own supporters had murdered Ramírez Espíndola, and that she had been imprisoned for political reasons (Monge, 2003; Rodríguez, 2003b). However, Alejandra Barrios was charged with being the co-author of the assassination of Jorge Ramírez Espíndola and imprisoned on October 28, 2003. Since the crime of homicide is classified as serious by the Criminal Code of the city, she was to remain in prison during the criminal trial. If convicted, the penalty prescribed by the law was of 20 to 50 years imprisonment (Fernandez, 2003).

Alejandra Barrios spent more than two years in prison. During this time, members of her association and PRI officials kept on demanding her liberation, using demonstrations, meet-

ings with government officials, and the media to promote her innocence. Barrios firmly maintained she was innocent and that she had been imprisoned for political reasons, arguing that she was the victim of a conspiracy between María Rosete and the political faction of René Bejarano and Dolores Padierna, who wanted to take over her vendor organization (Bordon, 2004; Paramo, 2004; Zamora, 2004). “They want to eliminate me,” Barrios said in an interview from prison (Paramo, 2004). Finally, on December 15, 2005, Barrios was acquitted of the crime of aggravated murder and her immediate release was ordered on the grounds that evidence against her was not conclusive (Reforma, 2005).

5.3.13 *The political struggle behind the street struggle*

When considering these events, it is important to observe that María Rosete was Alejandra Barrios’s opponent in the fight for the control of the streets in the northern part of the Historical Center. This rivalry, however, represented something more. It represented the battle between the PRD and the PRI for control of street vendors in the area, and all that this type of control involved—the political and economic powers that such groups could contribute for electoral and political purposes. In other words—and as Alejandra Barrios argued—there is a great probability that Dolores Padierna, René Bejarano, and María Rosete wanted to break the ALCC in order to take over its members, space on the streets, and sources of financing (i.e. ALCC’s trust funds) (Monge, 2003; Crónica /NTX, 2004; Paramo, 2004; Dickerson, 2007; Barrios, 2010).

A closer analysis of what happened before, during, and after Barrios’s imprisonment may help to explain this. Right after Alejandra Barrios was detained, city authorities attempted to arrest her alleged substitute in front of the ALCC offices (González, 2003; Zamora, 2003). This action was probably an attempt to prevent the ALCC from appointing a new leader and to force its vendor members to look for other options of organization, and eventually dismember the ALCC.

The PRI, however, attempted to keep the ALCC together, although leaders of other PRI-affiliated vendor organizations saw a chance to benefit themselves. For example, during the two months Barrios spent as fugitive, Edgar Rolando López Najera, former PRI local deputy, held meetings with other street vendor leaders affiliated to the PRI in the ALCC offices in República de Bolivia Street. López Najera demanded that they should be loyal to the PRI and asked them to close ranks around him as the interim leader of the ALCC (Paramo, 2003). In

light of the arrest of Barrios, Jorge García, leader of the Metropolitan Association of Popular and Social Organizations (*Asociación Metropolitana de Organizaciones Populares y Sociales*, AMOPS),⁹⁶ added to the confusion by deciding to take the leadership of the PRI vendor organizations in the Historical Center, Tepito, La Merced, and other areas of the city, according to several vendor leaders in the area (Paramo, 2003). Eventually, Graciela Coronel Barrios⁹⁷—daughter of Alejandra Barrios—assumed the leadership of the ALCC, with the support of PRI officials and other street vendor organizations affiliated to the PRI (Bordon, 2004).

In the months that Alejandra Barrios was a fugitive and then in prison, the street vending movement in Mexico City suffered a schism. According to some sources⁹⁸ at least 40 of the 60 organizations of street vendors operating in the Historical Center and Tepito left the PRI to join the PRD,⁹⁹ mainly to the network controlled by René Bejarano and Dolores Padierna, the National Democratic Left (IDN) (Paramo, 2003; Sanchez, 2005). Among the most noticeable cases was that of Benita Chavarría—one of the historic street vendor leaders in Mexico City—who abandoned her long-standing support for the PRI and sought shelter in the group of Bejarano and Padierna (Sanchez, 2005).¹⁰⁰

This rupture and rearrangement was to be expected since the PRD had taken over governing Mexico City. However, it did not fully occur until the imprisonment of Alejandra Barrios, as she represented not only the largest and most powerful street vendor organization in Mexico City, but also the last bastion of power of the PRI in the street vending movement. Dismantling the organization of Alejandra Barrios would have meant that a key PRI grass-root group of informal power had also been dismantled.

The balance of power in the street vending movement was reaching a new equilibrium. Support and sympathy for the PRD were reaching new levels and there were new leaderships. In

⁹⁶It is worth pointing out that there are three organizations with a similar name: i) *ALIANZA* Metropolitana de Organizaciones Populares (AMOP) (PRI, led by Edgar Rolando López Najera). ii) *FRENTE* Metropolitano de Organizaciones Populares (FMOP) (PRD, led by María Rosete). And iii) *ASOCIACION* Metropolitana de Organizaciones Populares y Sociales (AMOPS) (PRI, led by Jorge García).

⁹⁷Javier Jiménez Barrios, Sergio Jiménez Barrios and Ruben Antonio Jiménez Barrios—all sons of Alejandra Barrios—were fugitives from justice as a result of their participation in the clash in which María Rosete's husband died and went underground (Bordon, 2004).

⁹⁸The Chamber of Commerce for Small Traders, Services and Tourism (*Cámara Nacional de Comercio en Pequeño*, CANACOPE) estimated that in Mexico City there were over 500,000 street vendors. In the Historical Center, there were up to 35,000 street vendors grouped in 60 organizations (Sanchez, 2005).

⁹⁹Let us remember that the PRD did not accept group affiliations, so the street vendor organizations which shifted from the PRI to the PRD could not 'officially' be affiliated to the PRD. Most likely, the shift consisted of the vendor leader affiliating to the PRD, or simply supporting the PRD in its political rallies and events, with no official affiliation by means of a document.

¹⁰⁰According to Sanchez (2005), there are about 100,000 street vendors with leaders linked to the National Democratic Left (IDN) group of Bejarano.

an interview with journalist Arturo Paramo, from the newspaper *Reforma*, street vendor leaders who had recently joined the PRD ranks said that Ana Padierna Luna—sister of Dolores Padierna—was emerging as the main street vendor leader aligned to the PRD (Paramo, 2003), information that was confirmed by Alejandra Barrios in an interview from prison (*Crónica/NTX*, 2004). Journalist Raymundo Sanchez, from the newspaper *La Crónica*, also reported on the phenomenon. In an article published in August 2005, he quoted statements by Demetrio Sodi—then PRD senator for the Federal District¹⁰¹—affirming that the political group of René Bejarano had appropriated streets around the Zócalo and behind the National Palace for the purpose of street vending (Sanchez, 2005). Sodi also pointed out—as street vendors interviewed by Sanchez for the same article did—Antonio and Ana María Padierna, who are relatives (siblings) of Dolores Padierna, as the leaders that controlled this group of street vendors. Sodi said: “All of them have profited from the city, and that is enough” (Sanchez, 2005).

The issue also concerned the PRI, which immediately made an effort to close ranks. Once the initial shock was over—after the arrest of Alejandra Barrios—the Barrios family, aided by PRI officials and other PRI-affiliated vendor organizations, began to organize and started to press for the liberation of Alejandra Barrios. Graciela Coronel Barrios took the lead and was supported by PRI officials such as Florentino Castro—PRI special cases delegate in Mexico City—and Vicente Gutierrez Camposeco—general secretary of the PRI in Mexico City—and even received the support of Jorge García, local PRI deputy and leader of the AMOPS. A well-organized legal defense headed by the ALCC’s lawyer, Miguel Uribe, who built a solid case in favor of Alejandra Barrios, and an offensive of demonstrations, meeting with government officials, interviews, newspaper articles, press conferences, and witnesses’ declarations—all of which demonstrated the innocence of Alejandra Barrios and blamed PRD city government officials for the politicization of the case—started to yield results (Bordon, 2004; Zamora, 2004).

The release of Alejandra Barrios in December 2005 could be understood not only as a victory of Alejandra Barrios over María Rosete (and René Bejarano and Dolores Padierna) but also as a victory of the PRI over the PRD for the control of street vendors in the Historical Center. Nevertheless, as mentioned above, the action against Alejandra Barrios took its toll and weakened the PRI’s influence over street vendor organizations in the city. Given the loss of power that the PRI had experienced in the last six or seven years—since the PRD took control of the Mexico City government—numerous street vendor leaders whose organizations had

¹⁰¹Raymundo Sanchez’s article was published on August 15, 2005. Demetrio Sodi resigned from the PRD on August 17, 2005. Eventually, Sodi joined the PAN and ran as the PAN’s candidate for the headship of government of Mexico City in 2006.

been affiliated to the PRI declared their support for the new party in power in the city, the PRD. Regardless of the imprisonment of Alejandra Barrios, it seemed it was a matter of time before PRI-affiliated vendor organizations would move to support the PRD linked factions. Street vendor organizations were economically rational and supported those parties which would offer them protection and the permission or toleration to carry out their vending activities, thus ensuring their continued existence and profitability. However, the survival of Alejandra Barrios and the ALCC also brought positive effects for that organization and its leader. The ALCC had proved how strong it was and, once it recovered, it became the most prominent street vendor organization in Mexico City during that time and in the years to come. Similarly, Alejandra Barrios had become an urban legend and an institution on the streets of Mexico City center.

5.3.14 *Video scandals, dismissal, and desafuero in the PRD government*

Three key political incidents (described below) may have contributed to the release of Alejandra Barrios: the *desafuero* or process of removal of immunity of López Obrador; the removal of Marcelo Ebrard as secretary of public security by President Vicente Fox; and the video scandals in which René Bejarano was involved.¹⁰² Many considered them a federal government onslaught against the PRD, and they not only took attention away from the Alejandra Barrios case, but also meant that energy, resources, and political capital had to be refocused to defend the cases which concerned PRD figures, in particular López Obrador, who was aiming for the PRD ticket for the presidential election in 2006. These incidents, which occurred almost simultaneously, were paramount for the liberation of Barrios. Not only that, they also determined the course that policies towards informal street vending in Mexico City would follow in the last stages of the López Obrador administration.

5.3.15 *Bejarano's video scandal*

On March 3, 2004, a video released on a live TV program called *El Mañanero* showed René Bejarano (at the time coordinator of the PRD bench at Mexico City's Legislative Assembly and who had previously been López Obrador's personal secretary) receiving US\$45,000 from businessman Carlos Ahumada (whose enterprise had several contracts with the Mexico City

¹⁰²In total four videos showing PRD leaders and officials in compromising situations were made public. These PRD members were René Bejarano, Gustavo Ponce, Carlos Imaz, and Ramón Sosamontes.

government) and then clumsily stuffing the cash into a briefcase and his pockets (Sosa, 2004; Levy, Bruhn and Zebadua, 2006; Grayson, 2007). After being shown the video, Bejarano denied any wrongdoing and said the money was not given in return for favors but as a donation to the campaign of PRD member Leticia Robles for the headship of the Álvaro Obregón Delegation (Pavón, 2004; Grayson, 2007). Then he admitted he had made a mistake and was ready to face the consequences; he said he had nothing to hide and was at the disposition of the authorities by his own will. Later that day, Bejarano requested a leave of absence from his position at the ALDF and resigned as coordinator of the PRD group at the ALDF. Later, he prepared his resignation to the PRD, which he handed to the PRD's National Executive Committee, which accepted it (Llanos and Romero, 2004; Pavón, 2004).

On November 5, 2004, the Attorney General Office of the Federal District requested an arrest warrant against René Bejarano. He was prosecuted for two offenses—money laundering and electoral crime. On November 9, a judge turned a warrant of apprehension. Bejarano was notified and then sent to prison on November 10, 2004 (Acosta, 2004). During the time Bejarano was in prison, the National Democratic Left (IDN) organized demonstrations to show its support for its leader, much in the same way that the ALCC organized demonstrations in favor of Alejandra Barrios. Ironically, both leaders were in prison at the same time, with Barrios spending more time (more than two years) in jail than Bejarano, who despite his high political profile spent almost eight months behind bars.¹⁰³

On July 6, 2005, René Bejarano was released on bond from prison, being acquitted from the charge of money laundering by a federal court, which found that the evidence against him was insufficient (Pavón and Barajas, 2005). After his release, Bejarano announced that he would retire from political life and concentrate on his family and the pending trial for electoral crime: “The political work will have to be done by somebody else” he stated (Pavón and Baranda, 2005).¹⁰⁴ He disappeared from public life and did not return until some years later, in 2008, as leader of a political movement called National Movement for Hope (Movimiento Nacional por la Esperanza), but always away from the spotlight (Gomez Leyva and Iglesias, 2008).

The video scandal and its consequences—imprisonment, release, and social condemnation—certainly took a toll on René Bejarano and Dolores Padierna and diverted their attention from the street vending problem in Mexico City. They decided to focus on restoring their personal and family balance and set aside political work for a while. This

¹⁰³ Alejandra Barrios was in prison from October 2003 to December 2005 (2 years and almost 2 months). René Bejarano was in prison from November 2004 to July 2005 (about 8 months).

¹⁰⁴ Strangely, although he was involved in alleged acts of corruption and influence peddling, Bejarano was not disqualified by any legal instance from holding public office in government.

was another factor assisting the recovery of Alejandra Barrios's association once she was released from prison.

5.3.16 *Ebrard's dismissal by President Fox*

On November 23, 2004, the inhabitants of San Juan Ixtayopan, a small town located in the Tláhuac Delegation, captured and beat three agents of the Federal Preventive Police, burning two of them who died on the scene and almost hanging the third, without the intervention of the Mexico City Police, which was under the orders of Marcelo Ebrard, at the time Mexico City's secretary of public security. The agents were in the town investigating a drug distribution case when inhabitants mistook them for kidnappers¹⁰⁵ and unleashed the violence against them. Even when the riot police arrived, before the two agents were killed, they did not do anything to rescue the agents. Police officers in command said they did not receive any order to enter the area where the agents were being beaten and eventually burned. Members of the Judicial Police of the Federal District¹⁰⁶—which depends on the Office of the Attorney General of Justice of the Federal District—arrived one hour later than the riot police and after 15 minutes they rescued the third agent who was about to be hanged in the town's central kiosk. The other two had already been killed and set in flames (Fernandez and Zamora, 2004).

Marcelo Ebrard and Ramón Martín Huerta, minister of public security in the Fox administration, were both accused of not organizing a timely rescue effort of the agents. After a thorough investigation, López Obrador gave Ebrard a vote of confidence, notwithstanding a request by President Fox asking him to remove Ebrard from his duties as secretary of public security of the capital (Hernández, 2004). Later, on December 6, 2004, seeing that López Obrador had ignored his recommendation to remove Ebrard from his position, President Fox used his constitutional powers to dismiss Marcelo Ebrard from his post (Pavón and Sosa, 2004). Many critics condemned the decision and argued it was a politically motivated move to derail Ebrard's political future (González, 2004; Ocampo, 2004; Sarmiento, 2004; Sierra, 2004). Ramón Martín Huerta was also implicated in the incident, but President Fox gave Huerta his full support and did not dismiss him from his post. Nevertheless, on December 7, Marcelo

¹⁰⁵Kidnapping cases occurred in the town in previous weeks, and as its inhabitants thought that the agents were responsible for them they were ready to take the law into their own hands.

¹⁰⁶The Judicial Police of the Federal District depends on the Office of the Attorney General of Justice of the Federal District (whose holder was Bernardo Bátiz). On the other hand, the Federal District Police depends on the Secretariat of Public Security of the Federal District (whose holder was Marcelo Ebrard).

Ebrard was given a new job by López Obrador—secretary of social development of the Federal District (Barajas, Pavón and Bermeo, 2004).

The violent event in Tláhuac, which occurred under the jurisdiction of the Mexico City government, but had implications at the federal level as the president was also involved, distracted the attention of Marcelo Ebrard, who was one of the key governmental actors in the issues concerning informal street vending. López Obrador had given Ebrard direct authority and responsibility to negotiate and fix the problem of informal street vending, but the event in Tláhuac focused Ebrard's interests and energies on other issues instead. Among those, it was the possibility of running for the headship of government of Mexico City in 2006; therefore, it was no coincidence that Ebrard affiliated to the PRD on September 12, 2004 (Maciel, 2010). Thus, not only Ebrard's attention elsewhere, but it was also in his interest to keep things calm and under control in Mexico City and that implied not to cause too much trouble in the area of street vending.¹⁰⁷

5.3.17 *López Obrador's removal of immunity from prosecution*

The same reasoning aforesaid applied to López Obrador. By the end of 2004, it was evident that López Obrador was the frontrunner in the race for the presidency of Mexico for the 2006 elections and, like Ebrard, he did not want to make enemies of the street vendors. The video scandals¹⁰⁸ and the dismissal of Marcelo Ebrard by the president, as well as the process of removal of immunity from prosecution (*desafuero*) started against him in May 2004, were all part of a broader political attack that was in the making and whose final goal was to prevent López Obrador from winning the presidency of Mexico in 2006, as Vicente Fox later revealed (Carreño, 2007).¹⁰⁹

The offense for which López Obrador was being blamed took place long before he was Mexico City's head of government. On November 9, 2000, Rosario Robles, his predecessor,

¹⁰⁷While Alejandra Barrios was still in prison, the city government did not have too much trouble controlling other street vendor groups as many of them had already showed support for the PRD and were actively participating in political activities, such as the demonstrations against the removal of immunity of López Obrador (Sanchez, 2005).

¹⁰⁸Not only the one that implicated René Bejarano, but others that involved other PRD leaders and officials such as Gustavo Ponce (Mexico City's secretary of finance), Carlos Imaz (PRD's head of the Tlalpan Delegation) and Ramón Sosamontes.

¹⁰⁹In a private conversation held at the Presidential House on September 29, 2004, President Fox had said to López Obrador: "Prepare your legal defense, defend yourself Andrés Manuel" (Melgar, 2004) in anticipation of what was coming.

expropriated a plot of land from a large property called El Encino—located in the Cuajimalpa Delegation—to build an access road for a private hospital. On March 11, 2001, the owner took legal action against the Federal District government on the grounds of improper expropriation. The owner was granted a federal judicial order banning further construction until the matter was definitively settled, as it (the construction) prevented the owner from having access to his property. By August of that year, the judge found that construction had continued. According to prosecutors, López Obrador knowingly disregarded the judge’s order several times. Under the Criminal Code, this is considered a misdemeanor (*desacato*). The judge requested the federal attorney general—Rafael Macedo de la Concha—to make an inquiry and take the necessary steps to bring the case into compliance. Several months passed, in part because courts usually sided with the government and not with individuals in expropriation cases;¹¹⁰ therefore the case covered unknown ground: it involved two branches of government (the city government and the federal government, confronting each other), and it was an extraordinary step to indict the head of government of Mexico City.¹¹¹ By May 17, 2004, the attorney general announced he would request the removal of López Obrador’s immunity from prosecution (Grayson, 2007; El Universal, 2011).

Several months of mutual accusations followed, including demonstrations in favor of López Obrador and a television campaign against him (Saldierna and Perez, 2005). Finally, the case reached the Chamber of Deputies and—on April 7, 2005—deputies voted by 360 to 127 (with two abstentions) to lift López Obrador’s constitutional immunity against prosecution (Grayson, 2007; El Universal, 2011). On April 8, López Obrador left his post as head of government of Mexico City in order to concentrate on his defense, leaving Alejandro Encinas in charge of the city government (Bermeo, 2005). At this time, López Obrador’s approval rate was 80 percent among Mexico City inhabitants (Duran, Aguirre and Pensamiento, 2005).¹¹² Regardless of his popularity, the process against López Obrador was viewed by a larger part of the society—even by those who were not his supporters—as unjust and undemocratic (Fuentes, 2005a).

¹¹⁰A process of expropriation occurs when a public agency (e.g. a state government) takes private property for a purpose deemed to be in the public interest. For that reason, when a legal conflict arises as a result of a process of expropriation, it is common that legal instances side with the public agency. In the *desafuero* case, it was the opposite: legal instances sided with the owner of the private property, something that is quite unusual. This reinforces the belief that the *desafuero* was a political manoeuvre implemented by the federal government to stop López Obrador in his race for the presidency of Mexico.

¹¹¹If the case had proceeded, López Obrador would have become the only high-ranking public official in Mexican history to be prosecuted; an unusual happening in a country with a long tradition of impunity in government.

¹¹²López Obrador popularity was evident when, on April 24, 2005, a massive rally in his support was organized at El Zócalo—Mexico City’s central public square. Some sources cited an attendance of followers exceeding 1 million (La Jornada, 2005), while federal sources claimed there were hundreds of thousands.

In a dramatic turn of events, on April 27, 2005, President Fox announced changes in his cabinet. Among those changes was the resignation of Attorney General Rafael Macedo de la Concha and a reevaluation of the legal case against López Obrador, arguing for a political solution to the case that, in reality, was more an attempt of the federal government to save face and avoid further embarrassment (Herrera and Melgar, 2005). The following day, on April 28, Daniel Cabeza de Vaca was appointed as the new federal attorney general, and on May 4 his office announced it would drop misdemeanor charges against López Obrador on a technicality (Fuentes, 2005b).¹¹³ This event became a political victory for López Obrador and propelled him towards the PRD candidacy for the presidency of Mexico in the elections of 2006.

During the *desafuero* case against López Obrador, informal street vendor organizations associated with the PRD played an important role by attending political rallies and demonstrations in his support, participating as violent clash groups (*grupos de choque*) and, some sources claim, giving money to the party (Sanchez, 2005). During the uproar that the *desafuero* case produced among the Mexican political class and in Mexican society in general, little attention was given to the policies implemented in the city to solve the informal street vending problem. This favored informal groups in general as tolerance was a direct result of the little attention authorities had paid street vendors in those difficult political days. Once the *desafuero* case was concluded and López Obrador returned to his post as head of government of Mexico City, it was in his interests not to cause any trouble in the city—much in the same way as it was for Ebrard—as he was going to run for the presidency in a few more months and he needed as much support as possible, and the support provided by the informal street vendor groups was certainly welcomed.

Thus, the three political incidents presented above help to explain the destiny of policies, programs, government efforts, and intentions of authorities and political parties towards informal street vending in Mexico City, close to the end of the López Obrador administration. The high degree of political conflict took its toll on almost all the most important informal street vendor organizations. While initially PRI-affiliated organizations were severely damaged, they came out stronger than before, as the jailing of Alejandra Barrios united PRI-affiliated vendor organizations and PRI party officials in promoting her liberation. This union made them stronger once Barrios was released. Street vendor groups with links to the PRD grew in num-

¹¹³In summary, it declared that he was guilty but his unique post as head of government of the Federal District, of recent creation, had not been incorporated in all the laws. The law only had provisions for governors or municipal presidents. López Obrador was neither. Hence, the wording of the relevant article made it unclear if a penalty for his crime existed (Fuentes, 2005b; El Universal, 2011).

bers and came together in support of both PRD candidates—Marcelo Ebrard and Andrés Manuel López Obrador—first during the *desafuero* case and later for the city government and the presidency campaigns, respectively. Ebrard and López Obrador knew that in electoral times it is better to gain supporters than to lose them, and therefore did not do much to solve the problems caused by street vending in Mexico City during the last stage of the López Obrador administration. Once more, solutions to the problem of informal street vending were set aside as politics and elections took center stage and became more important for government officials and politicians alike.

