Spatial Stratification of Street Vendors in Downtown Mexico City

By

Bruno Nazim Baroni

Universita' Commerciale "Luigi Bocconi"
Laurea, Political Economics, 2003

Submitted to the Department of Urban Studies and Planning
in partial fulfillment of the requirements for the degree of

Master in City Planning

at the

MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 2007

© 2007 Bruno Nazim Baroni. All Rights Reserved

The author hereby grants to MIT the permission to reproduce and to distribute
publicly paper and electronic copies of the thesis document in whole or in part.

Author

Department of Urban Studies and Planning
May 24, 2007

Certified by

Professor Diane E. Davis
Professor of Political Sociology
Thesis Supervisor

Accepted by

Professor Langley Keyes
Ford Professor of City and Regional Planning
Chair, MCP Committee
Abstract

The fight for space between city administrators and street vendors working in city centers is one of the major controversies about street commerce. Trying to renew and upgrade their downtowns, city administrators of most urban areas have attempted to relocate street vendors from central areas to peripheries, from the streets to indoor public markets. That attempt has almost always found fierce opposition among street vendors, who claim that entering into contact with the greatest number of pedestrians is the key to successful street vending. Most scholars studying street vendors have not questioned such a proposition; on the contrary, they have somehow taken it for granted.

Yet, a comparison of four street vendor groups -- two located in the most accessible areas and two in less accessible areas of downtown Mexico City -- reveals that street vendors with a more limited access to customers can obtain better working conditions and economic results than others who are located in most accessible areas. The following factors explain the better results of the street vendors located in the less accessible areas of downtown Mexico City. First, street vendors located in the less accessible areas have easier access to storage space, more room for large stalls and are less likely to have their goods confiscated by the police. These advantages provide them the possibility to increase the scale of their commerce. Second, the possibility to increase the scale of their commerce and their limited competition