5.3.18 *President Fox's policies on informality*

Vicente Fox planned to incorporate the informal sector into the policy scheme he was creating for small and medium enterprises (SMEs), knowing that micro enterprises were crucial, not only for their contribution to the country's GDP but also for its social importance—for the number of jobs that SMEs generated every year and for the means of support they represented for millions of Mexican families. Fox planned to open credits for the SMEs and to incorporate the informal sector into the tax scheme under a program called 'Legalize Your Small Shop' (*Legaliza tu Changarro*).¹¹⁴ For this, the Fox administration intended to follow the model implemented by the Grameen Bank of Muhammad Yunus, and received advice on the informal economy and formalization from Hernando de Soto's Institute for Liberty and Democracy (El Siglo de Torreón, 2003; Presidencia de la República, 2003; De Soto, 2010).

Thus, as part of the effort to encourage formalization, Fox implemented a program to simplify the registration process of firms. As mentioned in Chapter 2, in 2002 the Mexican government implemented the Fast-Track Business Creation System (Sistema de Apertura Rápida de Empresas, SARE). This program guaranteed that micro and small firms could complete the registration process in two days, by reducing the number of procedures from eight to two. Even though most firms were eligible (low-risk firms), those in the food sector and those whose activity represent environmental risks needed to obtain prior clearance from health authorities (high-risk firms). This was a gradual program and therefore its impact was not immediately obvious. It was only after the Fox administration was over that its impact was evaluated and, according to several sources, it had been positive (Kaplan et al., 2007, 2011; Bruhn, 2008,

¹¹⁴*Changarro* is a colloquial expression for small shop or small businesses.

2011).¹¹⁵ However, even though the effect of the program was positive and significant, it was also concluded that this program alone will most likely have a small effect on informality and firm creation. More comprehensive programs were necessary to have a sizeable impact on informality in Mexico, a country with a relatively large informal economy (Kaplan et al., 2007, 2011; Bruhn, 2008, 2011).

President Vicente Fox had promised to boost the growth of formal employment in private enterprises, but also to build the institutions that facilitated the emergence of entrepreneurs and the self-employed who would generate their own sources of income.

However, halfway through his mandate, Fox recognized that the number of formal jobs was no longer growing, as a result of the global economic crisis.¹¹⁶ He changed gear and started to accept the informal work as an option for the unemployed, but always used euphemisms to refer to it, such as ‘non-structured economy’, ‘entrepreneurship’, or the modality of ‘self-employment’.

In August 2003, on his radio program aired on Saturdays called *Fox Contigo*, the president suggested that people should consider self-employment as an alternative that might help to address the lack of formal jobs (Notimex, 2003a, 2003b; Presidencia de la República, 2003). He told his listeners that while in Mexico 15 million workers were in the social security system, 10 million people or families made their living through a small unit of production—namely, self-employment (Notimex, 2003a).

President Vicente Fox explained that one of the objectives of his administration was to create a legal framework that allowed those who worked under a self-employed scheme to be recognized everywhere as businessmen and entrepreneurs. Notimex (2003a) and Presidencia de la República (2003) quoted him as saying:

The challenge is to go from macroeconomics to microeconomics, to go from issues at the national level—with the global and world economy—to those of the

¹¹⁵As mentioned in Chapter 2, Kaplan et al. (2007, 2011) and Bruhn (2008, 2011) and have estimated the impact of the introduction of the program on the number of new firm registrations, concluding that it has been positive. According to Kaplan et al. (2007, 2011), registrations increased by 4 to 8 percent, while Bruhn (2008, 2011) finds the impact to be even more significant. The data do not make a distinction between the creation of new firms and the formalization of existing ones, so Kaplan et al. (2007, 2011) try to estimate which effect is more important. Since the increase in registrations took place predominantly within the first ten months after the introduction of SARE, they conclude that its success was to encourage informal firms to formalize rather than to promote the creation of new firms.

¹¹⁶According to IMSS’s information as cited by Padilla (2013), Fox promised to create 1,200,000 formal jobs during his administration. However, only 879,276 formal jobs were created during his government; of which 239,842 were permanent jobs, and the remaining 639,434 were temporary jobs.

economy of the people. For us, this is the definition of a humanist economy in which we want to work hard.

However, the global economic situation—led by the US economic recession of the early 2000s and the September 11 attacks—did not favor the Mexican economy, so several of the planned initiatives and programs to be implemented by the Fox administration did not work or were not feasible at the time. Under this state of affairs, the federal government once again opted for a policy of tolerance of the informal activities of street vendors in Mexico.

It was until his last year of government (on January 18, 2006) that Fox announced the implementation of the Small Taxpayer Regime (Régimen de Pequeños Contribuyentes, REPECO).¹¹⁷ The program aimed at broadening the tax base by incorporating those informal firms and workers into formality and receive the benefits of it.¹¹⁸

Fox referred to this program as an opportunity to give a ‘human face’ to the economy, generating a true democratization and equal access to the economy (Vargas, 2006). Fox also stressed that he would eliminate restrictions that prevented informal traders from joining legality. He also denied that the REPECO encouraged informality and the invasion of the streets. Rather, Fox argued, it would allow small businesses work hand in hand with the federal government to generate income for their families (Vargas, 2006). Fox said:

We’re not against them, it will no longer be the tax authority against them. They are now part of the economy of this country. You could hardly find another country that cherishes more its entrepreneurs; its *changarros*; its people who want to progress, work, who want to get ahead.

(Vargas, 2006)

The fact that the REPECO was implemented in the last year of the Fox administration did not favour the program. The program, however, was continued during the following federal administration, which was also a PAN government, registering mixed results: while the number of REPECO contributors did increase, the number of informal agents and informal street vendors in Mexico continued to grow (Table 5.2).

¹¹⁷Eventually, the REPECO would be substituted by the Regime of Fiscal Incorporation (Régimen de Incorporación Fiscal, RIF) in 2014.

¹¹⁸Among its benefits was the issuance of the Business Credit Card for Family Workshops (Tarjeta de Crédito Empresarial para Talleres Familiares) through which loans were granted to entrepreneurs; lending programs to acquire technology; and the promotion of tools that facilitated the taxpayer the fulfillment of their tax obligations once a year and without charges or excuses. Among its restrictions was the fact that program participants could not commercialize contraband or pirate goods as—it was argued by the authorities—this new contributory systems was based on trust and on the credibility of people (Vargas, 2006).

Table 5.2.: Individuals Working in the Informal Sector†

Year	Federal District	Country
1995	—	8,919,871
1996	917,824	9,024,141
1997	—	9,405,055
1998	1,029,514	9,985,700
1999	970,844	10,021,991
2000	910,083	10,251,218
2001	936,998	10,427,291
2002	996,880	10,981,174
2003	996,319	11,342,396
2004	1,084,524	11,663,269
2005	1,063,598	11,465,457
2006	1,085,179	11,485,821
2007	978,446	11,641,641
2008	1,101,470	12,062,471
2009	1,087,126	12,189,449
2010	1,075,009	12,849,020

Source: INEGI's National Survey of Occupation and Employment (Encuesta Nacional de Ocupación y Empleo, ENOE‡) (INEGI, 2010c). Data with population of 15 years or more (The minimum legal working age in Mexico is 15 years old). Note 1: I have taken the second trimester of each year and not the yearly average to complete this table.

Note 2: The INEGI has used, when possible, the data gathered by the ENE (1998–2004) and ENEU (1987–2004) to build the ENOE (InfoLaboral) series from (1995–2004), using the ENOE's criteria. The ENOE substituted both ENE and ENEU in 2005.

†According to the INEGI, the Informal Sector refers to all those market economic activities operating from household resources, but without forming a company, so the activity in question has no identifiable and independent status away from the household, and therefore tends to materialize in very small scale operations. The operational criterion for determining the non-independent condition of production units with respect to the household, is given by the absence of conventional accounting practices likely to culminate in a balance sheet of assets and liabilities; if this is not carried out, it means that there is no distinction between the assets of the household and those of the company, nor is there a distinction between business expense flows and those of the household (e.g. electricity and telephone costs, vehicle use, etc.) (INEGI, 2010c). ‡As mentioned earlier, the ENOE did not classify 'individuals working as street vendors' (as it had been done in the ENE), instead using 'individuals working in the informal sector'. Because of this, it became harder to follow the 'street vendor' sub-category after 2004. The Informal Sector is a broader concept which also covers other sub-categories of informal activities.

Very similar policies and a very similar tax program to that implemented by Vicente Fox were presented a few years later. On July 22, 2013, Mexican president Enrique Peña Nieto announced the Program for the Formalization of Employment 2013 (Programa para la Formalización del Empleo 2013), a federal government program based on the principles laid down

by Santiago Levy's work on informality (Levy, 2008). The initial stage was limited to 200,000 workers (less than 1 percent of the total number of informal workers in Mexico in 2013) and was in a pilot phase in December 2013. On September 8, 2014 President Enrique Peña Nieto launched a program to grant fiscal and social security benefits to those working on the informal sector willing to formalize, in order to stop informality and increase productivity. In an event named Let's Grow Together. Being Formal, It Is Good For You! (Crecamos Juntos. ¡Ser formal, sí conviene!) the President signed the decree for the Regime of Fiscal Incorporation (Régimen de Incorporación Fiscal, RIF) and the Regime of Incorporation to the Social Security (Régimen de Incorporación a la Seguridad Social) which includes benefits such as access to health and social services, pension benefits, housing credits, income tax discounts, economic aid for the small entrepreneurs, credits for businesses, and training programs (Hernández, 2014). It remains to be seen how effective these government actions are, and what role politics play on them.

5.4 Conclusion

5.4.1 *Conclusions of the Cárdenas administration*

The alternation of political parties in power that took place in 1997 in Mexico City, as a result of the democratic opening and search for new political options, took everybody by surprise. Cuauhtémoc Cárdenas became not only the first head of government of Mexico City to be elected by popular vote, but also the first to come from the opposition, after 68 years of PRI rule.

However, becoming the head of government of Mexico City was both a blessing and a curse for Cárdenas and the members of his administration: a blessing because the victory showed that the *alternancia* was possible and attainable at the highest levels of government; a curse because in order for Cárdenas to reach the presidency of Mexico—his original goal—he first had to pass the very difficult test of governing Mexico City.

Cuauhtémoc Cárdenas could not achieve the results that his collaborators, party supporters, and Mexico City inhabitants wanted as he led the city government. While the ideas and policies were good and innovative, their implementation was extremely difficult. Furthermore, the time constraint of governing for only three years left very little room for experimentation (trial and error, or pilot phases) and to correct mistakes.

The approach of the PRD government of Cárdenas towards informal street vending was different in essence to what past governments had tried, even though the programs it implemented did not seem too different. What really changed was the way the city government looked at the street vendors. The Cárdenas government did not see them as a plague that had to be eradicated by all means but as an unavoidable consequence of all the problems that affected the city and country. Saúl Escobar Toledo illustrated this change of view well: “The street vendors do not have to be the dirt hidden under the carpet,” he said (Scherer Ibarra, 1997a:156). For this reason, the treatment of street vendor organizations by the Cárdenas government was not repressive and it privileged dialogue over coercion. The approach was certainly more benevolent than that of PRI governments.

The federal government, occupied in solving the Peso Crisis, started to carry out its policies towards the informal sector late, and retail informal vendors—particularly those working on the streets—were not its main target. Rather, the federal government attempted to tackle those large companies and organizations—formal and fully registered or clandestine-informal—that benefited from the informal economy and evaded taxes, regulations and the authorities by supplying ‘small-scale’ (retail) informal vendors. This situation essentially led to a form of ‘tacit toleration’ of informal street vendors.

While the federal government may have adopted a policy of tolerating informal street vendors to some extent, considering informal street vending as an escape valve for the social tensions brought about by the Peso Crisis, those in the city government were more proactive in implementing a strategy to relocate street vendors and rescue the Historical Center in order to solve the problem. This problem urgently demanded their attention, and if they had not done anything, their inaction would have given their political opponents the perfect excuse to attack them. Thus the city government aimed to organize street vending in a more comprehensive way, by updating the legal framework and subjecting street vendors to rights and obligations, while permitting them to perform their activities under certain conditions.

The problems started to emerge in the implementation of the strategy to cope with informal street vending. To begin with, the inertias of the past PRI governments were too strong and very difficult to change. It was impossible to transform 68 years of a specific political and administrative culture in only three years. In particular, it was very difficult to fight against those groups within the city government itself—such as the Federal District Government Workers Union (SUTGDF)—which had strong vested interests and were involved in well-established schemes of corruption. These were strong elements of resistance that slowed down the dynamism of the Cárdenas government.

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Second, the situation in the city was difficult; many problems had been exacerbated to the point of being at the verge of explosion and the social conditions of most city inhabitants were also much damaged, as they faced high levels of poverty, lack of opportunities, and a certain degree of social decomposition. The Cárdenas government knew that there was no short-run solution to these problems. In addition, the previous PRI government had administered resources badly which undermined the city finances and left several debts for the new PRD government. This brought a third problem: lack of resources restricted the new government officials and collaborators. Without money, not much could be achieved.

Moreover, governing Mexico City has never been an easy task and former Mexico City mayors had always been in the spotlight, because of the prominence of the post they held and because their decisions affected literally millions of people. Criticism became a matter of daily life. However, condemnation of the Cárdenas government became exceedingly virulent and hostile, particularly among certain economic and political groups whose members abhorred the idea of seeing Cárdenas as president of Mexico. They knew that one way to stop him was by magnifying in the media every little mistake his administration committed, to give the impression that he and his collaborators were not capable of holding the highest office in the country.

Finally, the Cárdenas administration had too little time to carry out the reforms the city demanded. By previous agreement, the administration would last for only three years and Cárdenas was not even in office for the full extent of his already short administration.

During this time, in the political arena of the street vendors, two interesting phenomena occurred: First, some existing street vendor organizations had a rapprochement with the PRD. Second, new PRD-linked vendor organizations were born during this time. In both cases, street vendor organizations used PRD activists as intermediaries or contact points, and took advantage of the new approach of the PRD city government towards informal street vending. PRI-affiliated organizations—especially the older and larger street vendor organizations traditionally affiliated to the PRI—still hoped that the PRI would return to power soon. At this point in time (1997–2000), it is still possible to say that the street vendor organizations with links to the PRD were not as numerous as those affiliated to the PRI, and that they were not decisive electorally speaking. But as Cuauhtémoc Cárdenas said: “The change came with the administration of Andrés Manuel [López Obrador]” (Cárdenas, 2010).

5.4.2 *Conclusions of the López Obrador administration*

As a result of the power accumulated through the years of PRI governments and the network of vested interests on all sides, the groups of formal powers entrenched in the apparatus of the Federal District government not only withstood the onslaught of the first PRD government in the city but, in the end, even managed to impose conditions and push the authorities against the wall by organizing strikes and work stoppages, and staging outbreaks of insubordination. The aforesaid actions were organized by these groups—most notably the Federal District Government Workers Union (SUTGDF)—with the purpose of retaining their bastions of power against the new PRD governments, which threatened their privileges and methods of operation. The fight against these powers was perhaps the hardest, though unseen, challenge that the PRD governments had during the Cárdenas and the López Obrador administrations. Moreover, informal street vending had consolidated as an informal power in the city and its numbers steadily rose—the number of people engaged in this activity, the number of zones in the city where street vending took place, and the amount of profits that informal street vendor leaders were able to extract from their associations' members and through the expansion of their activities to other informal activities, some allegedly related to organized crime. As a result, problems caused by the growth of street vending continued to grow throughout the city.

The key organizational difference between the administrations of Cárdenas and López Obrador in the Mexico City government was that in the latter, the heads of delegations had more power—and therefore more responsibility—to tackle local problems confined to their delegations, such as informal street vending. The increase in power of delegations came as a direct result of having the heads of delegations elected democratically for the first time in history, which provided them with a high degree of legitimacy. This situation brought a 'cohabitation problem'—the fact that Mexico City's head of government and the head of a given delegation could belong to different parties, which was a potential source for noncooperation. This was evident in the case of Marcelo Ebrard—who was appointed Mexico City's secretary of public security by López Obrador—and Arne Aus Den Ruthen, a PAN member who was head of the Miguel Hidalgo Delegation. While this was true, it is also worth noticing that when both Mexico City's head of government and the head of a given delegation belonged to the same party this was not a guarantee for success, as the differences between Marcelo Ebrard and Dolores Padierna showed. Even if they came or worked for the same party, there was the risk that differences in party factions or even differences in approaches to tackle the problem played a key role in determining how they dealt with informal street vending. In both

cases there was a lack of coordination and communication between delegations and central city government, which led to an inadequate and flawed final outcome.

It was impossible to find a solution if the delegation and central city government were not working under the same policy or plan. Moreover, this is a rather serious consideration as it showed that the informal street vending problem had surpassed the capacity of the delegational authority—and perhaps even the capacity of the central city government—to control it. It was necessary to implement a common policy at both delegation and city level to tackle the problem; otherwise it would be impossible to do so. The differences and disagreements between delegational and central city government authorities obviously benefited the street vendor leaders, who threatened one while negotiating with the other, boosting their bargaining power.

While the administration of Cuauhtémoc Cárdenas was characterized for favoring dialogue over repression; in the administration of López Obrador, Dolores Padierna's approach to dealing with street vendors in the Cuauhtémoc Delegation was very confrontational. Animadversion and hostility grew to such levels that there was no more room for negotiation and again violent enforcement of the law was implemented. Marcelo Ebrard, on the other hand, favored dialogue, but it seemed that his approach was more a strategy to avoid conflict than a well-thought-through plan to solve the problems that informal street vendor organizations were causing in the city. Yet perhaps it was the only way he could implement the Historical Center reorganization program, which was one of the key policies of the López Obrador administration. In both Padierna's and Ebrard's approaches it is possible to perceive political ends: Padierna might have wanted to break PRI-affiliated street vendor associations to force them—leaders and/or vendors—to move to the PRD, particularly to René Bejarano's faction; while Ebrard might have been interested in building a grassroots political base to improve his chances of becoming head of government of Mexico City in 2006.

This leads to another phenomenon that developed extensively during the López Obrador administration—the fact that the PRD welcomed informal street vendors as political clientele. The reason of why PRD members came to use clientelism, despite efforts to avoid the methods used by the PRI, responded to different external factors such as poverty or the long history of clientelism in Mexican politics. Yet, these external factors were not enough to explain the extent to which the PRD has been marked by clientelism. A series of internal events had a more direct causal relationship with the outcome of clientelism in the PRD, among which the party's strategy for bringing about a transition to democracy stands out (Hilgers, 2008, 2012). The PRD was established from a wide range of left-wing parties, social movements, and indi-

viduals, with diverse ideological visions. Coordinating these currents or factions under one organizational scheme could have taken various forms. However, the emergence of one principal leader, Cuauhtémoc Cárdenas, and the authority of his political strategy set the PRD on a path of personalistic factions and centralized power. As a result of Cárdenas's desire to oust the PRI from power, to do so in the electoral arena, and to do it as soon as possible, the PRD focused its resources on elections (Hilgers, 2008, 2012). The resources that would have been necessary for institutionalizing party rules and regulations to ensure internal cohesion and democratic procedures were not available. As a result, leadership and alliances were personalized, and factions and currents battled for power. When the PRD began to win local and state governments, these tendencies spilled over into its style of government and played out as clientelistic relationships with citizens (Hilgers, 2008, 2012). As PRI-affiliated street vendor groups were initially abandoned by the PRI when the alternation in power occurred, they were obliged to negotiate with the PRD and find every possible means to survive and defend their interests—from compliance with the law to outright corruption.

This points to yet another phenomenon that developed during the López Obrador administration. Seeing that the PRD had won Mexico City's head of government for a second consecutive term, some of the traditionally PRI-affiliated informal street vendor organizations started to change parties. Not all the PRI-affiliated groups did, but several organizations followed this pattern. This confirmed that the real interests of the street vendor organizations were economical and not political; seeing that their organizations were in danger for belonging to a party that was no longer in power, street vendor leaders found it convenient to align with the new party in power in order to ensure the survival of their organizations and receive favors from the new ruling party in return for political and electoral support when needed, following the clientelistic practices that were already familiar to them. Gradually, the political clientele began to change from one political party to another. Only the largest and strongest PRI-affiliated organizations resisted—such as Alejandra Barrios's ALCC—but they also profited from the option of changing parties to demand more support from the PRI.

There was a multiplication of informal street vendor groups in the city as a result of the lack of formal employment, but also as a result of the corroboration of street vending as a very profitable business for its leaders. The example of Roberto López, a public servant who became a street vendor leader, suggests that the power, profitability and effective *modus operandi* of informal street vendor organizations was such that he opted to become a leader of one of these

groups.¹¹⁹ These new groups of informal street vendors became politicized; they did not look for the support of the PRI, but rather for the support of the PRD. Where there were once strong and traditional PRI-affiliated street vendor organizations, now there were new street vendor groups with links to the PRD. In this, PRD factions and activists—such as René Bejarano—played an important role.

The politicization of the street vending movement, having as political opposing poles the PRI and the PRD, guaranteed the conflict for power. This conflict was embodied by PRD's María Rosete and PRI's Alejandra Barrios. María Rosete was a rising star in the street vending activity, protected by PRD members and authorities; while Alejandra Barrios was one of the historical leaders of the street vending movement, who had built her powerful vendor organization under the protection of the PRI. Conflict arrived in the form of a struggle for control of selling space on the streets. Such rivalry, however, in reality represented the battle of the PRD and the PRI for the control of street vendors in the area, and therefore, the control of a very important group of political capital. Ironically, both groups involved in the struggle came out strengthened after the conflict. María Rosete's organization grew more in membership, power and influence, and received protection from the PRD; Alejandra Barrios' association, after an initial onslaught against her and her group by PRD factions and PRD authorities, also came out stronger—with both authorities and political parties recognizing her authority—and became an element of union among PRI officials and PRI-affiliated vendor organizations.

In the final stages of the López Obrador administration, political attacks and the onset of political campaigns for the 2006 elections placed the government's plans to address informal street vending very low in the list of its priorities, delaying even more the implementation of the necessary programs, policies, and measures to tackle it. The political and financial strengthening of some informal street vending groups in the city ensured that they would be around for quite some time.

At the federal level, President Fox planned to incorporate the informal sector into the scheme he had created for SMEs, which consisted of credits for SMEs and the incorporation of the informal sector into the tax system. President Fox had promised to boost the growth of formal employment in private enterprises in addition to building the institutions that facilitated the emergence of entrepreneurs and self-employed who would generate their own sources of in-

¹¹⁹Similarly, the example of Edgar Rolando López Najera, a street vendor leader who became a PRI local legislator, demonstrates the power that street vendor groups had attained by the time of the López Obrador administration. Leaders of PRI-affiliated vendor organizations could demand and get the support of their party to run for elected office or be included in the party list for proportional representation seats. The same situation applies to Alejandra Barrios—leader of the ALCC—whose case will be studied in Chapter 6.

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come. With those goals in mind, in 2002, he implemented a program to simplify the registration process of firms (SARE). However, realizing that the generation of formal jobs had been slowed down due to the world economic crisis, President Fox accepted that the informal work was an option for the unemployed, and opted for a policy of tolerance of the informal activities in Mexico. It was not until late in his government that he was able to implement a program to incorporate the informal sector into the tax system (REPECO) that, while it lost momentum as it was being implemented by an outgoing government, it laid the foundations—together with the SARE, and as basic and perfectible as these two programs were—for a better and more comprehensive government policy on informality which has yet to crystallize.

6. THE CULTURE OF INFORMALITY: THE CASE STUDY OF THE ASOCIACIÓN LEGÍTIMA CÍVICA COMERCIAL A.C. (ALCC).

6.1 Introduction

This chapter presents the case study of the Legitimate Civic and Commercial Association (Asociación Legítima Cívica Comercial A.C., ALCC) and its leader—Mrs. Alejandra Barrios Richard, one of the historic leaders of street vendor organizations in Mexico City—to analyze, understand and illustrate the internal workings and general operation of these type of organizations in Mexico City.

In an attempt to describe and analyze how the culture of informality works in practice, I carried out exhaustive research on the ALCC and a lengthy interview with Alejandra Barrios.¹ The chapter uses the case of the ALCC to find out how informal street vendor associations originate, how they develop and evolve, what their dynamics and mechanisms are, how they are organized, what their sources of funding are, how profitable informal street vending may be, how they manage their resources, what their political links and affiliations are, and what their real power is.

Additionally, the chapter looks at the leader of this particular association, Alejandra Barrios. It is important to know the background and personality of the leader to understand how the association is managed and why it is run in an authoritarian and autocratic manner. At times, people interviewed make no distinction between Alejandra Barrios and the ALCC, using their names synonymously and perceiving them almost as a single entity.

The chapter will examine in detail the organizational scheme of the ALCC and shed light on how Alejandra Barrios and her colleagues may benefit from it. The chapter also touches on the fact that some informal street vendor associations have developed schemes to provide benefits for their members that resemble those social security benefits provided by the state

¹Research for this chapter includes participant observation and interviews with other partakers: government officials, journalists and experts; as well as conversations with some members of the ALCC.

to formal workers. This has led many to call such types of informal vendor associations a ‘parallel government’.

The chapter also illustrates how the status of ‘semi-formality’ works in practice and allows leaders and associations to circumvent the troubles of regulation and avoid reprisals from the authorities, while taking advantage of the condition of being both informal and formal at the same time.

Moreover, the chapter looks at social and economic features that characterize the groups that make up informal street vendor organizations. These social and economic characteristics (demographics, products, merchandise, and tactics to be competitive) are important as they may have implications in different spheres of government (e.g. policy making and law enforcement) and for different actors in society (e.g. formal businesses).

Finally, the chapter analyses the political resources the ALCC and Alejandra Barrios have developed over time and ponders on recent political events that confirm the rising power and influence of the ALCC and its leader—and members of her family—and of leaders of large and/or powerful informal street vendor organizations in general.

6.2 Alejandra Barrios and the origins of the ALCC

The ALCC is the largest, best organized and allegedly the most powerful street vendor association in Mexico City today. It is also considered one of the oldest street vendor associations. Alejandra Barrios is the president of the ALCC, and is one of the historic leaders of the street vending movement in Mexico City together with the late Guillermina Rico and Benita Chavarría (who has retired from street vending). This section describes Alejandra Barrios’ history as a street vendor leader, and analyses the ALCC as a street vendor organization. These accounts will allow the reader to understand how the culture of informality develops, how street vendor leaders work, and how street vendor organizations are structured.

6.2.1 *Alejandra Barrios: background and beginnings in informal street vending*

Alejandra Barrios is a Mexico City native. She asserts that her parents and other ancestors (grandparents and great grandparents) were all street vendors. Thus, Alejandra Barrios is in

the fourth generation of a family of street vendors, and as some of her descendants are also working in street vending, the family has been involved in this activity for five generations.

Alejandra Barrios has been a street vendor all her life. From a very early age—when she was seven or eight years old—her mother would take her to sell in the streets of Mexico City’s Historical Center—the Xocoongo and Allende streets, and Tepito and La Lagunilla neighborhoods (Barrios, 2010). That is how Alejandra Barrios got her start as an informal street vendor. She would peddle plastic tablecloths at her family’s stall. Later she moved on to selling frying pans, fresh fruit and some *fayuca*—contraband merchandise smuggled into the country to avoid import duties. She remembers 1950 as the year she began street vending (Barrios, 2010; ALDF, 2013b). For this reason, Alejandra Barrios claims that she has been involved in the street vendor movement for 65 years—as of December 2015, she is 72 years old (born on November 28, 1943) (Dickerson, 2007; Barrios, 2010; ALDF, 2013b).

Barrios had a very limited formal education. She did not study beyond elementary school—she has a third grade education (Brayman, 2003). “I did not study,” she told me (Barrios, 2010). She abandoned school to work on the street and help her parents. Some years later, at 16 years old, she got married for the first time and stopped working on the streets. Almost every year, she had a child. However, at age 18 she had to go back to work on the thoroughfare to help her household economy, as she and her husband did not have enough money and earned very little (Barrios, 2010). By the time she was 22 Barrios already had five children, and later she had three more. All her eight children (by at least two husbands or partners) have now grown up.² Eventually, she separated from her first husband and continued working on the streets to support her children. At a relatively young age, she was on the street with her children trying to survive. “When you work in street vending you sacrifice a great deal for your children and I have eight of them,” Barrios asserted (Brayman, 2003).

In the late 1950s and early 1960s, when she was a young girl working in the thoroughfare with her parents, Alejandra Barrios’ life overlapped with the administration of Ernesto P. Uruchurtu as a mayor of Mexico City. As seen before, one of the particularities of Uruchurtu’s government was the relentless crackdown against street vendors, in addition to his policies of market construction programs.

Alejandra Barrios recalls that her family used to sell wares in the streets near La Lagunilla Market. When Uruchurtu started to implement the government’s public market construction

²I deduced this from the different family names of her children and other sources consulted. Alejandra Barrios’ current husband is Javier Sanchez Becerra (Dickerson, 2007). I was unable to find the first name of her first husband, but his family name is Jiménez. I contacted Barrios’ office to verify the name of her children, but got no answer.

program, the authorities threw the vendors out of the streets with the help of the *granaderos* (riot police):

They tossed out my parents and the people who sold goods there... The police and *granaderos* broke up the stalls, destroyed the merchandise and beat up the street vendors. After a big struggle on the part of my parents and their *compadres* [colleagues] to defend themselves and their livelihood, plazas and designated areas to sell their goods were set up. (Brayman, 2003)

There is no evidence that Alejandra Barrios' parents had obtained a stall within the newly constructed markets. Alejandra Barrios herself could not get one as she was under age during that time, 16 or 17 years old in 1960.

Despite the public market construction program and the relocation of many street vendors into them, the markets were not sufficient to accommodate all the individuals devoted to street vending. Thus, by 1957, the authorities gave formal authorization to some groups to be installed again in certain streets (Grisales Ramírez, 2003). The rest were banned from involvement in any kind of street vending activity and those who reoffended suffered ruthless repression from the Uruchurtu government. Eventually, in 1966 the long-lasting mayor Ernesto P. Uruchurtu resigned in opprobrium, having failed to propel himself to the presidency and retired to private life after being broadly criticized by his political rivals for the razing of a community of land invaders in an incident in 1966. During Uruchurtu's final stage as mayor, Alejandra Barrios—22 or 23 years at the time—started to envisage the movement that eventually would evolve into the Legitimate Civic and Commercial Association (ALCC). Having survived a ruthless and aggressive administration like Uruchurtu's, the groups of street vendors that emerged from this period of repression, emerged stronger, and during this period the character of the street vendor leaders was formed for the future.

Between 1962 and 1972, the number of street vendors in the Historical Center gradually increased, even though vending on the public thoroughfare was virtually banned. By 1971, the conflict between the market vendors and the street vendors was more than evident because the street vendors captured the attention of clients from outside, not allowing them to enter the markets. In 1972, the city authorities authorized vending on streets, a decision that once again triggered unease among the market merchants; in response, they came out of the markets and occupied spaces on the street to sell their products—in many cases keeping simultaneously their market stand and a space on the streets—increasing the numbers of street vendors even

more. It is in this context that the leadership of some individuals emerged among street vendors groups (Grisales Ramírez, 2003).

6.2.2 *The foundation of the Legitimate Civic and Commercial Association*

Sources consulted seem to point to the late 1970s (specifically around 1977) as the period when the group of individuals that would constitute the ALCC came together (Braymann, 2003; Dickerson, 2007; Barrios, 2010; Yañez, 2012). The ALCC was effectively established in 1980 (ALDF, 2013b) when Alejandra Barrios was 36 or 37 years old. She recalls that there were other street vendors in the same street where she worked who—just like her—were trying to make a living but were unorganized among themselves. Then, police and government inspectors would come and try to take their merchandise. Violent fights would follow, which inevitably ended with several street vendors arrested and most of the merchandise being confiscated or destroyed:

The anger that would bring to me the memory of seeing my parents being arrested made me think that that [being arrested] would not happen to me, but it did happen. Then, my courage, my bravery, my temperament made me a leader in the eyes of the others because I would stand up to the authorities and quarrel and fight with the police when they committed abuses. It was then that people started to recognize my leadership, because I would go and defend them.

(Barrios, 2010)

Barrios said that these experiences of seeing street vendors being abused made her go around the Historical Center inviting street vendors to join an organization that was being formed to defend them. She started with a group of 40 people, but little by little it grew (Barrios, 2010). This was the origin of the ALCC.

Similarly, other sources suggest that Alejandra Barrios became the clear leader of the organization between 1982 and 1984 (Torres, 2003; Dickerson, 2007; Osorio, 2007a).³ According to journalist Mario Torres (2003), Alejandra Barrios first registered the organization as a civil association in 1983, before a notary public, and with its current name (Asociación Legítima

³Alejandra Barrios said in an interview that permanent harassment, continuous pestering, extortion and intimidation by police led her to group together with a number of street vendors in 1984 to defend themselves (Dickerson, 2007).

Cívica Comercial, or ALCC). Thus, Barrios promptly emerged as the leader of the newly created association (Dickerson, 2007). That is how her leadership of the ALCC started.

6.3 The current situation of the ALCC: membership, process of affiliation, and fees

6.3.1 *The number of ALCC members*

In April 2010 Alejandra Barrios said she did not know exactly how many members the ALCC had. She claimed that after the implementation of the Informal Commerce Relocation Program (Programa de Reordenamiento del Comercio Informal, PRCI) in 2008 by Mexico City's head of government, Marcelo Ebrard, several street vendors were relocated to commercial plazas or commercial passages, so it was hard to keep the numbers under control. She estimates that the ALCC had between 5,000 and 6,000 affiliates (Barrios, 2010).

This general figure fits with those given by several sources (Nájar, 1998; Brayman, 2003; Dickerson, 2007; Osorio, 2007a). Yet, according to Ernesto Osorio, a Reforma newspaper journalist, Alejandra Barrios controls the membership of her association and also has influence over nine more organizations (likely to be those of her family and other smaller organizations which seek her protection), which account for more than 20,000 stallholders (Osorio, 2007a). The exact number is not known, or at least is not publicly known, and was not made available to me (despite my insistence), and for a good reason: knowing the number of members of the association makes it possible to calculate the amount of money the ALCC handles and the potential income earned from its activities. Moreover, city authorities could also use this information in various ways, including to verify whether the ALCC's leadership is overcharging (or undercharging) its members for the selling permits the delegations (or other city authorities) give them; and to calculate if there is any corruption in the association, given its earnings, among other things.

6.3.2 *Who can become an ALCC member?*

In theory, anyone can become a member of the ALCC.⁴ If you know of the existence of the association and take the initiative to join it, or if you are invited by somebody within the

⁴Barrios claims that there are people who have worked with her for 30 years.

organization (another vendor member) to join, you can become an affiliate of the ALCC (Barrios, 2010; Antunez, 2012). Barrios stresses the importance of people recommended to the association by other ALCC members and then explains how easy it is to join the ALCC:

Suppose you do not have a job. You have a friend who has a stall and she or he advises you to set up a stall as well. You go and investigate what line of products is suitable for sale. Then, you come and speak to me and I will help you.

(Barrios, 2010)

As will be seen later on, this statement may well reveal that the real business of Alejandra Barrios and the ALCC is to maintain a powerful association with ‘captive members’ from whom she can extract money by offering in return a suitable economic profitability—flexibly and without regulation—in street vending. Interestingly, this fits the story told by Alma Rosa Moreno Razo in Chapter 5 of this thesis, regarding clandestine informal organizations.

6.3.3 *The fees ALCC members pay*

Individuals who want to become members of the ALCC pay a one-time MX\$600 registration or membership fee (equivalent to US\$47 or £32 in 2010) (Barrios, 2010).⁵ Once they become ALCC members, they pay weekly or monthly (and perhaps even daily) fees of 50 pesos (US\$4 or £3 in 2010) (Barrios, 2010). Barrios claims that a member pays a weekly or a monthly fee of 50 pesos depending on the selling capacity⁶ (merchandise capacity) of their business, but she also said later in the interview with me, “They pay 50 pesos a week, which are 250 pesos a month” (Barrios, 2010).⁷ Other sources state that fees paid to the association are higher than what Barrios says, as some vendors confirmed they pay 50 pesos a day (Sanchez, 2005; Dickerson, 2007). Moreover, I found evidence that a former member of the association who rented an established stall inside the Tacuba Plaza—property of the ALCC—paid a monthly fee of MX\$10,000 (US\$800 or £600) in 2010 (Antunez, 2012). No matter what the real figure is, Alejandra Barrios denies speculation that she has become rich on the backs of the poor (Dick-

⁵When the ALCC was still becoming established, joining members did not pay any registration or membership fee (Barrios, 2010).

⁶Selling capacity or merchandise capacity is the volume of sales a business has. It is either a small volume (retail) or a large one (wholesale), or anything in between—half wholesale.

⁷Barrios says that she charges MX\$50 a week, and assumes each month has five weeks, for a total of MX\$250 a month. For the construction of Tables 6.1 and 6.2, I took the number of weeks in a year (52) and multiplied by MX\$50.

erson, 2007; Barrios, 2010), but the revenues of the ALCC are certainly considerable (Tables 6.1 and 6.2).

Table 6.1.: The amount of annual fees paid by ALCC members to the leadership

Fee paid per member	Annual fees paid per person to the ALCC		
	\$MX50 a month	\$MX50 a week	\$MX50 a day**
Annual payment per member in:	50 * 12 months	50 * 52 weeks	50*21 days *12 months
MX\$	600	2,600	12,600
US\$	48	208	1,008
£	36	156	756

Source: Author's calculation using the information given by the ALCC and information published in various sources.

**Calculations for this column were made assuming 21 days per month, as street vendors often work five days a week. However, some of them work six and even seven days a week, but others might work less than five days, so an average of five days a week is reasonable.

Exchange rates used (in June 2010): US\$1 = MX\$12.5; £1 = MX\$16.66

Table 6.2.: ALCC annual income from total fees charged to members

(Range is from 5,000 members to 6,000 members)

Fee paid per member	MX\$50 a month	MX\$50 a week	MX\$50 a day**
ALCC annual income in			
MX\$	3,000,000–3,600,000	13,000,000–15,600,000	63,000,000–75,600,000
US\$	240,000–288,000	1,040,000–1,248,000	5,040,000–6,048,000
£	180,072–216,086	780,312–936,375	3,781,513–4,537,815

Source: Author's calculation using the information given by the ALCC and information published in various sources.

**Calculations for this column were made assuming 21 days per month, as street vendors often work five days a week. However, some of them work six and even seven days a week, but others might work less than five days, so an average of five days a week is reasonable.

Exchange rates used (in June 2010): US\$1 = MX\$12.5; £1 = MX\$16.66

Table 6.2 shows the different annual income ranges for the 5,000 to 6,000 members which the ALCC could earn depending on the fee it charges each member. If the fee charged to ALCC members was MX\$50 a month, and the ALCC had 5,000 members, then the annual income of the ALCC would be MX\$3,000,000 (US\$240,000 or £180,072), a considerable amount of money. However, if the actual fee charged to ALCC members was MX\$50 a day (as some sources suggest), and the ALCC had 6,000 members, then the annual income of the ALCC would be MX\$75,600,000 (US\$6,048,000 or £4,537,815), an extremely large sum of money.

Given that there is a 25-fold difference between the minimum and maximum estimates of the annual ALCC income from fees charged to members, a best point estimate can be calculated. Let's start by taking the arithmetic mean of the number of vendors in the association (5,500). Then, let's take the median fee charged to vendors; since not all the vendors are charged MX\$50 a month and not all are charged MX\$50 a day, let's assume they are charged MX\$50 a week. Finally, the number of weeks in a year is 52.⁸ Therefore, the best point estimate for the annual income the ALCC makes in membership fees will be MX\$14,300,000 (US\$1,144,000 or £858,343), still a very large sum of money considering that the ALCC is, at best, a semi-formal organization.

The ALCC could have more than 6,000 members—the fact that Alejandra Barrios is never sure of the number of members may have to do with her not wanting authorities to do the maths. It works to her advantage not to disclose the membership numbers as she can benefit from this in various ways. It could also be the case, as Ernesto Osorio (2007a) presumes, that Alejandra Barrios has an influence over 20,000 stall holders—through her family's associations and smaller associations linked to hers. Then, the ALCC income—and Alejandra Barrios' takings—could be much, much more (Monge, 2009).

The ALCC leadership may use the unknown numbers in its membership not only to make a profit, but also for price differentiation; that is, it might charge very different amounts of money for letting a stall or a space, depending on different specific variables (type of stall, size of stall, location of stall, merchandise capacity, and so on), as noted in Chapter 3. As mentioned earlier, a former member of the association told me that he had rented an established fixed stall of about 1.5 meters long inside Plaza Tacuba—property of the ALCC—and paid a monthly fee of MX\$10,000 (US\$800 or £600) during 2010 (Antunez, 2012). The amount of that monthly rent is easily equivalent to what a formal business owner would pay in rent for having a formally established shop. The former ALCC member—who sold jewelry—confirmed that he paid MX\$120,000 (US\$9,600 or £7,200 in 2010) to the ALCC a year in rent, plus some extra money in other contributions (Antunez, 2012). The earnings the former member had selling on the Tacuba Plaza stall were rarely larger than the monthly rent, so he eventually decided to leave the commercial plaza and the association as it was not a profitable activity (Antunez, 2012).

Once a new ALCC member has paid the membership fee, the proceedings continue: “Once they are members, they get their ALCC photo ID credential and are included on our register. Then, I take care of getting spaces for them to work” (Barrios, 2010). The ALCC grants its

⁸In other words $5,500 \times 50 \times 52 = \text{MX}\$14,300,000$.

members an ID card so they can identify themselves to ALCC representatives, the police, and Mexico City authorities if necessary. The ID card might also be used for other purposes of control, for example, when ALCC members are asked to attend a political rally and need to identify themselves when leaders call the roll.

It is particularly telling that vendor associations (the ALCC in this case) determine the new member's space on the street. There are several considerations to make. First, depending on the amount of the fee new members are willing or able to pay, their vending space will be located in a better or worse position, and will be larger or smaller.⁹ Second, the very fact that the association has or will get the new members a space demonstrates the level of control or ownership the association has over the street; either the association has already got a space available and ready to use, or it makes one available in one way or another. Third, it may be the case that association and city authorities have already agreed—legally or illegally—on specific areas of tolerance or specific limits where the activity of street vending can be carried out. Fourth, the ALCC plays the role of a sort of informal employment agency, which is a role that traditionally has corresponded to the employment government agencies.

6.4 Demographic and socioeconomic characteristics of alcc members

6.4.1 *Places of origin of ALCC members: locals, nationals, migrants, foreigners*

The membership of the ALCC is diverse—members have different origins and come from different places. Some have been born in the streets and neighborhoods where the ALCC operates. Others come from different Mexico City neighborhoods and delegations. Still others come from different Mexican states, and some even come from other countries.

Many of the people who go to Mexico City from other states are looking for better opportunities. This is reflected in the ALCC where about 40 percent of the total ALCC membership comes from outside Mexico City—from other states that make up the Mexican Republic, particularly the neighboring State of Mexico, but some members come from states as far away as Chiapas (Barrios, 2010). However, not all of them come to stay in Mexico City; some come and go. In several states in Mexico, there are impoverished small villages whose inhabitants

⁹The size of the stall or space is as important as the location, and has changed over time. Stalls used to be 1 meter or 1.20 meters long, but now there are stalls that are 2 or 3 meters long—it all depends on the merchandise capacity the vendor wants to exhibit. Spaces on the street are allocated in accordance with what street vendors request. They pay the association more or less, depending on its position and size (Barrios, 2010).

come to the capital city to sell their products. They come and sell handicrafts or clothing that they manufacture in their villages.¹⁰ In the same way, people from those states come to Mexico City to buy goods wholesale in Tepito or through other distributors that offer cheap prices, and then they go back and sell those products in their villages or cities of origin (Barrios, 2010).

Among the migrants who come to the capital in search for opportunities there is a fair share of indigenous people. As there is a shortage of opportunities in Mexico City, one of the migrants' main activities—not the only one, but certainly the most visible—is informal street vending, and *mazahuas*, *otomíes*, *nahuas*, *huicholes*, *triquis*, among other indigenous groups, attempt to make a living from it (Albertani, 1999). It is worth noting that very little of the money flowing through the informal street vending business goes to the indigenous people since they do not sell products that require a large investment, such electronics or clothes. Mainly they sell simple products like fruit, vegetables, seeds and—in a smaller proportion—handicrafts and low-cost imported goods. Many of the indigenous people working on this activity suffer from discrimination and have confrontations with leaders of *mestizo*, social or vendor organizations. In addition, they suffer abuse from the police who beat them or confiscate their goods (Albertani, 1999).

There is no accurate figure for the number of indigenous people working in informal street vending in the Federal District. However, taking into account the number of indigenous associations working in street vending in the capital and using the data from the Care Center for Indigenous Migrants (Centro de Atención al Indígena Migrante, CATIM) and the Secretariat of Social Development of Mexico City, researcher Claudio Albertani (1999) estimated that there were about 10,000 indigenous families, with a total of 50,000 to 60,000 indigenous individuals depending on informal street vending in Mexico City in the year 1999. While indigenous people usually group in their own street vendor associations—identifying with people from the same indigenous culture—others work individually and some have joined the ALCC.

The ALCC members who come from other countries come from places as diverse as Canada, several Central American countries, Bangladesh, South Korea, Cuba, Spain and the Czech Republic, and sell their products—for example, rhinestones or food (crepes), just to mention two—on stalls on the street or inside commercial plazas. According to Alejandra Barrios, around 10 percent of ALCC members are foreigners. They come to Mexico because things

¹⁰An example of this is the town of Santa María Asunción in the Hidalgo State, where 80 percent of the families living in the town work in small sewing shops and textile factories (*maquiladoras*) where they produce foreign-brand pirate shirts (Jimenez, 2013).

went wrong for them in their countries, or they come as refugees of some sort and look for opportunities to make a living, finding street vending an option (Barrios, 2010).

6.4.2 Socioeconomic profiles of ALCC members

The diversity of the ALCC is reflected not only in members' different places of origin but also in their different socioeconomic backgrounds: there are people who barely have any means of subsistence; people who have an occupation, a profession or a degree but have been laid off or are unable to find a job and need to work to make ends meet; and professional people who claim they earn more by working on the streets or commercial plazas than in a formal job. In addition, there are students who finance their education and schoolwork with the money they earn working as street vendors, or recently graduated students who cannot find a formal job after finishing school or university, and need to sell goods on the streets to make a living (Barrios, 2010).

In theory, informal street vendors do not earn more than they would if employed in a formal job, for various reasons.¹¹ However, Alejandra Barrios argues that this depends on the type of merchandise a street vendor offers. For example, she says that people who sell prepared food make about 50–100 percent profit, those who sell clothing make about 20–40 percent profit. It all depends on the merchandise or product, the selling capacity of the vendor, and the service the vendor offers. Barrios claims this is what determines the earnings the street vendor is able to make (Barrios, 2010). In fact, according to some sources, in 2012 an average informal street vendor was earning more than some formal employees—machine operator, protection guard, domestic service employee, and even some employees in formal established stores were earning less than the average earnings of an informal street vendor (Gascón, 2012).¹²

Most of the individuals who go to Barrios' association to ask for a space (and membership) have already had previous experience in selling something—most likely on the streets. Very

¹¹Not to mention the absence of formal employment benefits which certainly improve the quality of life of formal workers.

¹²Many of these formal employees earned the minimum wage which is very low in Mexico. In 2012, the minimum wage in Mexico for Zone A (the wealthiest geographical zone) was MX\$62.33 per day, equivalent to US\$4.47 (US\$1 = MX\$13.93) (SAT, 2015). As we saw in Chapter 5, a study conducted by the Vice-Ministry of Revenues of the Ministry of Finance showed that the average salary of informal employees was equivalent to 1.86 minimum wages, and the salary of both informal employers and the self-employed was equivalent to 2.11 minimum wages. Both figures give an average of 1.94 minimum wages for all those who are working in the informal economy (Acosta Córdova, 1999).

few have not had that experience. Alejandra Barrios recounts that some of them still ask what they should sell:

And I suggest that they go and look around in the wholesale stores for something marketable and buy from there. If they do not have enough money, I ask them for the wholesale store address and I go and buy the products for them [so Alejandra Barrios also has a role as an informal credit agency or moneylender]. Then, I give it to them so they can sell on their designated space.

(Barrios, 2010)

Barrios also made an interesting and significant confession to me: “I have wholesalers, retail vendors, popular eateries and everything” (Barrios, 2010). This is a subtle indication of how organized, big and powerful Alejandra Barrios’ association is, and this supports the story of Alma Rosa Moreno Razo described in Chapter 5 regarding clandestine informal organizations. Clearly, there is no question that in order to manage the amount of goods and products, stalls and members of the association, it takes a well-organized network of transport, storage, distribution, administration, commercial plaza and street planning, enforcement schemes and fee collection systems, contacts and influences in and outside the government, in broad daylight or at night. At times, it seems that vendor members of the ALCC are only some kind of employees within the larger scheme of the association, working on it as if the ALCC were a large and fully organized formal company. Perhaps vendor members no longer think they own the association, as it is clear that it belongs to Alejandra Barrios. This phenomenon has also been noted by Oehmichen (2001), who in 1998 studied the case of Silvia Sanchez Rico—the daughter of the street vendor leader Guillermina Rico—and pointed out how street vendor groups were evolving into large corporations whose branches reached the upper echelons of government.¹³ This opinion was shared by researcher Héctor Castillo-Berthier (2010).

¹³According to Oehmichen (2001) the fees charged to street vendors (allowing them to sell on the streets) constituted a major source of income for the leaders of the street vendor organizations. Oehmichen states that, in 1998, Silvia Sanchez Rico controlled around 100,000 street vendors in Mexico City, each of whom had to pay her between 40 and 60 Mexican pesos per week for their selling space, amounting to a minimum of about MX\$4,000,000 a week (US\$434,783 or £261,438 in 1998) (Oehmichen, 2001; Grisales Ramírez, 2003).

6.5 Products and merchandise of the ALCC: price, origins, branding, and piracy

6.5.1 *How ALCC members obtain low-cost products to sell at competitive prices*

One of the key questions regarding street vending is how street vendors manage to obtain goods and products that are exceptionally cheap, and where they come from. These low-price products allow street vendors to compete successfully with formal businesses and ensure they have a clientele (particularly individuals with low incomes) whose income will be maximized by acquiring these types of low-price, affordable products.

When I asked Alejandra Barrios about the competitiveness and origin of the products sold by ALCC members, she explained that illegal products (i.e. stolen products, illegal imports, pirate goods) are at one end of the commercial spectrum and goods produced (and/or sold) by large formal companies are at the other end. What the ALCC does is to take advantage of the gap between one and the other. In other words, the ALCC takes advantage of the difference in prices:

If you buy from Tepito you will find extremely low prices because the products or goods are stolen from truck trailers that transport them; or they are brought as illegal imports through the borders; or the smugglers do not pay taxes as they bribe the customs officials. All these maneuvers drive the prices down.

(Barrios, 2010)

This type of goods can only be sold to certain people, mainly those who would be unable to trace the origin of the products or those who do not care about the unlawful origin of the products and prefer price over legality. The price difference between buying something in somewhere like Tepito and from an authorized retailer might be around 70 percent of the product (Barrios, 2010).¹⁴ Consequently, the association can afford to offer very competitive prices to its vendor members and these, likewise, to buyers on the streets. Alejandra Barrios says that she gives special prices to the most disadvantaged members¹⁵ because otherwise they would not be able to afford the merchandise (Barrios, 2010). Barrios did not reveal to me from

¹⁴In addition, informal street vendors give the value-added of opportunity cost. By bringing the product closer to the buyer on the streets, informal vendors gain through locational advantage.

¹⁵Members of the ALCC do not pay value-added tax when they buy from the association, and special prices are given to its most disadvantaged members so they can afford merchandise and sell it. This intermediary role also signals, as mentioned earlier, that Barrios' business is not selling on the streets *per se*, but rather keeping an association alive with a 'captive membership' from whom she extracts revenues.

which sources she buys the products for the ALCC, but in an interview with Matthew Brayman (2003) she stated:

Our goods are cheaper than anywhere else and are very accessible. This is because we buy our goods wholesale and mark them up very little. Street vendors do not make a lot of money, and they help the low-income individuals because many people cannot afford the prices of formal shops. Shop owners do not buy in the massive bulk that we do.

A different sort of supply chain for street vendors is that of large formal businesses. In an off-the-record conversation, a Mexican businessman told me that some large formal companies sell goods they have in inventory—goods in stock which are out of season or not likely to sell—to informal street vendors for very low prices. Again, this concurs with Alma Rosa Moreno Razo's comments in Chapter 5 of this thesis on the formal and fully registered companies that take advantage of and profit from informality.

If authorities know that street vendor groups buy their goods in places like Tepito, they could repress the distributors selling them and dismantle their respective chains of supply, which would suffocate part of the informal street vending business by cutting its sources of supply. However, in an off-the-record conversation, a politician's assistant told me that the supply chains that provide street vendor organizations are so sophisticated—not least because they are in some degree complicit with the authorities through corruption—that they work even better and are more efficient than those of the large formal enterprises.

6.5.2 *Changes in the type of merchandise sold: origin, evolution, preferences, and branding*

The merchandise sold by street vendors has evolved over time, responding to different conditions, incentives, and motivations. The first change has been in the balance of sales of illegal and legal goods. In the past, people used to go to Tepito to buy *fayuca*—foreign goods (of legal or illegal nature) brought into the country surreptitiously to avoid paying custom duties—because these products were attractive to buyers for their price and novelty. Therefore, street vendors bought *fayuca* to sell on the streets, as it would bring business and profits (Barrios, 2010). Most of the *fayuca* came from the USA. When the North American Free Trade Agreement (NAFTA) came into force in January 1994, the majority of the import duties gradually disappeared and most former *fayuca* merchandise progressively became legal. Nowadays smuggled goods come from several countries and, many times, they are manufactured with

low-quality materials to reduce their cost but are well-finished products, so they can pass for good quality products in the eye of the buyer. Additionally, modern smuggled goods are usually illegal goods and are forbidden for very specific reasons—for example they are counterfeited or pirate goods, drugs, weapons, or pornography—or simply they come from a country that does not have a free trade agreement with Mexico.

Alejandra Barrios has observed this change of merchandise over time. She acknowledged it and excused the behaviour of *fayuca* vendors and buyers based on economic motivations:

But here, it is not the fault of the buyers or the street vendors, they are not the ones who should be in charge of fighting the smuggling mafias. The government should be responsible for fighting these mafia groups. If you go to a store and find a DVD for 200 pesos and then you go to Tepito and find the same DVD for 20 or 10 pesos, who would you buy it from?

(Barrios, 2010)

This reasoning is even stronger when you are in the low-income bracket and, therefore, do not have money to spare. In countries with large income inequalities like Mexico, this—purchasing informally sold products—might be the only way those with low incomes can obtain the same sort of goods that middle-income or high-income individuals purchase.

Regarding the country of origin of the products, Alejandra Barrios asserts that, at present, foreign products sold by street vendors come from different parts of the world, not only the USA and China. It all depends on the demand for and price of the product (Barrios, 2010). Likewise, the overall demand for products on the streets points to a preference for foreign products over national ones: “Currently, there is more demand for foreign merchandise than for the national one” (Barrios, 2010). This is another significant change as in the past there was more demand for national products than for foreign products.¹⁶ Nowadays the price of imported or smuggled products is the same or lower than that of national products, and of equal or better quality (though, as mentioned before, some very cheap imports or smuggled products are of very low quality).

This also has to do with branding and piracy. Alejandra Barrios explained it in this way:

If there was demand for an international brand, Nike for instance, and it is in my line of products, most likely I would add that brand to my business. I would add a Nike logo and label to jackets or tennis shoes. People might not know the

¹⁶The demand for national products was larger than the demand for foreign products throughout the first half of the 20th century and until the 1970s, after which the demand for foreign merchandise increased.

quality of the product and therefore buy it thinking it is a foreign product, when in reality it is made in Mexico. That is the way it is.

(Barrios, 2010)

This is not only informality but also product piracy. As can be observed, some informal street vendor organizations follow this practice, but most of the time, street vendors are at the end of the line of the piracy industry as they sell these products on the thoroughfare but they are not the manufacturers. In other words, pirate goods are usually not produced by street vendor groups but by other larger, well-organized informal and even criminal groups. Again, this substantiates the analysis by Alma Rosa Moreno Razo of clandestine informal organizations described in Chapter 5. I have no evidence that the ALCC produces pirate goods, although the possibility of it doing so cannot be ruled out.

Alejandra Barrios acknowledges that informal street vending is bad for the economy, but she is also convinced that, as there are no formal jobs available, the informal economy in general and informal street vending in particular has helped a lot of people: “We know that [informal street vending] is bad for the country because it is said that it harms the country’s growth, according to those who know” (Barrios, 2010).¹⁷

Nevertheless, she argues that the informal and formal economies help each other in many different ways. For example, she points out that the informal economy is a safety net for all those people who do not have a job in the formal sector (Barrios, 2010). She argues that it is also beneficial for those who do not have money or have a low income and cannot afford certain products at formal prices. Through the informal economy, “they—low-income individuals—can afford the products that the rich buy and get a benefit from them” (Barrios, 2010). As she put it, “if the informal economy disappeared, there would be economic and social chaos in the country because informal vendors would immediately become unemployed, and low-income individuals would not be able to consume goods bought informally at low prices, among other things” (Barrios, 2010).

¹⁷According to some scholars, informal street vending is bad because street vendors: do not pay taxes and thus represents a loss of tax revenues; because their products and prices are seen as unfair and disloyal competitors to formal businesses; and because the underground nature of their activities creates distortions which affect the economic and social policies, among other things.

6.6 The organizational structure of the ALCC

The organization of the ALCC has grown larger and more complex over the years. The indisputable head and leader of the organization is Alejandra Barrios, who holds the title of president of the ALCC. While there is a member's assembly in the ALCC, which helps to delineate the ALCC's agenda (Osorio, 2007b), there is no evidence that there are elections of any kind in the association.

According to Alejandra Barrios (2010), the ALCC has an executive board and in-field representatives who help with the administration on the streets. There are usually five members on the executive board and they have different roles—treasurer, conflict manager, general secretary, president, etc. There are 40 in-field representatives, one for each zone where the ALCC has street or commercial plaza vendors (Barrios, 2010). If these figures are correct, the ALCC has 40 zones, a considerable number, whether the 'zone' refers to a street, a block, a commercial plaza, a district or a larger area. The in-field representatives are on the street to help members *in situ* when there is an 'injustice' of some sort (Barrios, 2010). "The representatives let us know when a problem arises and then we fix things politically" (Barrios, 2010). This is a very telling remark as it suggests that the 'arrangement' is made between the ALCC leadership and the government authorities.

I believe that the in-field representatives also supervise and control street vendors in their zones. These representatives are easily identifiable every time there is a police operative to remove street vendors from the thoroughfare; there is always a person with a radio transmitter, in constant communication with either the association or the authorities, who tells street vendors when and where to move with their merchandise. The in-field representatives may also perform the duties of fee collection, but it is not clear whether or not they do this. Other informal vendor associations have groups of five or six people who collect the fees every day (Sanchez, 2005), but these associations are not as big as the ALCC.

6.6.1 *The administration of trust funds*

As noted in Chapter 3, some of the larger and most systematic street vendor organizations are able to accumulate considerable levels of monetary wealth and create trust funds (*fide-*

icomisos) in order to evade tax payments and obtain other economic advantages.¹⁸ In situations like this, a trust fund effectively functions as an informal bank or informal credit institution from where vendor leaders can draw cash for multiple purposes, some for the benefit of the association, some for their personal benefit. This is the case with the ALCC.

The *Reforma* newspaper journalist Ernesto Osorio outlined an organizational chart, based on inquiries he made about the ALCC in 2007. According to Osorio (2007a, 2007b), Alejandra Barrios' association manages its resources through two trusts fund. The first is the Popular Commerce Trust Fund, which distributes expenses for four areas:

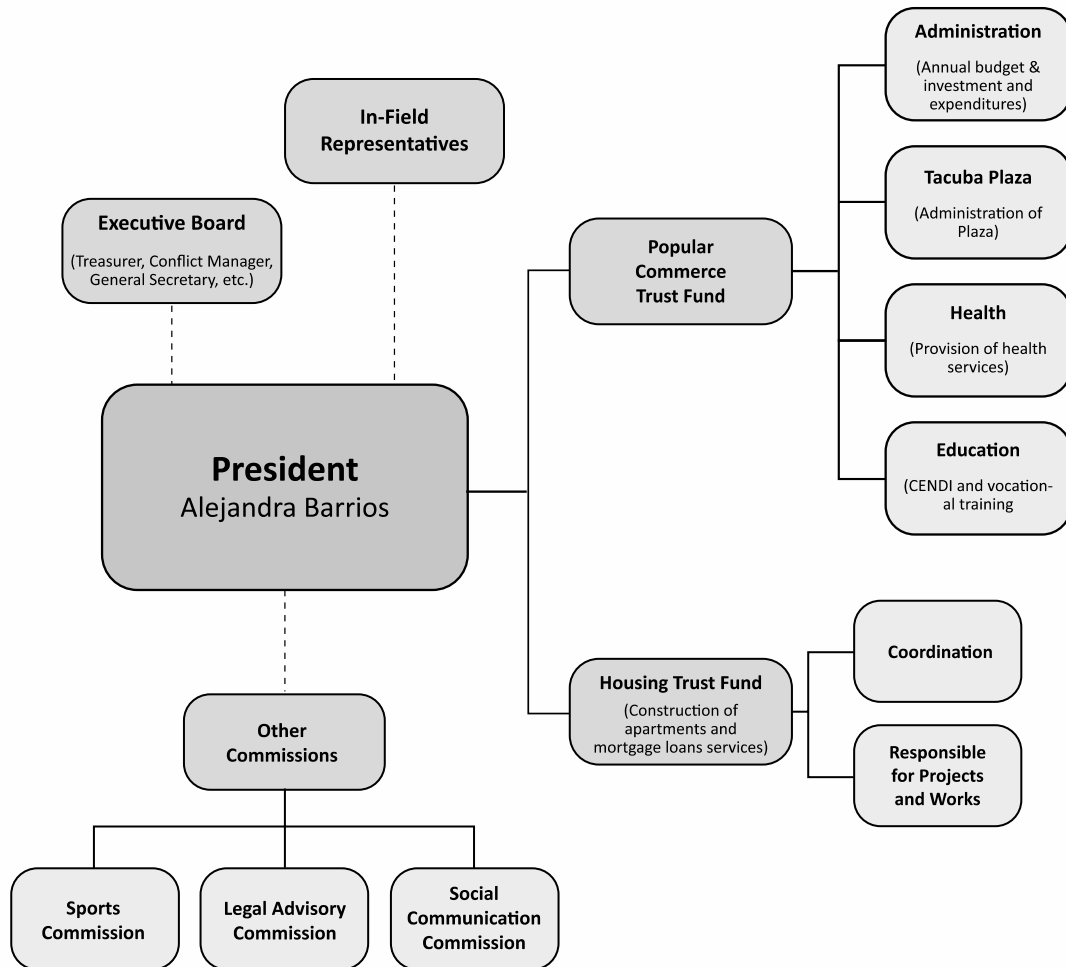
- education, which includes child care (the child development center) and vocational training
- medical and health services, provided through agreements reached with physicians who have their practice in the downtown area
- administration of the Tacuba Plaza, headquarters of the ALCC
- ALCC general administration, including budget planning.

The second is the Housing Trust Fund, destined to construct apartments for members of the association, and to grant accessible mortgage loans to buy them (Osorio, 2007a, 2007b)

In addition to these two trust funds, Osorio (2007b) points out that there are three commissions with very specific tasks within the ALCC (Figure 6.1). These are the Sports Commission—which organizes sport tournaments for the members, and provides free uniforms and financial support; the Legal Advisory Services Commission—which provides all types of legal services to vendors and members of the association; and the Social Communication Commission—which looks after the public image of the association and its leader and responds to information requests from the news media. Dickerson (2007) points out that Alejandra Barrios has a publicist, and I was able to witness that people in Barrios' office maintain direct contact with newspapers and other media to plead for or advocate Alejandra Barrios' causes and public image. Figure 6.1 shows the organizational chart of the ALCC combining the information gathered by Osorio (2007a) and by me.

¹⁸In Mexico, trust funds (*fideicomisos*) are widely used to avoid paying certain taxes. According to the tax code of the Mexican federation, only individuals and corporations are required to contribute to the tax system (to pay taxes). A trust fund has no legal personality and therefore cannot be considered either a legal entity or a natural person (individual). For this reason, trust funds are not subject to taxes.

Figure 6.1.: Organizational chart of the ALCC



Sources: Osorio, 2007a; Author's research.

6.7 The benefits of being an alcc member

6.7.1 The 'informal' social security system of the ALCC

There may be some slight differences between Osorio's version of the ALCC's organization and what Alejandra Barrios told me regarding the use of trust funds and the structure of the ALCC, as discussed in the last section. What is certain is the highly complex administration of the ALCC's finances and organization. When asked about the management of the internal finances

of the association, Alejandra Barrios preferred to elaborate instead on the different purposes of the trust funds.

Barrios explained that in 1990 she created a trust fund (most likely, the Popular Commerce Trust Fund), which is used by the ALCC for several purposes (Barrios, 2010). She said that most ALCC members benefit from this trust fund, as it serves many objectives. It helped to build the child development center (Centro de Desarrollo Infantil, CENDI) so children stay in the daycare center and learn while their parents sell on the streets; and it helped to renovate the commercial plazas given to them by the authorities so vendors could sell on better organized and equipped sites. It is also used:

- to defend and protect women members who are victims of abuse
- to help pay for funeral expenses when members or their relatives die
- to generate jobs for people (particularly prospective or new ALCC members) who have no startup capital to jumpstart their vending activity
- to find ways to help members who are imprisoned and get them out using legal advice and representation from lawyers and other specialists
- to pay professional experts for special advice on certain specific topics (Barrios, 2010).

6.7.2 *The day care center and schooling for children of ALCC members*

As mentioned above, the ALCC's child development center, the CENDI, was founded and put into operation by Alejandra Barrios in or before 1996, but was officially registered with the relevant authorities on November 4, 1999.¹⁹ The CENDI, located in the Historical Center, is officially recognized by the Ministry of Public Education (Secretaría de Educación Pública, SEP) for childcare and early education, and the Ministry of Health (Secretaría de Salud, ss), as it meets their standards (Osorio, 2007a). This demonstrates once more the condition of semi-formality of certain activities and establishments within the informal street vendor groups: this is a child development center legally established by a semi-formal civil association,²⁰ which provides services to informal workers.

¹⁹The CENDI is headed by Professor Elena Hernández Martínez, who manages 22 employees, including teachers and support, administration, and monitoring staff (Osorio, 2007a).

²⁰In reality, the ALCC has full legal status by virtue of being registered as a 'civil association', but it does operate as a semi-formal organization.

Single mothers or couples who work as informal street vendors and are members of the ALCC benefit from the CENDI. Parents leave their children there while they work on the streets. The CENDI is open from 7:00 am to 18:30 pm and gives the children three meals and a snack. Children in the center take part in several activities, including computer classes, artistic classes, sports, and English lessons. In addition, parents can monitor their children over the internet through close-circuit television (CCTV), to which only they have access. Parents pay MX\$25 (US\$1.95 or £1.29 in 2010) per week for the CENDI, which go directly to the ALCC trust fund (Osorio, 2007b). “Mrs. Barrios does not give us anything for free, but if [she had not established the CENDI] where else could we find a school or a daycare center [for our children]? The government daycare centers always have a lot of requirements” says a street vendor who has registered her three children in the ALCC’s child development center (Osorio, 2007b).

6.7.3 Health services for ALCC members

Until recently a doctor offered his services without charge to members of the ALCC. After the doctor left his post, the ALCC agreed with the clinics and doctors who have their practices in the Historical Center area to pay a certain amount of money to these doctors so they provide medical care to ALCC members. The doctors refer members who have special health conditions or serious illnesses to first-level hospitals with which they have a direct relationship and the ALCC covers the medical costs (Osorio, 2007b; Barrios, 2010).

Alejandra Barrios confirmed to me that members with serious health conditions are sent to the public hospitals and medical centers, specializing in specific diseases, located in the Tlalpan Delegation—in southern Mexico City—because “it is the most correct and humane thing I can do” (Barrios, 2010). These hospitals are equipped with the most advanced instruments and equipment, and the best physicians have practices there as well. Barrios also said that the ALCC gives members who are ill money to buy medicine and help with other needs they may have (Barrios, 2010). “We also give them housing; I try to give them what little I can. I give them food provisions (*despensas*), what little I can give them, I always pay attention to whatever needs they might have” (Barrios, 2010). Other type of health services available to ALCC members such as dental and ophthalmological services, and alternative medicine, are offered in the Plaza Tacuba, as I was able to witness.

6.7.4 *Vocational training for ALCC members*

Vocational training is one more benefit that the ALCC provides to its members. The ALCC offers scholarships for members who decide to study a particular line of work or occupation. An example of this is a beauty school the ALCC recently opened, but this was closed down, according to Alejandra Barrios, because members enrolled in the classes but did not attend them because they were selling on the streets. In addition, the maintenance cost of the beauty school and the labor cost (i.e. the teacher's salary) were high and it was not considered appropriate to run it any more (Barrios, 2010). Nevertheless, a lot of members enrolled and some finished their courses and graduated in one specialization or another (e.g. hair dyeing, hair cutting, and so on), becoming beauty professionals. Despite the school's closure, Alejandra Barrios is not discouraged and is planning to open another occupational school. She explained that the government has social assistance in several forms—among them vocational training or technical school, but it does not provide it to everyone: “The government does not open the doors to everybody. That poses a problem” (Barrios, 2010).

The ALCC provides benefits not only to its members but also to the community. The association often participates in philanthropic activities. Those administering the ALCC have links with social and charitable organizations, and give them help in kind when there is an emergency or on special occasions such as Christmas or New Year. Such is the case of the Asociación Ser Humano A.C., which looks after 2,500 people with HIV. Other groups such as La Granja Para Niños La Esperanza A.C., the Casa Hogar San Vicente, and other orphan homes and children's educational institutions also receive donations in kind from the ALCC (Osorio, 2007b).

6.7.5 *A parallel government?*

Several experts and scholars consulted believe that the complexity, soundness, and adaptability of the organizational structure of the ALCC give Alejandra Barrios and her association such power that it is virtually impossible to remove ALCC street vendors from the Historical Center area (Osorio, 2007a; Monge, 2009; Castillo-Berthier, 2010). From what has been described above, it could be argued that, to a certain extent, associations like the ALCC are becoming parallel powers to those of the city and federal government in several respects, for example, in providing rights that the government does not provide (to informal street vendors) and in

demanding obligations that the government does not require from them, and filling the governance vacuums the government has not been able to fill, meet, or answer. In other words, street vendor associations and their members have signed their own ‘social contract’²¹ (Birdsall and Menezes, 2005; Perry et al., 2007; Saavedra and Tommasi, 2007).

Dr. Carlos Sirvent, a political science researcher at the National Autonomous University of Mexico (UNAM), seems to be of the same opinion:

Alejandra Barrios has an association with guild, labor, and corporate characteristics which include, in addition, the characteristic of territoriality... As the authorities cannot provide all the benefits to [informal street] vendors, because they do not pay taxes and therefore do not have access to government benefits, somebody has to provide them.

(Osorio, 2007a)

Thus the ALCC takes on the role of the government. Alejandra Barrios justifies her work and that of her association by pointing out that she provides employment options: “I take a load off the government’s back by giving jobs to the people, by giving them housing, by giving them healthcare and good education” (Osorio, 2007a).

Organizations such as the ALCC grow stronger in political power and influence when they offer some kind of political capital to political party candidates or government officials running for elective office. They support these candidates (for elective offices) in return for protection or permission to keep on with their activities. They become fundamental in election years, as noted in previous chapters. A new level of participation occurs when members or leaders of street vendor organizations are themselves nominated and voted to elective posts, for example as deputies in the local congress or assembly. This illustrates how powerful and influential the street vending associations have become.

²¹As explained in Chapter 2, the expression ‘social contract’ refers to “some degree of societal consensus over basic aspects of the operation and role of the state relative to the private sector and among citizens. In this usage, ‘social contract’ refers to key aspects of a social equilibrium, including beliefs and actions of citizens, organized groups, and state actors” (Perry et al., 2007:216).

6.8 The politics of the ALCC

6.8.1 *The political liaisons of Alejandra Barrios and the ALCC*

“I am a member of the PRI,” says Alejandra Barrios boldly (Barrios, 2010). She has been a member of the PRI for many years, following the 1951 regulation, which recognized vendor associations (of more than 100 members) and required them to join the PRI. The ALCC itself is affiliated to the PRI’s popular sector through the CNOP (Nájar, 1998).²² Over time, Barrios has used her links and friendship with some senior members of the PRI in her favor. She denies that the ALCC makes monetary contributions to the PRI but says that some ALCC members make individual and voluntary contributions to support the party (Brayman, 2003), and adds that members of her association come from—and sympathize with—all political parties and have the freedom to support whoever they want (Brayman, 2003).

Nevertheless, sources say Barrios has threatened the PRI with changing her party affiliation as a leverage to push her demands forward and get the support of the PRI when things get difficult.²³ On one hand, she belongs to a critical current of the PRI; on the other, she seeks to get closer to the Party of the Democratic Revolution (PRD), which has governed Mexico City since 1997 (Nájar, 1998). Thus, it seems she has been willing to use the option of change of party affiliation to strengthen her bargaining power with both the PRD and the PRI:²⁴ with the PRD to gain the favors of the Mexico City government, and with the PRI—her party—to get the party’s top leaders to help the ALCC when they need it. This type of bargaining power, coincidentally, has been a game-changer and has become available to informal street vendor leaders and association as a result of democracy and the alternation in power.

6.8.2 *The effects of the alternation of the PRI and PRD governments on the ALCC in Mexico City*

Alejandra Barrios believes that the alteration of political parties in power in Mexico City was very hard and difficult for the ALCC because the PRD brought a new group of officials and

²²Barrios’ biographical information, found in ALDF (2013b), states that the ALCC became affiliated to the PRI on February 18, 2003. However, many different sources confirm that the ALCC became affiliated to the PRI many years earlier.

²³Alejandra Barrios is credited with the phrase: “I dance with whoever wishes to dance, no matter if it is the PRI, the PRD, or the PAN” (note of the author).

²⁴There is also evidence that Barrios has had rapprochements with PAN members, as was the case with Demetrio Sodi, when he was the PAN’s candidate for the headship of the Federal District (Cuenca, 2006).

politicians which initially mistreated and sometimes repressed leaders and organizations that were affiliated to other parties (Barrios, 2010). However, she acknowledges that, little by little, this situation began to change:

The PRD began to understand us, and eventually provided social assistance, but that took time. But for us, it [the alternation in power] was such an abrupt change that it caught us off guard and drove us out of control. But yes, in the end the PRD is also helping our association and has done for some time. While they suppressed us, they also helped us. Much in the same fashion as the PRI did in the past: they helped us, but also suppressed us.

(Barrios, 2010)

As seen in Chapter 4, the last PRI government in Mexico City was that of Mayor Oscar Espinosa Villarreal (1994–1997). His administration was very tough on Alejandra Barrios' association. But when Espinosa Villarreal left the post, he was haunted politically for all the mistakes he had committed during his administration. Then, after the electoral victory of Cuauhtémoc Cárdenas in 1997, the PRD came to power in Mexico City. Alejandra Barrios and the ALCC had to get used to dealing with a different party governing in Mexico City, in what has been described as a sometimes tense relationship. Barrios' relationship with the administration of Cuauhtémoc Cárdenas (1997–2000) was respectful and characterized by dialogue, but when Andres Manuel López Obrador became head of government in 2000, tensions rose. In particular, problems emerged with certain PRD officials and leaders such as Dolores Padierna and René Bejarano. Barrios' association was badly treated and even Alejandra Barrios herself was imprisoned presumably for planning the murder of Jorge Ramírez Espindola—as explained in Chapter 5—but according to her it was “for the arrogance of certain authorities [referring to Dolores Padierna]” (Barrios, 2010). Eventually, when Marcelo Ebrard became the new city's head of government in 2006 tensions faded and things went back to normal.

6.8.3 *The ALCC's relationship with the PRD governments of Mexico City*

Alejandra Barrios thinks the PRI governments were better for the ALCC than those of the PRD:

The PRD does not fall behind, but it took time for them to understand us. All the people who came with the PRD were unknown to us, we knew only very few

groups, like the group of Cuauhtémoc Cárdenas, but most of the PRD groups were new and were keen to take over and to take from the old order whatever they could.

(Barrios, 2010)

She explains how new, PRD-associated, political groups were formed:

Many groups linked with the PRD came along during that time. They emerged from neighborhood organizations and other PRD support groups that we did not know then. Therefore, when the PRD and its groups took over the government of Mexico City, it took time for them to respect us. When Cuauhtémoc Cárdenas became mayor, he respected us. He was very good and kind to me. He recognized our association and gave us social assistance, but for other PRD groups it took longer. Particularly, when the group of Andrés Manuel López Obrador and René Bejarano came to power [in the year 2000], it was chaos for us. They were [the PRD political faction] who hit me harder and created much discontent among the people. We suffered harsh repression from René Bejarano and Dolores Padierna. That group was my enemy.

(Barrios, 2010)

As explained in detail in Chapter 5, Dolores Padierna was the head of the Cuauhtémoc Delegation between 2000 and 2003 and had numerous problems with Alejandra Barrios. In August 2003, during a clash for spaces on the thoroughfare between the antagonistic groups of Alejandra Barrios and María Rosete—a street vendor leader linked with the PRD—the husband of the latter, Jorge Ramírez Espindola, was killed. Alejandra Barrios was accused of masterminding his murder and was imprisoned. According to Barrios, Padierna is responsible for her imprisonment. She was later released (in December 2005) for lack of evidence, after spending more than two years in prison (Barrios, 2010). Barrios argues that Dolores Padierna, René Bejarano and María Rosete wanted to break the ALCC in order to take over its members, spaces on the streets, and trust funds (Monge, 2003; Cronica/NTX, 2004; Dickerson, 2007; Barrios, 2010; Osorio, 2012; Yañez, 2012).

However, after some time, things got back to normal. Marcelo Ebrard, a former PRI member but later a member of the PRD, became the head of government of Mexico City from 2006 to 2012. He had been an acquaintance of Alejandra Barrios for many years, since the times of Mayor Camacho Solís, with whom Ebrard was a close collaborator. Ebrard recognized the ALCC as an association and respected its members and leadership. He also helped many other

vendor leaders, regardless of their political affiliation (Barrios, 2010): “He has given us a hand. Therefore, we have started to work with a little bit more tranquility. There has not been much repression against us” (Barrios, 2010).

6.8.4 *The ALCC’s relationship with the delegations of Mexico City*

As discussed in Chapter 4, since 1970, Mexico City has been divided into 16 delegations or boroughs for administrative purposes. During the PRI administrations, the relationship between the ALCC and the delegations was unstable in one respect—ALCC’s vendor members were either tolerated or forbidden from vending in the streets depending on the specific policies of the different mayors; but stable in another—delegations directly depended on Mexico City’s central government and would not take any action without its consent. In fact, all the delegation directors (or delegates) were appointed by the Mexico City mayor.²⁵

However, after the elections of 1997 and the alternation in power that came with it, one of the democratic changes in Mexico City’s electoral laws led to the direct election of the head of each of the 16 delegations of the city by the year 2000. This gave the delegations more independence to govern. However, they still needed a high degree of coordination with Mexico City’s central government, particularly when the delegational resources were not enough to deal with an issue of the magnitude of street vending. This situation has led the informal vendor leaders and groups to negotiate with both the delegation authorities and the city’s central government authorities, especially if they come from different political parties.

Alejandra Barrios explains that over time the relationship between street vendors and the delegations has changed for the worse. Delegations have the power to provide permits to sell on the streets but often deny permits to applicants. Moreover, permit requirements are not clear, since there are different application procedures in each delegation and, in some areas of the city, street vending is in fact prohibited (i.e. the 1993 decree). But Alejandra Barrios notes that, at least for now, street vendors and their leaders have some alternative means to protect themselves:

The heads of the delegations do not want to give permits to sell on the streets. Nowadays, however, street vendors [and their leaders] have ways to defend themselves because the law protects and supports us when we form civil associations [citizen’s associations or unincorporated non-profit associations].

²⁵And at times, by the country’s president himself.

(Barrios, 2010)

According to Mexican law—more specifically the Civil Code of the Federal District (CCDF)²⁶—a ‘civil association’ is a private, non-profit organization with full legal status, integrated by natural persons (individuals) to carry out cultural, educational, outreach, entertainment, or similar purposes with the objective of fostering social activities among their affiliates and/or any third parties (CCDF, 2012). Barrios told me: “As a civil association and as a social assistance association, we have some rights and the authorities also have the obligation to give us some help and give us our selling permits” (Barrios, 2010). Barrios’ affirmation is very interesting for the fact that the ALCC is made up of individuals who, mostly, perform informal street vending activities, yet the ALCC has full legal status by virtue of being registered as a ‘civil association’. Under that status, the ALCC and Alejandra Barrios are entitled to demand certain ‘rights’. When appealing for their rights, informal street vendor groups generally refer to Articles 4, 5, 6, and 123 of the Mexican Constitution, which cover human rights and the right to work (Jiménez, 2012). Yet they (Barrios and the ALCC) did not mention anything about their ‘obligations’—the most obvious civil obligation is paying taxes—though they might consider their payment of selling permits as a kind of tax. This is precisely where the relevance of the status of semi-formality comes into action, as discussed in Chapter 2 of this thesis.²⁷

Alejandra Barrios complains about the leadership of certain delegations: “There are some heads of delegations who do not understand and do not give us any help and prefer to put their own people [street vendor groups] than to help us [the ALCC]” (Barrios, 2010). This statement reveals that there is a relationship between delegation authorities and other informal groups more sympathetic to their interests—for example, Elena Ortega Padierna (leader of a street vendor group) and her relative Dolores Padierna (former head of the Cuauhtémoc Delegation

²⁶Civil Code of the Federal District—Guidelines on Civil Associations:

- Article 2670: When several individuals agree on gathering, in a way that is not entirely transitory, for a purpose that is not prohibited by law and has no predominantly economic nature, it constitutes an association.
- Article 2671: The contract to constitute an association must be in writing.
- Article 2672: The association may admit and exclude members.
- Article 2673: Associations will be governed by their statutes, which must be registered in the Public Registry to produce effects against third parties.
- Article 2674: The supreme power of an association resides in the general assembly. The director or directors of the associations will have privileges granted to them by the general assembly and the statutes, subject to these documents.

And the specifications continue... to Article 2687 (CCDF, 2012).

²⁷Semi-formality as a combination of the ambiguity of the legal framework and the relevance of the legal status.

and since September 2012 a PRD senator); and María Rosete, a street vendor leader with links to the PRD (Mondragón, 2006; Toscano, 2012; Yañez, 2012). One reason for conflict is when the party in power favors one street vendor group over another: “They themselves trigger the disorder, as public servants. It is then when we collide with them [with delegation authorities]” (Barrios, 2010).

As Alejandra Barrios points out, these situations have become worse in recent years. Since the PRD came into power in Mexico City, the party—or internal factions within it—has created its own groups of informal street vendors linked to the PRD, and ‘traditional’ or long-established street vendor associations (most of them originally PRI-affiliated) have been abandoned or forced to change party allegiance:

We have only survived because the law protects us, otherwise we would have been crushed long ago... the injustices committed by the delegations—PRD dominated delegations—have caused many deaths and many clashes. There has been a lot of battering between the city government and the people [street vendors], their associations and their leaders.

(Barrios, 2010)

6.8.5 *The ALCC’s relationship with the PRD government of Marcelo Ebrard*

Under the administration of Head of Government Marcelo Ebrard (2006–2012), things calmed down. More respect was paid towards the street vendor leaders (Barrios, 2010), the city government worked directly with the leaders, and there was more government assistance to protect the street vendors working in vulnerable conditions (Serrano, 2012). Alejandra Barrios says that the delegations have not suppressed them since 2008, but the ALCC pays the Mexico City treasury promptly for the selling permits it gets: “We pay them 360 pesos (US\$29 or £22 in 2010) per stand, every three months, and they give us the receipt of the selling permit on behalf of the delegations” (Barrios, 2010). Thus the ALCC pays the city treasury MX\$1,440 per stand per year (US\$116 or £88 in 2010).²⁸

However, Barrios acknowledges that there are still problems:

²⁸If the ALCC had 5,500 members, each with a stand, then it would pay the city authorities MX\$7,920,000 (US\$638,000 or £484,000 in 2010) per year for selling permits. For comparison purposes it is worth consulting Table 6.1 and Table 6.2 to have a rough idea of what the net revenues of the ALCC could be. These numbers also give an idea of the income delegations (or city government in this case) may obtain for issuing selling permits to informal street vendor groups—a considerable amount of money.

[Of course], there have been police raids. When we were relocated into commercial plazas [under the PRCI,²⁹ implemented by Ebrard's administration in 2008], we decided to modify the commercial plazas in order to accommodate all our members within them. The people [from our association] who stayed out in the streets are working as *toreros*³⁰ [itinerant street vendors]. They are the ones who are suppressed, whose merchandise is taken away by the authorities, who are beaten up and mistreated by the police. Then, we have to come and defend and protect them (our members). Those are the ones who did not get a space in the commercial plazas [because of the limited spaces available].

(Barrios, 2010)

As Marcelo Ebrard's administration in Mexico City drew to a close, problems emerged again. Informal street vendors returned to the streets arguing that the commercial plazas given to them by the city government did not work as expected. In March 2012, Héctor Serrano Cortés—who was in charge of the Informal Commerce Relocation Program (PRCI)—was appointed secretary of government of the Federal District.³¹ This appointment signaled that towards the end of his government of Mexico City, one of Ebrard's priorities was to strengthen his policies towards street vending and prevent street vendors invading the streets again (Serrano, 2012).

Negotiations were not easy. In 2011 Victor Cisneros, leader of a group of formally established businesses in Mexico City's downtown area, declared:

There is an agreement between [street vendor] organizations and the government that, when Marcelo Ebrard leaves [his post as head of government], street vendors will return to the streets because the commitment of staying inside [the commercial plazas] was made with the current head of government. Whoever comes after [Ebrard] will have to negotiate again.

(Paramo, 2011)

²⁹The Informal Commerce Relocation Program (Programa de Reordenamiento del Comercio Informal, PRCI), implemented in Mexico City by the Ebrard administration in 2008.

³⁰*Toreros* or 'bullfighters' is a nickname for itinerant street vendors who elude the government or police officials by means of their mobility. The *toreros* do not have a fixed space and usually wander around in streets with a high circulation of cars and people. They sell fairly cheap and easily carried goods, which helps them to have a greater degree of mobility as opposed to other forms of stand street vending.

³¹According to Héctor Serrano, Alejandra Barrios was the street vendor leader who benefited the most during the Ebrard administration—she was assigned six or seven properties to relocate her association members (Martínez, 2012; Serrano, 2012).

Marcelo Ebrard reiterated that the Mexico City government would not allow nor tolerate the return of informal street vendors in Perimeter A of the Historical Center, so police operations in the area would continue (Aldaz, 2012; Cruz-López, 2012; Serrano, 2012). Alejandra Barrios acknowledged that street vendors had been working in the streets again but argued that the commercial plazas³² provided by the Ebrard administration had not worked as expected, and complained about the strategy the city police used to remove street vendors from the thoroughfare. She also stated that there would not be more rapprochements with the city government until Miguel Angel Mancera—the newly elected head of government of Mexico City (2012–2018)—was sworn into office in December 2012 (Garcia-Gomez, 2012). Yet again, history is repeating itself.

6.9 The political ambitions of Alejandra Barrios

6.9.1 *Running for elected office*

In April 2010, when I asked Alejandra Barrios if she had any political ambitions, she said she had thought about running for a seat in one of the representative bodies in Mexico (the Federal Chamber of Deputies or the Legislative Assembly of the Federal District):

Yes, of course I would like to hold an elective office. With the power I get, I would help my people even more. I would like to be elected for the Legislative Assembly of the Federal District; I could be federal deputy or local deputy. I hope it happens one day, that is why I am fighting and I will keep on fighting.

(Barrios, 2010)

In fact, she had requested a candidacy to her party (the PRI) several times in the past. However, when Barrios asked her party if it would support her candidacy, it refused. She believes the PRI rejected her request because party members thought she didn't know enough about how things worked within the party, and in politics in general, to run for office. Now, she claims she has that knowledge: "I know I need to have advisers [and other types of support]

³²Although Héctor Serrano said that Barrios was allocated six or seven commercial plazas during the Ebrard administration, journalistic sources point out that some of them were used for purposes other than the relocation of street vendors. For example, some plaza spaces were transformed in formal commercial premises or in offices and then rented to formal businesses or companies. Serrano admits that street vendor leaders—and not the city government—are the ones who decide whether to grant these spaces to their members, but leaders can use commercial plazas for any purpose they wish (Martínez, 2012; Serrano, 2012).

in order to have authority over my party. I am also learning what it is to have power, in order to be able to defend myself and eventually reach elected office” (Barrios, 2010).

After some research, several sources confirmed that Alejandra Barrios was nominated by the PRI as a candidate for a seat in the Federal Chamber of Deputies in 2006 and as a local deputy for the Legislative Assembly of the Federal District (ALDF) in 2009,³³ but she did not obtain any of the posts (Castillo-Berthier, 2010; Yañez, 2012). Barrios did not mention to me that on several occasions her children Maricela, Sergio, Johana, Ruben and Ricardo Jiménez Barrios³⁴ have sought office in the local legislature (Yañez, 2012). Sergio Jiménez Barrios³⁵ was a substitute local deputy and had a seat as a PRI local deputy at the ALDF during the IV Legislative period (2006–2009), but only for its last five months, as the incumbent holder of the seat, Martín Olavarrieta, left to pursue the headship of the Miguel Hidalgo Delegation (Grajeda, 2009; Osorio, 2009). What is more surprising is that during the local elections that took place in 2009, Maricela Jiménez Barrios—daughter of Alejandra Barrios and sister of Sergio Jiménez Barrios—sought a nomination to become a PRD local deputy, but was denied this on the grounds that she had generated violence during the internal elections of the PRD (Martínez, 2006; Yañez, 2012). It seems that the Barrios clan was determined not only to get seats in any representative chamber in one way or another, but also to diversify its political power and influence regardless of the political party. The fact that Maricela Jiménez Barrios attempted to receive a nomination through the PRD is evidence of the close links that exist between the Barrios family and the PRD. It also shows how street vendor organizations and their leaders have evolved and deliberately use the democratic game to find ways to get closer to the governing authorities—and through elected office become an authority themselves—to be able to protect and defend their interests from within both the legal system and the government.

³³In 2009, Alejandra Barrios was in 18th place on the PRI list for a seat as a plurinominal local deputy at the ALDF.

³⁴In addition, Diana Sanchez Barrios, Graciela Coronel Barrios, and Javier Alejandro Sanchez Barrios (some sources refer to him as Javier Jiménez Barrios), children (or close relatives) of Alejandra Barrios, have been involved in informal street vending through the formation and control of their own associations located in different zones in Mexico City (Alba Vega, 2012; Jiménez, 2012).

³⁵Like his mother, Sergio Jiménez Barrios is a street vendor leader who heads the group Democratic Movement for a Dignified Life (*Movimiento Democrático por una Vida Digna*), which has around two thousand members. His group has benefited from the PRCI, and relocated members to commercial plazas (Osorio, 2009; Sebreros, 2011).

6.9.2 *How Alejandra Barrios would deal with the problem of street vending in Mexico City*

I asked Alejandra Barrios how she would end the problem of informal street vending in the event that she had a position of power. Interestingly, and in contrast to the approach taken by most policy-makers, rather than thinking on how to eradicate street vending, Barrios' response focused on how to make it more efficient and fairer. While she mentioned it was imperative to create more formal jobs and have better wages, she also was in favor of building more commercial plazas and commercial passages. "If I were somebody important and I had the power to help the underprivileged, I would do everything with a social focus," she said (Barrios, 2010), and argued that the main obstacle to solving the issue of informal street vending was corruption: "Let's face it, most government officials steal the money. They come to work [in public office] to benefit themselves and those who surround them" (Barrios, 2010). She considered that Mexico has large resources but as government officials and politicians make poor use of public money the many injustices that exist in society are not resolved:

These people [government officials and politicians] go to the press and publicly say they have helped here and there, when in reality they have helped no one... If I had power, the first thing I would do is to set commercial plazas in the most important commercial locations in order to relocate [street vendors] who would benefit from that location. I would also give them some financial support from the government's treasury so all this would grow more. With that we would help more people. In the streets, I would standardize the *tianguis*,³⁶ and help the craftsmen and artisans to sell their products in certain spaces or tarps for 15 days or a month in different parts in the country. But you have to give them [street vendors] the opportunity; you cannot deny people the right to work. I would look after them a lot, if I had that power. And of course, I would give them housing, health services, help them in many ways.

(Barrios, 2010)

³⁶A *tianguis* is an open air market or bazaar that is traditionally held on certain market days in a town or city neighborhood in Mexico and Central America. This bazaar tradition has its roots in the pre-Hispanic period and continues in many cases essentially unchanged in the present day. The word *tianguis* comes from the Nahuatl word *tianquiztli* or *tiyānquiztli* used to denominate a day market or harvest. In rural areas, many traditional types of merchandise, such as agricultural products, are still sold, but nowadays modern, mass-produced goods are sold as well. In cities, sales are mostly of mass-produced goods, but the organization of *tianguis* has changed little. There are also specialty *tianguis* for holidays such as Christmas, and for particular types of items such as cars or art (Villegas, 2010).

When I asked Alejandra Barrios if all she had gone through as a street vendor leader had been worthwhile, she replied:

Yes, it has been worth it even though leaders who defend social causes like ours frequently find government authorities and officers searching for ways to trap them and eventually put them in prison; especially when the leader has the conviction to defend a particular social cause. That is what they do in order to detain a leader. That is what they did to me, but I came out of prison with more enthusiasm and desire to fight in favor of my members. (Barrios, 2010)

6.9.3 *The exercise of formal power*

On Friday September 14, 2012, Alejandra Barrios was sworn in as PRI Local Deputy for the VI Legislature of the ALDF. The PRI branch in Mexico City proposed her as a candidate for a seat in the local assembly under the scheme of proportional representation.³⁷ Barrios was number 5 in a list of 13 pluri-nominal (or proportional representation) candidates the PRI submitted to the Federal District Electoral Institute (IEDF), to occupy a place in the capital's Legislative Assembly (Martínez, 2012).³⁸

Immediately, Barrios got involved in the activities of the ALDF, and became president of the Commission for Monitoring and Evaluation of Policies and Social Programs (Comisión de Vigilancia y Evaluación de Políticas y Programas Sociales). She is also a member of the Human Rights Commission (Comisión de Derechos Humanos), the Social Development Commission (Comisión de Desarrollo Social), the Equity and Gender Commission (Comisión de Equidad y Género), the Supply and Food Distribution Commission (Comisión de Abasto y

³⁷Proportional representation (PR) is a voting system—used to elect an assembly or council—whereby the number of seats won by a party or group of candidates is proportionate to the number of votes received. For example, under a PR voting system if 20 percent of voters support a particular party then roughly 20 percent of seats will be won by that party. PR is an alternative to voting systems based on single member districts or bloc voting; these non-PR systems tend to produce disproportionate outcomes and to have a bias in favor of larger political groups. PR systems tend to produce a proliferation of political parties, while single member districts encourage a two-party system. There are different forms of PR. Some are focused solely on achieving the PR of different political parties (such as List PR, as in Mexico); others permit voters to choose between individual candidates (such as Single Transferable Vote PR, as in Australia). The degree of proportionality also varies; it is determined by factors such as the precise formula used to allocate seats, the number of seats in each constituency or the elected body as a whole, and the level of any minimum threshold for election (Colomer, 2004).

³⁸The PRI won nine seats on the ALDF, allowing Barrios to get a seat. Interestingly, Ruben Erik Alejandro Jiménez Hernández also got a seat among the PRI legislators. He happens to be the nephew or grandson of Alejandra Barrios—according to some sources, he is the son of Ruben Jiménez Barrios—(Jiménez, 2012). His resume on the ALDF website states that he was president of the youth action group of the ALCC (ALDF, 2012; Martínez, 2012).

Distribución de Alimentos)—where Alejandro Padierna, the new local deputy for the PRD and brother of Dolores Padierna, will serve as vice-president of the Commission—and the Committee for Service, Orientation and Citizen Complaints (Comité de Atención, Orientación y Quejas Ciudadanas) (ALDF, 2012). It remains to be seen how Barrios will use her seat in the ALDF and how she will influence law-making in Mexico City: she may use her position of power for personal benefit or at last to regulate street vending by enacting a comprehensive and fair law for popular commerce.

On October 4, 2012, Héctor Serrano Cortés³⁹—Secretary of Government of the Federal District and former Director of the Informal Commerce Relocation Program (PRCI)—attended the Legislative Assembly. As a member of the newly elected ALDF, Barrios took the podium and criticized the policies taken towards street vending and the criminalization of informal commerce in the Historical Center. The combination of an open, democratic political system in Mexico (imperfect as it may be) with the rising power of street vendor organizations has allowed the unlikely situation that an informal vendor leader gets elected for a position of popular representation and takes her causes and claims for discussion and potential legislation—directly and personally, as a legitimate and legal representative of such interests—to the authorities in charge, not behind closed doors or in the streets, but on one of the most important representative and legislative bodies of the country.

This unusual situation is within the legal framework; and it is certainly much better to discuss the issues concerning informal street vending in a local assembly or congress through dialogue, agreement, and transparency than on the street or in a police station through violence, coercion, or corruption.

While government authorities and politicians have not used their positions of power to do justice to street vendors, it seems that street vendors—with their new-found and growing power—will do justice to themselves by winning positions and becoming members of different representative and legislative bodies of the nation (and city), using for that purpose the legal means offered by democracy, free elections and representation. From their position on these bodies, informal street vendor representatives can either defend their rights, accept their obligations, and demand and provide solutions to street vending problems reached by the consensus of all stakeholders; or they can use the privileges and opportunities granted by these positions of power to increase their individual benefits as street vendor leaders and strengthen their grip over their associations' members. The possibility of being a represen-

³⁹Héctor Serrano Cortés would be confirmed as Secretary of Government of the Federal District in the new city administration headed by Miguel Angel Mancera, which started on December 5, 2012.

tative on a legislative body offers a unique opportunity for informal street vendor leaders to present—without intermediaries and in a plural and open space which will reduce the possibility of corruption—the real plight of street vendors and try to bring about changes that benefit all parties involved. It is up to street vendor leaders to decide what path they want to follow.

6.10 Conclusions

Federal and city governments, mayors, heads of governments, heads of delegations, authorities, and officials have come and gone, yet Alejandra Barrios and the ALCC have outlasted them all. The unique character, ability, endurance, and *savoir faire* of Alejandra Barrios have allowed her a long life as a leader of informal street vendors. She has built an association that has grown larger, stronger, and more influential over time. Not only that, the involvement of her family in the administration of the ALCC and the formation of other informal street vendor associations related to it, but with links to different parties, most likely ensures that her legacy will continue for at least another generation.

The structure of the ALCC is highly complex, and it has the capacity to adapt very fast to new circumstances, in part because it is an authoritarian and autocratic organization. The ALCC behaves towards its members as if it were a ‘parallel government’—it presents them with not only rights and obligations, but also several goods and services, which resemble and are effectively a substitute for those benefits provided by the social security system of the formal federal or city government. Thus the ALCC and its members have a type of ‘social contract’, independent of the formal federal or city government, which benefits both parties, despite the ALCC’s semi-formal status. However, the leadership of the ALCC—Alejandra Barrios and her closer associates, some of whom are relatives and family—appears to gain more from the economic benefits of this ‘social contract’ than other ALCC members. As discussed earlier in this chapter, although there is little accurate data on this matter, the ALCC is probably a highly profitable organization.

Indeed, the case study of the ALCC shows that the wealth produced by leading and managing a well-organized and well-connected informal (or semi-formal) street vendor association may be so great that it is comparable to the revenues of large formal enterprises. One could reasonably conclude that the reason why a whole family is keen to work on this activity is that they recognize that street vending is a highly profitable form of commerce, and worth expand-

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ing as a family business. While the association maintains that the money collected from fees goes to the trust funds and pays for selling permits, members' benefits, organizational and managerial costs, and maintenance costs in commercial plazas—in addition to increasing the leadership's own earnings—it is also likely that where corruption exists some of that money ends up in the pockets of government officials, city authorities, or political patrons.

Finally, Alejandra Barrios and the ALCC have used their political support as a bargaining chip in return for permission, recognition, support, property (such as commercial plazas), or simply tolerance of ALCC members carrying out informal vending activities. In the past, and obliged by the political system and law of the time, the ALCC supported the PRI without hesitation. Since the democratic opening in Mexico City has brought about changes in government through the alternation of political parties in power, the ALCC has maintained its support for and affiliation to the PRI. It has, however, also sought ways to cooperate with other political parties in order to gain their favors and ensure its survival. Under the new democratic system, the ALCC has been willing to support whoever would champion its causes and help its interests. Its strategy of adapting to the new democratic settings has worked well and it has opened to them (the leadership of the ALCC) and to leaders of vendor associations in general new ways of political participation—rather than supporting a pre-established official or political patron, they have competed and won positions of popular representation with the consent of their party. This may give them the unique opportunity to present their case in the appropriate representative and legislative bodies and reach a solution in a general consensus with all the actors involved in informal street vending.

7. CONCLUSIONS — SOME FINAL CONSIDERATIONS ABOUT INFORMALITY AND STREET VENDING IN MEXICO.

7.1 Introduction

This thesis has stressed the importance of learning to what extent and in what ways recent political change in Mexico has affected the dynamics between the informal sector (street vending), the state, and political parties. For that endeavour this thesis has relied on historical-political and case study research of multiple primary and secondary sources. Moreover, it uses the process of democratization and the alternation of political parties in power as a natural experiment to offer this thesis variation in terms of which party is in power, and therefore the opportunity to observe how linkages between politicians, government officials and street vendor groups are made and unmade as power changes hands.

This final chapter recapitulates on the most important research findings of this thesis to answer the research question; it puts forward some theoretical considerations, followed by a review of the empirical conclusions in matters of the politics and policies of informality and street vending in Mexico. It then discusses whether informality and street vending should be viewed as a ‘problem’ or as a ‘solution’. Finally, it indicates potential avenues for research in the topics of informality and the informal sector.

7.2 Theoretical considerations

As mentioned above, this thesis has emphasized the importance of learning to what extent and in what ways recent political change in Mexico—democratization and the alternation of political parties in power—has affected the dynamics between the informal sector (street vending), the state, and political parties. For this, it is very important to take into account how individuals interact with each other and how they react to how the state performs its assigned

duties of providing quality public services in a fair and efficient way. For that, individuals both make cost-benefit analyses of their choices and select which one is better for them, and also take into consideration the general feelings of their peers about the state to make those choices.

Moreover, evidence suggests that perceptions of government effectiveness and of the performance of public services in Mexico—and in Latin America in general—are lower than those in other more efficient countries and regions, and perceptions of corruption practices are higher (Perry et al., 2007; Kaufmann, Kraay, and Mastruzzi, 2006, 2009, 2011). Low levels of trust in the government might be a reflection of a broken social contract.¹ Since the government does not perform effectively the delivery of public services, citizens are not willing or do not have the incentives necessary to opt for being included in the formal system. Therefore, low levels of trust are correlated with high levels of informality.

This thesis makes the case that more attention needs to be placed on understanding the conditions, stages, and scenarios where formal and informal characteristics are combined in the same individual or group. This is what is called ‘semi-formal arrangements’. Moreover, a new concept of semi-formality is introduced in Chapter 2. This new notion of semi-formality refers to the status and form of operation that some informal agents (particularly organized informal groups of street vendors) have which shows or presents them as being informal when in reality they make use of formal instruments (among them their legal status) in order to sort out better the problems brought about by regulations and avoid the authorities reprisals, while at the same time taking advantage of the benefits of informality (i.e. such as tax avoidance). The status of ‘independent civil associations’ that some informal groups in Mexico obtain in order to have both legal personality (and therefore legal recognition from the government) as well as the prerogative to demand certain rights (such as the right to sell on the streets) deserves special attention. This condition or status of being legally recognized while still being ‘informal’ may represent a real problem for the state and definitely will have to be carefully studied in order to avoid additional unfairness and deepening the roots of broken social contracts in those countries that present such situation.

One thing that is clear from the research is that there exists a continuum between formality and informality. In general, it is possible to state that few firms follow all the rules governing enterprise behavior, and few follow none of them. Formalization can be a gradual process

¹The expression ‘social contract’ is used by Perry et al. (2007) to refer to “some degree of societal consensus over basic aspects of the operation and role of the state relative to the private sector and among citizens. In this usage, ‘social contract’ refers to key aspects of a social equilibrium, including beliefs and actions of citizens, organized groups, and state actors” (Perry et al., 2007:216).

that does not involve moving from one fixed state to another. Informality is an abstract concept that permeates many sectors and levels of activity and includes a heterogeneous group of actors. Most individuals and firms in the informal sector do interact with public institutions to some extent; therefore it is more appropriate to see informal activity as a continuum of compliance, rather than in a dichotomous manner. Furthermore, depending on the level of development of the country, the nature of informal activity varies. In developed countries informal activity refers generally to tax evasion and the use of undeclared labor (often undocumented foreigners). In developing countries, informal activity is the source of employment for a significant share of the labor force, often compensating for the weak potential of the formal sector to create enough jobs. The underdevelopment of the formal sector may originate from a variety of causes, from too much red tape and inefficient bureaucracies, to low levels of human capital, to low levels of trust in public institutions and low ‘tax morale’ (Oviedo, Thomas, and Karakurum-Özdemir, 2009).

Finally, it is worth pointing out that both the ‘semi-formal arrangements’ and the continuum between formality and informality show that the informal agents (firms and individuals) are rational actors that act strategically by using both formal and informal institutions to maximize their economic gains and bargaining power, and to adapt to changing political and economic environments.

7.3 The politics of informality and street vending under democracy

As a general way to answer the research question, it is possible to state that increasing political competition—as a result of the process of democratization and alternation of political parties in power—did not result in an improvement in the capacity of the Mexico City government or the federal government to control informality and street vending. On the contrary, democratic competition among political parties has created still more room for negotiation by street vendor leaders, who can now move from party to party—especially between the PRD and the PRI—according to their convenience and interest.

As this thesis has shown, the number of street vendors did not diminish with the changes in political competition through the onset of political reform, democratic elections, and alternation in power. The current basic processes of political maneuvering do not seem very different from those that occurred under the old PRI regime (e.g. corporatism, clientelism, intermediation, corruption, role of infantrymen played by street vendors, etc.), but the op-

tions and speed of change have increased significantly. The current version of these forms or political maneuvering are variations and evolutions of dynamics that were previously rooted within the Mexican political system, and therefore within Mexican political culture (e.g. the type of clientelism implemented by the PRD). However, there are several things that changed after democratization and the alternation of political parties in power that are worth pointing out.

As mentioned above, more competition between political parties strengthened the vendor leaders' bargaining powers. Street vendor leaders and organizations have used political support as a bargaining chip in return for permission, recognition, support, property, or tolerance to carry out their informal vending activities. In the past, and obliged by the political system and law of the time, street vendor organizations supported the PRI without hesitation. With the onset of a democratic system and the alternation in power in Mexico, street vendor organizations have diversified their support for and affiliation to the different political parties in positions of power. Those who remained loyal to their original political parties have sought ways to cooperate with other political parties in positions of power in order to gain their favor and ensure their own survival. As a result, informal street vendor groups have become more participatory in politics.

Moreover, The dispute between the PRI and PRD for the support of street vendor leaders and their organizations gave street vendor leaders greater capacity to negotiate. The democratization (and the *alternancia*) did not automatically mean that the PRI lost control of the informal powers of the city government, including street vendors, to whom the PRI used to weaken the PRD governments. On the contrary, democratization meant the beginning—or the exacerbation—of a struggle between the PRI and the PRD for the control of the informal groups whose result, as expected, is the strengthening of the street vendor organizations.

Another important change as a result of the democratization is the division and fragmentation between different layers of government as a result of electoral reforms that made eligible some government positions that previously were appointed, which weakened the power of the government to enforce regulations and implement policies and actions to tackle informal street vendors. Thus, as a result of democratization, there are three levels of decision making in matters of informality and street vending in Mexico (delegation, city government and federal government), which may be potentially headed by different parties (a sort of 'cohabitation'), which in turn makes it even more difficult to agree on and implement policies to tackle

informality and street vending.² This together with the economic crises that occurred during that period (e.g. Peso Crisis) has favoured the growth in the number of street vendors. This relates to one more change that occurred after democratization.

As mentioned before, there was a multiplication of informal street vendors and associations in the city as a result of the lack of formal employment, but also as a result of the corroboration of street vending as a very profitable business for vendor leaders. Therefore, leaders had incentives to increase the number of association's members (hence of street vendors) not only for matters of profitability but also to have more bargaining power with the government—the more members, the more power to negotiate. In addition, given the political scenario (the PRI lost both the presidential election and the Mexico City election in 2000) political parties (mainly the PRD) may have fostered the creation of street vendor groups related to them to balance the political struggle with the PRI in the streets. Thus, democratization and the alternation in power may have indirectly promoted the increase in the number of street vendors and associations.

Moreover, the shift in political party affiliation or allegiance (from the PRI to the PRD) that some street vendor groups underwent after the alternation in power shows that their affiliation with one party or the other is based on economic interests and not on ideology. With the process of democratization and particularly the alternation of political parties in power it became evident that the real interests of the street vending organizations are economical and not political. Therefore, under the new democratic game, street vendor organizations in general are willing to support whoever will champion their causes and help their interests. Hence, the general rule has been an increment in the politicization of street vendor organizations.

Democratization and open competition in the political arena in Mexico have made available more ways for street vendors to put pressure on the government. Traditionally, vendor leaders and associations used a wide variety of strategies (from the quasi-criminal to the strictest adherence to the law) to strengthen their hand. The strategy of adapting to the new democratic settings of some leaders of street vending organizations has worked well and opened up new forms of political participation. Instead of supporting a pre-established official or political patron, they have competed and won positions of popular representation with the consent and support of their party. This may give them a unique opportunity to present their plight in the appropriate representative and legislative bodies and reach a solution in a general consensus with all the actors involved.

²However, belonging to the same party is not a guarantee for success; as shown in Chapter 5 in the case of Ebrard and Padierna.

From the perspective of the study of politics and democracy in Mexico, two conclusions can be drawn. The first conclusion establishes that, as an institution, the Mexico City government does not seem to be very effective in implementing its proposals or plans of action along the democratic opening of the last years. With three main political parties competing for power, perhaps it should not be expected that the city government be more efficient than a single-party regime. In fact, few people praise democracy for being a more efficient way to implement government plans and policies than authoritarian or autocratic regimes. Instead, democracy should lead to the representation of the interests of the people. Given the national and international arrangements in place, the Mexican state must, in many cases, represent and stand up for the interests of international businesses or large corporations against the interests of many poor and powerless Mexicans. In other words, the Mexican state faces a dilemma: whether to represent the interests of large and transnational companies or the interests of marginal and excluded groups in the Mexican society. The state must try to reconcile its responsibilities towards those in the two extreme groups of the political interest spectrum: formal affluent businesses and informal marginal populations.

The second conclusion about politics and democracy in Mexico is that the growth of the informal street vending movement, and its potential capacity to resist government actions and policies to relocate, control or eradicate them, shows that the democratic government has not reduced but perhaps expanded further the political and economic role of informal leaders at local level. The possibility of finding political allies and patrons within the system has grown, but with an important difference: during the PRI regime disputes took place in private. Often the PRI was able to appease those involved in conflicts and negotiate disputes before they became too violent. Now, the disputes and conflicts between political parties happen openly, but the internal maneuvering by the parties still remains hidden. Above all, there are fewer opportunities for intervention by neutral negotiators. Therefore, it is possible to perceive an increase in the level of conflict between leading informal street vendor groups.³

The empirical evidence gathered during this research shows that there is an interesting quandary in regards to street vendor associations and commercial plaza associations. On one side, the democratic process and the alternation of political parties in power has strengthened the street vendor associations and particularly their leaders (politicizing these organizations even more). On the other, there is the phenomenon of democratization (or liberation) in the commercial plazas which has weakened authoritarian leaders (depoliticizing these organiza-

³An example is the conflict between Maria Rosete (PRD) and Alejandra Barrios (PRI), as discussed in Chapter 5.

tions) (see Chapter 3 for details). How to reconcile these two phenomena? Let's start by clarifying that vending activity in commercial plazas represents a separate legal, spatial, locational and ownership arrangement, different from the street vending activity. Vendor organizations do not disappear with the move from the streets to commercial plazas, and most organizations whose members move into commercial plazas are almost the same as those who previously were on the streets, maintaining their structure and continuing their practices inside the commercial plazas. However, there is a key difference in the dynamics of these organizations: while on the street, the 'authorized' owner of the stall or space was the association—and therefore the association's leader ('association ownership'); within the commercial plazas, the vendor members are the rightful owners of their own stall—under the so-called 'stalls in condominium' model⁴ ('member ownership'). This situation has weakened the position of power of those former street vendor leaders now turned commercial plaza vendor leaders. Thus, we could affirm that the new status of ownership, and the resulting economic stability, of the vendors located in commercial plazas breaks the dependency of vendors on their association leaders (particularly if these are abusive). This reconciles the two contrasting phenomena observed on the streets and in the commercial plazas in Mexico City.⁵ Moreover, it also shows that there are innovative ideas (the 'stalls in condominium' model, which enables the 'member ownership' scheme) that deserve to be carefully studied as they may become potential policies that truly benefit individual street vendors and not their leaders or intermediaries.

7.4 The policies of informality and street vending under democracy

In general, for what can be elucidated from the historical analysis of the period of study (1929–2006), it is possible to distinguish that the policies to address informal street vending have been the following: construction of indoor markets (public markets and commercial plazas) and

⁴The 'stalls in condominium' model was a new scheme of financing and ownership implemented as a part of the Plaza Construction Program of the early 1990s. Under this scheme the vendors would pay for the construction of their commercial plaza and their individual stalls—with intervention from the city government who helped to provide them with credits at a subsidized rate—which would give them in return the legal ownership of their stall within the newly-built commercial plaza. This model was in contrast with the traditional public markets of the 1950s, where the government paid for the construction and was the legal owner of the market and stalls. Public market stalls were leased by market vendors at a minimal cost, since stalls were rent-controlled.

⁵However, if a commercial plaza is granted to a vendor association but the ownership of the stalls remains in the hands of the association (as in the case of the ALCC) and not in the hands of individual vendor members, then the situation will not change. The association and its leaders will continue having a strong position of power and individual vendor members will continue depending on the association and its leader, with the difference that now the association will own an important economic asset (i.e. the commercial plaza) that almost surely will only benefit the leaders of the association.

relocations of vendors, in addition to the implementation of regulations or decrees accompanied by cycles of toleration and repression—i.e. sometimes these regulations are enforced and sometime they are not. Policies of issuance of selling permits and relocation of vendors from one street to another have also been implemented, but these do not involve the removal of vendors from the streets. That is all. In the case of Mexico, there have not been more policies than these to specifically tackle informal street vending.⁶

Likewise, there seems to be no clear divide in terms of policies between the authoritarian and democratic periods. In fact, different administrations emanated from both periods tried (mostly unsuccessfully) a combination of the same repertoire of policies. The difference seems to lie in ideological or even humanistic aspect. For example, the approach of the PRD government of Cárdenas towards informal street vending was different in essence to what past governments had tried, even though the programs it implemented did not seem too different. What really changed was the way the city government looked at the street vendors and their activity. The Cárdenas government did not see them as a plague that had to be eradicated by all means but as an unavoidable consequence of all the problems that affected the city and country. The approach of the Cárdenas administration towards informal street vendors and their activity was inclusive, thoughtful, open to dialogue and, in general, more benevolent than other PRI and PRD administrations. And yet, this administration could not reach a solution due to the lack of time, resources and historical inertiae rooted in the political and governmental culture.

Mexico City authorities who took part in the market construction program implemented by the Camacho Solís administration acknowledged that it was only a temporary solution (Cross, 1998). One city planner said honestly that informal street vending is “a permanent, historic and recurrent phenomenon... rooted in the culture... The solution has always consisted of two things: one, construction of [commercial] plazas [or markets]; and two, regulation. It has been a totally cyclical phenomenon, but the time frame has become increasingly shorter” (Gordon, 1997a:7), as the city has increased in size and population. Journalist Raul Monge, who has covered the problem of street vending in Mexico City for more than a decade, reached a similar conclusion, asserting that informal street vending “is a phenomenon that will always be there” (Monge, 2009).

⁶The SARE program (aimed at simplifying the registration of firms) and the REPECO program (aimed at incorporating the informal sector into the tax system) implemented at the federal level by the administration of Vicente Fox in 2002 and 2006 respectively (discussed in Chapters 2 and 5) were directed at informality more broadly and not specifically at informal street vending; although it was expected that informal street vending activity would be affected. According to recent research, the effect of the SARE program on informality and firm creation has been positive but small, and therefore more needs to be done (Kaplan et al., 2007, 2011; Bruhn, 2008, 2011).

Therefore, it can be concluded that the policies to tackle informal street vending analyzed in the period of study have been mostly unsuccessful. Some, like the construction of public markets and commercial plazas have helped to contain, but not to stop street vending, and therefore have been only a temporary solution. The rules and laws to regulate street vending in general have been incomplete or ambiguous, have been applied irregularly through the cycles of toleration and repression, and have given government official opportunity for corruption and abuse. The relocation of street vendors from one street to another, or the issuance of selling permits have been provisional solution that do not solve the problem of occupation of the thoroughfare and have only lasted for a very short time.

Furthermore, the implementation and continuity of these policies has depended on the particular and changing interests of the government in power, on the demands of electoral times, and on the general policies of the federal government. Politics has played an important role on policies and many times the implementation, as well as the success and failure of policies to tackle street vending, has responded to political interests rather than to the genuine interest in improving the condition of street vendors and avoid the negative externalities of their activity. Even after democratization and alternation in power, the street vending activity still represents an important source of political capital and a very profitable business; therefore, there is still strong resistance from certain vested interest and partakers (in government, political parties and street vendor organizations) to change the situation or find a solution because it would imply a loss of political or economic power for one or more of the actors involved.

Something very interesting to notice, and the historical analysis is very useful for this purpose, is that the policies to address informal street vending in Mexico City were also federal government actions until the government of Salinas (1988–1994). In other words, policies to combat informality and informal street vending were the same for federal and local governments until the mid-1990s.⁷ For example, the regulations of 1931 and 1951 to tackle informal street vending in Mexico City were promulgated by the president in turn; and in 1991, the order to solve the problem of street vending in Mexico City came directly from President Salinas. From the mid-1990s, however, the federal government began to implement policies at the macro level to tackle informality and leave the responsibility to fight informal street vending to local governments (e.g. the Federal District or the Delegations).

⁷This coincides with the publication of a series of seminal works dealing with informality and/or street vending, as the De Soto (1989) book on the informal economy, which are the result of increased research and deeper understanding of the subjects of informality and street vending.

Therefore, what has been recently changing—starting with the Zedillo administration (1994–2000)⁸ and more clearly in the Fox administration (2000–2006)—are the policies to tackle informality in general, and not only street vending in particular. During the Fox administration, the federal government began implementing policies and programs to encourage formalization and the inclusion of micro and small enterprises into the tax system. These policies and programs were not always effective (as mentioned in Chapters 2 and 5). The analysis of this thesis only extends until 2006 and therefore does not cover what has been occurring in the most recent years (although I update a little in Chapter 6 when I deal with the ALCC’s case study). However, it is only until 2013 that President Enrique Peña Nieto introduces the Program for the Formalization of Employment, and in 2014 the Regime of Fiscal Incorporation (RIF) which are part of a more comprehensive package to try to benefit those people who live and work in informality, encouraging them to enter the formal sector and the tax system, but also offering them a number of benefits including housing benefits, health benefits, income tax discounts, etc. Obviously, it is too early to know if these programs will have an effect or not on informality (and some years will have to pass before we know), and also whether they will have any impact on informal street vending in particular. Meanwhile, the Mexico City’s government is still trying to stop and control informal street vending.

While the specific recent policies to tackle informality more broadly are discussed in Chapter 2 (and in Appendix A.1), there are several actions that governments can take to facilitate the transition of individuals and firms from informality to formality. Comprehensive policy packages containing both ‘carrots’ and ‘sticks’ have proven to be more successful than single, isolated policies or reforms in creating the appropriate incentives to increase formality in the long run. The ‘carrots’—simplifying taxation schemes and reducing taxes for micro and small firms, and facilitating registration through fewer and cheaper procedures—reduce the costs of formality, but policies can also go further in increasing growth opportunities for these firms, for example by offering them support and counselling. On the other hand, the ‘sticks’ can include a strengthening of the enforcement process, from increased collaboration between government agencies to share information about non-compliers, to higher penalties for offenders.⁹

Moreover, there are several lines of action that can be followed to specifically tackle informal street vending in Mexico.

⁸As it was seen in the testimony of Alma Rosa Moreno Razo in Chapter 5.

⁹De Andrade, Bruhn and McKenzie (2013) point out that ‘sticks’ rather than ‘carrots’ seem more effective at getting firms to formalize, but they also show limits to this approach.

First, the country needs to create more job openings in formal frameworks with fair, if not appealing, wages. Jorge Alberto Mendoza García and a team of experts conducted surveys of Mexico City street vendors in the 1990s. Some of the results suggest that while cultural and social factors have been important in the decision of individuals to become informal street vendors, economic factors were even more crucial: “Street traders would be more inclined to leave their current job [as street vendors] if an adequate salary were offered” (Mendoza García, 1994). Although several street vendors would not leave the streets under any conditions—either because of ineligibility for formal work or through personal preference—an improved formal job market would certainly decrease pressure on the streets of Mexico City.

Second, individuals should be provided with basic protection against risks regardless of their labor status; therefore, providing universal health care and other support systems for the underprivileged will help to reduce their risks in the face of adversity. In the specific case of Mexico, the proposal of Levy (2008) that the existing social security system for formal workers should be transformed into universal social entitlements—so that it will be possible to provide all workers (regardless of their status of formality or informality) with the same health and pensions benefits—in my view, should be the priority of the Mexican government, even above the incorporation of informal street vendors to the tax regime.

Third, the scheme of political clientelism and intermediation that distinguishes relationships between government, political parties, and street vendor organizations must be dismantled. Since big street vendor associations were created, these type of relationships have become an established feature of national and city politics. The practices of ‘forced mediation’ and ‘compulsory affiliation’ need to be eliminated. However, the system of corruption, clientelism, and intermediation depends on the unclear legal situation of street vendors. Defining in a clear and unambiguous way the legal specifications and considerations under which the street vendors function would eradicate the excessive dependency of street vendors on political patrons and other intermediaries for protection and/or intervention.

Finally, a transparent and precise regulatory framework in matters of street vending needs to be set up. Clearly defining the legal status of street vendors would help to reduce the abuse and manipulation of base street vendors by city administrators, politicians, and their own associations’ leaders. In times past, city administrators and politicians with vested interests have frustrated attempts to set up a transparent and clear-cut regulatory framework. This opposition needs to be overcome if a solution to informal street vending is to be reached.

7.5 Informality and street vending as a problem or as a solution?

The informal economy or informal sector in its street vending form is not, for the most part, illegal. It mostly consists of people who sell legal products but do so in a non-registered form and without a license to work or sell. Furthermore, when the formal economy spins out of control, or an economic bubble bursts, many people turn to this activity to survive. Therefore, informal street vending is a phenomenon of great importance in Mexico City, as in many other cities in the world. As this thesis has shown, the number of street vendors has not diminished with the changes in political competition through the onset of political reform, democratic elections, and alternation in power; or the opening of the domestic market to free international trade—quite the opposite. Changes have affected some of the modes of operation of informal street vending groups, however. While some political and economic spaces have closed, other opportunities have emerged, transforming street vending, as the individuals involved in it adapt to new circumstances.

General attitudes towards the informal sector in general and informal street vending in particular appear not to have changed, however. The phenomenon of street vending is often seen as a ‘problem’ that ought to be solved one way or another,¹⁰ although certain segments of society do not see street vending as such. On the contrary, many people belonging to these segments work, buy, get dressed and eat thanks to informal street vending. These people see informal street vending as a solution to the challenge of survival, not a problem (García-Bolívar, 2006).

In an ideal world—where everybody received a monthly salary large enough to cover basic necessities and some luxuries, could afford to shop in large departmental stores, and had a car and four-bedroom homes—it is possible to imagine a city without an informal sector, but this is not the case in Mexico and many other countries around the world. As John Cross (2005:3) puts it: “Mexico is a capitalist country but without capital, a country of workers but without employment, a consumer country but without purchasing power, where the formal sector does not provide enough to the majority of the people.” Thus, the informal sector exists precisely because it solves these problems—the lack of provision of the formal sector. It provides self-employment, allows low-price consumption, and above all partially eliminates the need for capital investment, since street vendors provide their own workforce.

¹⁰There is no doubt that informal street vending causes or contributes to a number of problems, from obstructions to vehicle traffic, to non-payment of taxes, and the sale of *fayuca* or stolen goods. However, it is important not to confuse an activity with its consequences or side effects.

Informality in itself represents the evasion of fiscal or commercial regulations, which has some advantage over similar activities that are effectively regulated (Portes, Castells, and Benton, 1989). That is, informality is a product of the same formality.¹¹ However, under this perspective, informality is seen as something purely negative. Furthermore, it must be considered that often the costs of regulation cannot be passed to the consumer, especially when dealing with low-income groups. This implies that it is the ‘equality’ of regulation in conditions of ‘inequality’ that causes market disruptions. Thus, the negative effect of regulation can be seen in some countries—such as the USA—where people living in poor areas simply lack almost all commercial services, which results in the contradictory phenomenon that basic goods are more expensive in poor areas than in middle and high income areas. Thus, from that perspective, the informal sector complements and feeds the formal sector, providing opportunities and allowing the full development of formality within the areas where it exists (Cross, 2005).

Thus, the question that governments should ask is not how to get rid of street vendors and street markets, but how to take advantage of these people’s work in order to make the economy grow in a sustainable way and to generate more egalitarian economic growth.

Moreover, the government and society in general should take advantage and make the most of the entrepreneurial talents of those who earn their living in the informal sector. Many street vendors and traders involved in the informal sector are true entrepreneurs. They take risks, invest capital and manpower, and research their markets. Those who find a way to channel and make better use of this spontaneous form of entrepreneurship will be better positioned to create an economic democracy and to grow and prosper in the twenty-first century.

For its significant size and strength, it is not unreasonable to think that the informal model could become the basis for the world economy. History teaches us that the informal economy was the ‘original’ economy—street vendors were on the streets long before shops were established there. As the informal economy worldwide is worth about US\$10,000,000,000,000 (Neuwirth, 2012),¹² it still has a huge weight in the global economy and makes a large contribution to global finances. According to information from the CONCANACO, the informal economy in Mexico represents US\$80,000,000,000 a year (Suarez and Velazco, 2012).¹³

The previous chapters of this thesis describe how the annual volume of sales on the streets of the Historical Center in Mexico City may be greater than that of many of the largest com-

¹¹ Otherwise, everything would be informal, which is the original form of economic activity (without regulation).

¹² That is US\$10 trillion in the short scale.

¹³ That is US\$80 billion in the short scale.

panies in the country. Many people still make their living in the informal economy. In the second quarter of 2013, all forms of informal employment—Rate of Labor Informality τ ¹⁴—accounted for 59.1 percent of the employed population in Mexico (INEGI, 2013). Moreover, the Informal Sector Employment Rate τ ¹⁵—a more restricted measure of the informal sector used recently by the INEGI, that only includes individuals working for non-agricultural units under irregular conditions—in Mexico was of 14,171,109 which represented 28.6 percent of the employed population (INEGI, 2013). Thus, the informal economy in Mexico remains robust and prosperous.

The generation of formal jobs is necessary but not enough to reduce the size and strength of the informal economy. As the formal economy grows, people have more money, and so the level of demand for informal consumer goods tends to increase because the goods are price-competitive. It is also important to see what kind of jobs are created in the formal sector. For people with higher education, the formal economic framework may seem more favorable when formal jobs that demand high skills are created. For people who have never had access to higher education, however, informal street vending still may offer a better chance of making a living because formal jobs that demand high-skilled individuals are out of reach.

Will the informal economy one day cease to be considered an illegal activity or a less noble or dignified part of the economy? I believe that it will happen. As a matter of fact, it is a possibility that is already being considered and discussed in some places. The economy will never be 100 percent formalized. There will always be an informal sector or an informal economy; something I like to call a ‘natural rate of informality’—a term derived from the

¹⁴The Rate of Labor Informality τ (Tasa de Informalidad Laboral τ) refers to the sum, without duplication, of those individuals who are occupationally vulnerable due to the nature of the economic unit they work for, those whose labor relationship or labor dependency is not recognized by their source of employment. This rate includes—in addition to the elements that work in unregistered micro-businesses or informal sector—other similar modalities such as the self-employed in subsistence agriculture, as well as those employees working without the protection of social security and whose services are used by registered economic units (formal firms) (INEGI, 2013).

¹⁵The Informal Sector Employment Rate τ (Tasa de Ocupación en el Sector Informal τ) refers to all people working for non-agricultural economic units operating without accounting records, and functioning from household resources without forming a company, so the activity in question has no identifiable and independent status away from the household, and therefore tends to materialize in a very small scale operations. This rate is calculated with respect to the employed or working population (INEGI, 2013).

concept of natural rate of unemployment.¹⁶ The question is how to work with informal agents, for example informal street vendors and informal entrepreneurs.

To support the argument in favour of the dignification and the improvement in the reputation of the informal economy, it could be argued that the formal economy—in countries that present a high incidence of informality—is broken. It can produce growth, but it is not sustainable or equitable. The informal economy is larger in the sense that it offers more opportunity for people, especially those who are at the bottom of the socio-economic ladder. If this form of economic activity is more equitable and sustainable, then it is difficult to characterize it as less noble or less dignified.

When it comes to making cross-country comparisons, it is possible to affirm that the informal sector is more open and organized in Mexico than it is in the USA or the UK. There are no large informal street markets in downtown New York or London in the same way as there are in Mexico City's Historical Center. In Mexico City, everybody knows where to find them. In New York or London, this type of activity is underground or clandestine. It is possible to find it in Chinatown in New York or in Brick Lane or Camden Town in London, for example, but the authorities there are less tolerant. In Mexico City there is a very efficient informal organization in place, which connects producers, carriers, distributors, and sellers. In New York and London there is no such a system—or it is very small—which precludes people outside of the formal economy from having greater range of action and greater power over their work product.

The informal sector may be more resilient to financial crises than the formal sector as people can often survive in the informal economy when the formal economy is in crisis. However, overall demand often falls when there is an economic crisis, and the total value of sales may go down in the informal economy as well as the formal one. Thus, the informal economy offers resistance, but not immunity, to financial crises.

This thesis has shown that informal street vending in particular—and the informal sector in general—is more than a reality in Mexico; it is a necessity. It can also be a remarkable benefit to the country's development by serving as not only a potential home for entrepreneurs, as De Soto (1989) suggested, but also as an instrument of distribution and production operating

¹⁶The natural rate of unemployment is the lowest rate of unemployment that an economy can sustain over the long run. Keynesians believe that a government can reduce the rate of unemployment (employ more people) if it were willing to accept a higher level of inflation (the idea behind the Phillips Curve). However, critics of this theory say that the effect is temporary and that unemployment would bounce back up but inflation would stay high. Thus, the natural, or equilibrium rate is the lowest level of unemployment at which inflation remains stable (Investopedia, 2013). Therefore, the 'natural rate of informality'—derived from the concept of natural rate of unemployment—is the lowest rate of informality that an economy can sustain in the long run.

where there is a scarcity of capital and oversupply of the labor force, thereby providing significant support for the development of the formal sector. To reach this goal, it is necessary to transform the state's perspective of this sector. Rather than perceiving it to be a 'problem', it must be seen as an 'opportunity' that has implementation problems. The challenge is to find ways to solve these implementation problems without destroying the benefits of informal street vending and of informality in general.

7.6 Potential avenues for research

The informal sector will remain an active subject of research for a long time. The large body of literature on this subject may give the impression that the concepts are well defined, topics are well known, and possible solutions to some of the problems relating to the informal sector are well established. The fact that so much has been written about the informal sector could partly be the result of the continuous interest in the subject and its importance to policy-makers, government officials, politicians, and researchers around the world who are interested in poverty reduction and social and economic development. However, the discussions on the 'informal sector', the 'informal economy' and 'informality' are far from over. The more research is produced, the more open research questions are found. While some of these questions have been discussed in previous studies in one way or another, considerable further research is needed to elucidate several issues regarding the informal sector more broadly. Among these are the following:

- There are still important differences in the literature regarding the definitions of 'informality' and the 'informal sector', so what should the consensual conceptualization of these terms be? (Guha-Khasnobis, Kanbur, and Ostrom, 2006; Kanbur, 2009; Fields, 2011, 2012; Sinha and Kanbur, 2012).
- Conceptualizations of the 'informal sector' and 'informality' vary from country to country.¹⁷ How can these concepts be measured empirically and made globally compatible and comparable? (ILO, 1993; Schneider and Enste, 2000; Schneider, Buehn, and Montenegro, 2010).

¹⁷As mentioned in Chapter 1, even with the suggestions and advice given at the 15th International Convention of Labour Statisticians to use one or more of the guidelines listed below, these are applied differently from country to country and are therefore not compatible for cross-country comparison. The guidelines are: no registration of the enterprise, small size of the enterprise in terms of employment, and non-registration of enterprise employees (ILO, 1993).

- In recent years, there has been an attempt to extend the definition of ‘informality’ or the ‘informal sector’ to “include not only enterprises that are not legally regulated but also employment relationships that are not legally regulated or protected” (Chen, 2006:76). What differences are there in estimations and patterns of informality when the two definitions are used in different countries? (ICLS, 2003; Chen, 2006).
- How can we measure the different types of informality carried out by those who evade regulation, those who adjust their informal activity to avoid regulation, and those to whom the regulation does not or would not apply? Until researchers get an empirical sense of the comparative sizes of these groupings in different countries, it will be very difficult to reach an agreement on the most important issues in dealing with the informal sector (Heintz, 2012).
- Does a larger product competition (resulting from opening up trade) reduce or foster informality? (Fiess and Fugazza, 2012; Gibson; 2012).
- What explanations are there for the growth of informality in recent years, despite the strong growth performances in some developing countries, which contradict the forecasts of standard growth theories? (Chen and Raveendran, 2011; Charmes, 2012).
- What are the impacts on informality of social policies such as conditional cash transfer programs? (Levy, 2008).
- What is the exact character or essence of the heterogeneity in the informal sector in different countries? (Chen, 2006; Kanbur, 2011; Heintz, 2012).
- Is productivity in the formal sector higher or lower than in the informal sector, and what are the reasons behind this? (Levy, 2008).
- What should policy-makers prioritize for the purposes of growth and poverty reduction? Helping reduce costs to formalization or supporting a rise in productivity in the informal sector? (Bruhn, 2011; Kaplan et al., 2011; Sinha and Kanbur, 2012).
- What are the top priorities for policy-making and policy-targeting in the informal sector? What is the most important thing for policy-makers to focus on? (Sinha and Kanbur, 2012).

The economic literature on the characteristics of the informal sector has advanced, but the political economy issues behind the informal sector are much less well understood. There is still a lot of research to be done on the political aspects of the informal sector. There has been little research on the relationship between the informal sector and issues related to political

behavior, regulatory systems, political culture, corruption and evasion practices, governance, grassroots movements, and the empowerment of social organizations, among other topics. The following areas merit research:

- What are the political variables that account for the growth and/or reduction of informality? Just as economic variables have been defined as potential determinants of informality (number of jobs in the formal sector, regulatory burden, level of economic inequality, degree of access to resources, type of human capital, quality of public services, and so on), it is also possible to define political variables that potentially affect informality (stability of political regime, level of democratization, level of political representation, level of institutional transparency, inclusion of minorities and women, level of trust in institutions, effectiveness of monitoring and enforcement, and so on) and to evaluate their impact on the development and characteristics of the informal sector.
- It is very important to carry out cross-country comparative political research on the informal sector, for example, by comparing the evolution and enforcement of regulatory systems in two or more countries and how they relate to the dynamics of informal activities. Such cross-country comparative studies are needed to explain better the evolution, particularities, causes, and consequences of the informal sector.¹⁸
- A rich area for future research is the way governments or political regimes affect the formation and behavior of informal workers and organizations. For example, it would be interesting to investigate the behavior of the informal sector not only during a time of democratic change, but also under a military dictatorship (North Korea), a socialist republic (Cuba), a socialist single-party regime (China), and even a religious regime (Iran) (Bayat, 1997).

These and other research questions will challenge researchers and policy-makers interested in the informal sector in coming years. I hope that this work and the issues raised in it will contribute to that effort.

¹⁸Two interesting cases for cross-country comparison are Peru and Mexico. Both countries have developed differently in their governments, regimes and regulations which may shed some interesting results in terms of the evolution of both informality and informal street vending in these countries.

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A. APPENDIX

A.1 Policies to reduce informality

Table A.1.: Policies to reduce informality (Mexico marked in bold)

Area	Goal	Policy	Country
<i>Taxation</i>	<i>Reducing tax burden for compliers</i>	- Reduction of corporate income tax	Hungary, Poland, Slovakia
		<ul style="list-style-type: none"> - Tax exemptions for employing under-privileged workers - Tax concessions in industries with high percentage of undeclared workers (domestic work, home improvement, etc.) - Tax relief for new employees - Tax amnesty - Tax exemption on re-invested earnings - Reduction of personal income tax (PIT)/introduce flat PIT - Tax credits for jobs created - Reduction of VAT for labor intensive services - Reduce aggregate tax burden (as a % GDP) - Increase non-taxable income threshold/introduce tax reductions for low-wage earners 	<ul style="list-style-type: none"> Hungary Sweden, Belgium, France Montenegro Cyprus, Turkey Estonia Estonia, Slovakia Netherlands, UK Netherlands, Bolivia Most EU27 countries Bulgaria, Belgium, Netherlands, France
	<i>Encouraging compliance/increasing tax base</i>	<ul style="list-style-type: none"> - Establish flat rate daily tax for non-residents - Introduce on-line filing and payment - Harmonization of tax regulations/forms - Simplified tax system for SMES - Replace VAT/income tax/social security contributions of small businesses with presumptive tax/single tax 	<ul style="list-style-type: none"> Montenegro Estonia Austria, Greece, Netherlands, France, Portugal, Denmark Kenya, Tanzania, Uruguay Argentina, Bolivia, Brazil, Chile, Costa Rica, Dominican Rep., Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru.

POLICIES TO REDUCE INFORMALITY

Area	Goal	Policy	Country
<i>Social security</i>	<i>Encouraging worker enrollment</i>	- Contractor is liable for ss contributions of contracted firm (construction sector)	Germany, Netherlands, UK
		- Reduce social security contributions	Bulgaria
		- Social benefits proportional to personal contributions and income tax payments	Estonia, most EU27 countries
		- Shift payments of contributions from employers to employees	Latvia, Poland, Slovenia
		- Reduced contributions for underprivileged working people	Hungary
		- Reduce contribution burden for newly self-employed	Poland
<i>Labor regulation</i>	<i>Hiring flexibility</i>	- Registered unemployed workers allowed to work part-time occasionally while still receiving benefits (up to a limit)	Czech Republic
		- Introduce part-time contracts for out-of-labor force people	Slovakia
		- Introduce temporary contracts with renewal/increase flexibility of temporary contracts	Spain, Slovakia, Argentina, Bolivia, Brazil, Chile, Colombia, Peru
	<i>Wage flexibility</i>	- Limit increases in minimum wage to CPI (instead of average wages), introduce differentiated minimum wages (by age, region, etc.)	Poland
	<i>Firing flexibility</i>	- Reduction of severance benefits	Lithuania, Chile, Colombia, Argentina, Brazil, Panama, Peru
		- Redefine “just causes” for dismissal	Colombia
- Eliminate union approval to dismiss a worker		Slovakia	
	- Eliminate requirement to re-train worker prior to dismissal	Slovakia	
<i>Encouraging worker registration</i>	- Reduce dependency of unemployed/inactive people from social assistance, and assist them in job search	Bulgaria, Hungary, Lithuania, Slovakia, UK	
	- Introduce “transition jobs” for long-term unemployed	Germany	
	- Introduce legislation to legalize undocumented workers	USA (1986), Spain, Italy	
<i>Enforcement of labor laws</i>	- Simplification of wage regulations	Lithuania	
	- Mandate/enforce obligation to register all new workers with a social security agency	Bulgaria, France	
	- Encourage denunciation of unfair competition (undeclared workers) by trade unions and employers	Most EU15 countries	
	- Increased ability to monitor undeclared workers by strengthening/creating new monitoring agencies	Most EU15 countries	

POLICIES TO REDUCE INFORMALITY

Area	Goal	Policy	Country
		<ul style="list-style-type: none"> - Increase communication between agencies - Targeted actions in specific industries (domestic work, agriculture, etc.) where undeclared work is abundant - Monitor employers of undeclared workers by allowing workers to claim certain social benefits 	<p>Most EU15 countries</p> <p>Netherlands, Austria, Spain, Sweden, Denmark</p> <p>Japan</p>
<i>Business regulations</i>	<i>Facilitate formal entry</i>	<ul style="list-style-type: none"> - Facilitate registration of property - Improve enforcement of property rights - Reduce days, procedures, and costs of business registration - Create on-line “one-stop-shop” registration - Introduce single common business ID - Temporary amnesty for entrepreneurs who decide to formalize their business (no penalties) - Establish time limits for courts to issue business registration approvals 	<p>Bolivia, Croatia, Peru</p> <p>Croatia</p> <p><i>Mexico</i>, Portugal, Poland, UK</p> <p>Australia, Belgium, Ukraine, Estonia, Lithuania, Colombia, Uganda.</p> <p>Finland</p> <p>Italy</p> <p>Bosnia</p>
	<i>Encourage licensing</i>	<ul style="list-style-type: none"> - Simplify rules for licensing, introduce automatic licensing - Simplify trade licensing procedures/automatic renewals 	<p>Georgia</p> <p>Uganda, Tanzania</p>
	<i>Reduce exit costs</i>	<ul style="list-style-type: none"> - Simplify procedures to close a business, raise standards for public workers 	<p>FYR Macedonia</p>
<i>Strengthen enforcement</i>		<ul style="list-style-type: none"> - Information exchange between agencies and inspectorates (social security agencies, unemployment agencies, tax bureaus) - e.g., automatic database linking and updates - Unique ID numbers/worker ss ID that inspectors can check at all times - Frequency of inspections increased - Increase power of state inspections agencies - Enact/strengthen legislation to punish informal employment - Reinforce staff at inspection agencies - Create national-level firm/employee registers - Enact anti-corruption laws and internal policies to curb corruption in public agencies; adopt codes of conduct/ethic standards for public and private sector - Launch public awareness campaigns/improve communication strategy 	<p>Most EU15 countries</p> <p>Most EU15 countries</p> <p>Most EU15 countries</p> <p>Lithuania, Germany</p> <p>Austria, Belgium, Denmark, Germany, Ireland, Slovenia, Spain</p> <p>Austria, Germany</p> <p>Poland</p> <p>Most EU15 countries</p> <p>Denmark, Sweden, France, UK, Lithuania, Estonia, Romania</p>

Area	Goal	Policy	Country
		- Hire private detectives to track informal workers	Germany
		- Publish names of non-compliers	Ireland
		- Compensate businesses for delays in procedures	India

Sources: OECD (2004), USAID (2005), Kuddo (2008), Oviedo, Thomas, and Karakurum-Özdemir (2009), and others.
 *On September 8, 2014 President Enrique Peña Nieto launched a program to grant fiscal and social security benefits to those working on the informal sector willing to formalize, in order to stop informality and increase productivity. In an event named Let's Grow Together. Being Formal, It Is Good For You! (Crecamos Juntos. ¡Ser formal, sí conviene!) the President signed the decree for the Regime of Fiscal Incorporation (Régimen de Incorporación Fiscal) and the Regime of Incorporation to the Social Security (Régimen de Incorporación a la Seguridad Social) which includes benefits such as access to health and social services, pension benefits, housing credits, income tax discounts, economic aid for the small entrepreneurs, credits for businesses, and training programs (Hernández, 2014).

A.2 Reasons for the failure of the Plaza Construction Program and its political implications

In August 1995, researcher John C. Cross carried on a survey of 207 commercial plaza and street vendors in and around six of the new commercial plazas. He asked vendors to point out the three most important reasons for the failure of the plaza construction program. The responses fell into 13 categories, which reflected five main areas of concern:

- the economic crisis itself
- specific physical problems with the commercial plazas
- problems of administration
- the continued presence of street vending
- cultural or psychological features of merchants or clients and the need to acknowledge the commercial plazas (Table A.2) (Cross, 1998).

Table A.2.: Reasons for the Failure of the Plaza Program, according to vendors.

Areas of concern	Categories
1. Economic factors	<ul style="list-style-type: none"> • Crisis: references to the crisis, devaluation, or inflation. • Cost: references to the high interest rate or cost of stalls.
2. Physical problems with the commercial plazas	<ul style="list-style-type: none"> • Location: references to the poor commercial location of the commercial plaza. • Design: reference to design or construction flaws.
3. Problems of administration	<ul style="list-style-type: none"> • Promises: references to broken promises (mainly, lack of advertising promised by the city government). • Corruption: references to corruption by government officials. • Crime: references to crime or security in commercial plazas. • Leaders: references to various problems with leaders. • Administration: references to poor administration of the commercial plazas.
4. Competition from renewed street vending	<ul style="list-style-type: none"> • Vendors: references to the return of street vending.
5. Cultural factors	<ul style="list-style-type: none"> • Culture: references to cultural or psychological factors, such as “Clients prefer street”; “People think goods are more expensive [in the commercial plazas]”. • Occupancy: references to low occupancy of commercial plazas, such as “Stalls closed in commercial plaza”; “Merchants left to go outside.” • Merchants: references to problems with merchants themselves, such as lack of training, setting prices too high.

Source: Cross, 1998. From a survey carried out in 1995.

All the categories except the last reflect direct or indirect critiques of the government, city officials, and/or vendor leaders (Cross, 1998).

The results of the survey suggest that respondents considered the economic problems were mainly caused by the policy failures of the federal government. The physical and locational problems of the commercial plazas were caused by the city government wanting to have the program implemented by election time, and lack of genuine concern for the welfare of the vendors. Problems of administration are also attributed to more specific accounts of this lack of concern for the vendor’s welfare, as well as the avarice or incompetence of government officials and/or vendor leaders in defending the vendor’s interests. Finally, the resurgence of street vending was mostly attributed to the complicity of government officials and vendor leaders in failing to live up to their promise of keeping the Historical Center free of street vendors (Cross, 1998).

As it can be seen, most of the reasons given by vendors surveyed for the failure of the plaza construction project were indictments of the government, both at federal and city level (Cross, 1998).

For all these reasons, the failure of the plaza construction program led to a reduction of the support of vendors for the government, the PRI, and even their own leaders. At a personal level, many vendors felt the government had deceived them, while the PRI and the vendor leaders had failed to protect their interests. At managerial and organizational level, now that the vendors were stall-owners with formal rights, the vendor leaders no longer directly controlled their access to space, even though they maintained control in other forms (Cross, 1998).

In the same survey, Cross (1998) asked some more questions intending to measure the political participation of vendors before and after the plaza construction program:

1. Were they required to be members of some (/a) political party?
2. Were they required to support a political party?
3. Whom did they vote for in the last elections, and whom would they vote for at the time of the survey?
4. Which political party most supports their interests?

The results showed there was a marked loss of support for the PRI as a result of the failure of the plaza construction program (Cross, 1998).

The first two questions measure the degree of organizational pressure placed on vendors to support the PRI. A total of 42 percent of the vendors surveyed said they were required to be members of the PRI, and 61 percent said they were required to support the PRI during elections, before the plaza construction program (Cross, 1998). These numbers show the important role that street vendor organizations had for the PRI. These numbers fell considerably after the plaza construction program to 28 percent and 33 percent, respectively. This shift indicated that street vendor organizations were less able or less willing to require their vendor members to support the PRI (Cross, 1998).

The third and fourth questions measure vendors' individual support for the PRI before and after the plaza construction program according to their voting behavior and preferences, and the degree to which they believed the PRI or some other party best represented their interests as vendors. While 44 percent of the respondents said they had voted for the PRI in the 1994 elections, barely 27 percent said they would do so at the time of the survey (August, 1995) (Cross, 1998). When asked about their general political orientation, 50 percent of respondents answered that the PRI had been the most supportive political party before the plaza construction program, but only 23 percent felt this was still true at the time of the survey (Cross, 1998). Thus, the survey found that levels of individual support for the PRI were lower than the levels

of organizational pressure, both before and after the plaza construction project. Yet, those levels dropped dramatically after the collapse of the plaza construction program.

Thus, in the final analysis, the Cross survey results confirm that the failure of the plaza construction program was a key reason for the reduction in individual and organizational support for the PRI among those groups that were supposed to benefit from it—the informal street vendors themselves (Cross, 1998).

A.3 Cuauhtémoc Cárdenas's cabinet and delegation directors at the beginning of his government in 1997

Cárdenas distributed the cabinet posts among three main groups of people:

First, he filled the most important positions of his administration with his personal friends, close associates, and those who were involved in his political project. Among them were Rosario Robles (General Secretariat of Government), Carlos Torres Larriva (Private Secretariat of the Head of Government), Samuel de Villar (Attorney General of Justice), Leónel Godoy (Under-Secretariat of Government), César Buenrostro Hernández (Secretariat of Works and Services), Clara Jusidman (Secretariat of Education, Health and Social Development), Saúl Escobar Toledo (Under-Secretariat of Labor and Social Welfare), Jesús González Schmal (Senior Government Administration Officer), Adolfo Gilly (Coordinator of Planning and Development), Antonio Ortiz Salinas (Secretariat of Finance), Raúl Livas Vera (Treasury), Jorge Martínez y Almaraz (Secretariat of Transport and Roads Administration), and Gregorio Urías Germán (Director of Political Affairs of the General Direction of Government). Some more of his close associates and allies served as advisors during his administration, among them: Carlos Miguel Lavore Herrera (architect in charge of promoting the Cárdenas's public image), Ildefonso Aguilar Vázquez (academic), Bernardo Bolaños (lawyer), Eugenio Anguiano Roch (economist and diplomat), Julio Moguel (economist), Rosa María Fernández (academic), José Luis Pérez Canchola (ombudsman), Rosario Ibarra de Piedra (activist and politician), Marco Rascón (founder of the Asamblea de Barrios), Ifigenia Martínez (economist and lawmaker), and René Drucker Colin (scientist and researcher).

Second, he assigned positions to left-wing political activists and those who formed the PRD's ideological spectrum such as René Bejarano, Salvador Martínez Della Roca, Graciela Rojas Cruz, Arnoldo Martínez Verdugo, and Ricardo Pascoe. Cárdenas distributed the delegations and sub-delegations of the city, as well as other second-tier positions in the central city government, between them.

Third, he split the remaining positions—mainly as delegation directors—among representatives of groups and sectors outside of the PRD which had supported his campaign. Among these were Guadalupe Pérez de Tron,¹ Jenny Saltiel Cohen, and Diana Rosalía Bernal Ladrón de Guevara. The appointments of the proposed delegation directors and sub-delegates had to be approved by the ALDF, where the PRD had a majority (Monge, 1997b).

Please see below Table A.3 for a more elaborate list of the cabinet members of the Cárdenas's administration and Table A.4 for a list of the delegation directors, both at the outset of his government.

Table A.3.: Cuauhtémoc Cárdenas's cabinet at the beginning of his government in Mexico City in 1997.

POSITION	COLABORATOR
General Secretariat of Government (Secretaría General de Gobierno)	Rosario Robles Berlanga
Secretariat of Urban Development and Housing (Secretaría de Desarrollo Urbano y Vivienda)	Roberto Eibenschutz Harunan
Secretariat of Economic Development (Secretaría de Desarrollo Económico)	María Leticia Calzada Gómez (substituted by Francisco Cano Escalante)
Secretariat of Environment (Secretaría del Medio Ambiente)	Alejandro Encinas Rodríguez
Secretariat of Works and Services (Secretaría de Obras y Servicios)	César Buenrostro Hernández
Secretariat of Education, Health and Social Development (Secretaría de Educación, Salud y Desarrollo Social)	Clara Jusidman Bialostozky
Secretariat of Finance (Secretaría de Finanzas)	Antonio Ortiz Salinas
Secretariat of Transport and Roads Administration (Secretaría de Transportes y Vialidad)	Jorge Martínez y Almaraz
Secretariat of Public Security (Secretaría de Seguridad Pública)	Rodolfo Debermandi Debermandi
Attorney General of Justice (Procurador General de Justicia del Distrito Federal)	Samuel Ignacio del Villar Kretchmar
Senior Government Administration Officer (Oficial Mayor)	Jesús González Schmal
Office of the Comptroller General (Contraloría General)	Gastón Luken Garza
Under-Secretariat of Government (Subsecretaría de Gobierno)	Leonel Godoy Rangel
Under-Secretariat of Legal Affairs (Subsecretaría de Asuntos Jurídicos)	Mauro González Luna
Treasury (Tesorería)	Raúl Livas Vera
General Director of the Institute of Health Services (Dirección General del Instituto de Servicios de Salud del Distrito Federal)	Armando Cordera Pastor

¹Guadalupe Pérez de Tron was proposed by Cárdenas to occupy the position of delegation director at the Álvaro Obregón delegation but the ALDF did not confirm her appointment. Instead, Guadalupe Rivera Marin was appointed for the post.

THE POWER AND INFLUENCE OF THE SUTGDF

POSITION	COLABORATOR
General Director of Government (Director General de Gobierno)	René Bejarano Martínez
Director of Political Affairs of the General Direction of Government (Director de Asuntos Políticos de la Dirección General de Gobierno)	Gregorio Urías Germán
Personal Secretary of the Head of Government (Secretario Particular del Jefe de Gobierno)	Armando López Fernández
Private Secretariat of the Head of Government (Secretaría Privada del Jefe de Gobierno)	Carlos Torres Larriva
Chief of Advisors (Jefe de Asesores)	Lucas de la Garza González
Director of information (Director de Información)	Armando Machorro Arenas
Secretariat of Popular Conciliation and Citizen Services (Secretaría de Concertación Popular y Atención Ciudadana)	Guillermo Rizo Hernández
Chief Government Spokesman (Vocero del Jefe de Gobierno)	Javier González Garza
Coordinator of Working Trips (Coordinador de Giras del Jefe de Gobierno)	José Luis Morales
Coordinator of Planning and Development (Coordinador de Planeación y Desarrollo)	Adolfo Gilly
Under-Secretariat of Labor and Social Welfare (Subsecretaría del Trabajo y Previsión Social) [†]	Saúl Escobar Toledo
Under-Secretariat of Metropolitan Coordination (Subsecretaría de Coordinación Metropolitana)	Pedro Etienne Llano
Director of the Judicial Police (Director de la Policía Judicial del Distrito Federal)	Jesús Carrola Gutiérrez
Economic Development Fund of the Federal District (FONDECO)	Moisés Rivera Espinosa

Sources: Monge (1997b); La Jornada (1997a); author's own research from different sources.
[†] In a press conference, Javier González Garza, spokesman for Cuauhtémoc Cárdenas, reported the creation of two under-secretariats dependent on the General Secretariat of Government, whose office holders were: Pedro Etienne Llano for the Under-Secretariat of Metropolitan Coordination, and Saúl Escobar Toledo for the Under-Secretariat of Labor and Social Welfare, the latter responsible for negotiating with the street vendors (La Jornada, 1997a).

A.4 The power and influence of the SUTGDF

The SUTGDF—with 39 sections and 104,000 unionized workers in 2000—had become a parallel power in the city. It held numerous privileges as a result of its clientelistic relationship with the PRI governments for over nearly 70 years. The SUTGDF had not only displaced the authority from positions of command, but had also appropriated key operational areas in the city administration, such as Treasury receiving offices, public markets, sanitation and transportation, vehicular control, the Public Property Registry, the Civil Registry, and sports facilities and cemeteries—all the governmental structures in which money was handled. (Monge and Zamorán, 2000).

Table A.4.: Cuauhtémoc Cárdenas's delegation directors at the beginning of his government in Mexico City in 1997.

DELEGATION	COLABORATOR
Álvaro Obregón	Guadalupe Pérez de Tron(x) /Guadalupe Rivera Marín
Benito Juárez	Ricardo Pascoe Pierce
Coyoacán	Arnoldo Martínez Verdugo
Cuajimalpa	Jenny Saltiel
Cuauhtémoc	Jorge Legorreta
Gustavo A. Madero	René Torres Bejarano (x) / Jesus Flores Palafox
Iztacalco	Diana Rosalía Bernal Ladrón de Guevara
Iztapalapa	Elio Villaseñor Gómez
Magdalena Contreras	Luis Guillermo Ysusi Farfán
Miguel Hidalgo	Eduardo Terrazas (x) / Jorge Fernández Souza
Milpa Alta	Francisco Chavira Olivos
Tlalpan	Salvador Martínez Della Roca
Xochimilco	Silvia Soriano (x) / Estefanía Chávez
Azcapotzalco	Pablo Moctezuma Barragán
Venustiano Carranza	Ricardo Bravo (x) / Ramón Sosamontes Herreramoro
Tláhuac	Graciela Rojas Cruz

Sources: Monge (1997b); La Jornada (1997b; 1997c; 1997d); author's own research from different sources. Note: Candidates to delegation directors that were proposed by Cárdenas but not approved by the ALDF appear with a (x). Next to them are the names of the delegation directors that were ultimately approved by the ALDF.

Although both Cuauhtémoc Cárdenas and Rosario Robles had tried to have a good relationship with unionized workers—by increasing their wages above the wage ceiling imposed by the Federation and by respecting some of their privileges—the union leaders maintained a belligerent and confrontational attitude until the end of the first PRD administration and it continued throughout the second PRD administration in Mexico City.

The level of belligerence grew when the city authorities began trying to break down the union's strongholds and bastions of power, since it was through them that large amounts of money disappeared. For example, the city treasury lost 30 percent of its annual revenues through the theft of official documents and non-registered payments. In early 1998, it was found that between 50 percent and 60 percent of the annual property tax collection—worth around MX\$1,500 million—remained in the hands of unionized workers and intermediaries (Monge and Zamorán, 2000).

The Secretariat of Finance of the Federal District—with a staff of 7,500 employees—had five union sections. Of these, the largest and most conflictive was Section 17—with 3,322 line-level employees (*trabajadores de base*)—which depended directly on the Sub-Treasury for Tax Administration (Subtesorería de Administración Tributaria). Section 17 was led by Jesus Sandoval Corro and controlled 19 of a total of 40 tax administration centers. It was

there where the city authorities detected an important drain of money between 1997 and 2000 (Monge and Zamorán, 2000).

In response to this situation, the city government imposed various controls, such as the installation of closed circuit television (CCTV) in the tax centers, and opened the possibility for taxpayers to pay their taxes at commercial banks. In August 2000, the Secretariat of Finance of the Federal District had presented 407 formal criminal complaints for various crimes committed against the public finances of the Federal District: criminal conspiracy, forgery and possession of official documents, tax evasion, bribery, and theft. Of the 731 people under investigation, 73 had been part of the staff in the city treasury when the crimes were committed (Monge and Zamorán, 2000).

The delegations of the Federal District also felt the influence of the formal and informal power groups (Monge, 2001a). PRD's René Arce²—elected head of the Iztapalapa Delegation in 2000—had to deal with several problems caused by SUTGDF staff in his delegation, such as the illegal authorization of the installation of a gas station in a cemetery. When asked about the amount of power and influence the union had over the administrative positions of the city government, René Arce replied: “Before this government [the government of López Obrador] the union controlled everything: trash collection, cemeteries, markets, sports facilities, housing units... Gradually, the authority has been recovering control, but it has not been easy to put an end to these powerful networks of corruption” (Monge and Zamorán, 2000:79).

However, what worried René Arce—and the majority of the members of the López Obrador administration—the most were the informal power groups—those organizations devoted to street vending, drug-trafficking, operating informal public transport, and buying and selling robbed car parts.

Thus, neither Cuauhtémoc Cárdenas at the beginning of his mandate, nor Rosario Robles subsequently, were able to solve the problem entirely; at the end of the three-year administration, these power groups had managed to rebuild themselves and even recover some privileges. In the new López Obrador administration, they were very much alive (Monge, 2001a).

The new head of government of the Federal District had a clear idea of the problem and knew that the restoration of legal powers was essential. López Obrador said: “I aspire [to the fact] that legal power begins to gain ground. In the correlation of forces, legal power must have more decision, more command, because as legal power advances, there will be a better coexistence in the city” (Monge and Zamorán, 2000:80).

²René Arce resigned from the PRD in December 2009 arguing that during its re-foundational congress, the PRD had not achieved its objectives for the transformation of the party (El Universal, 2009).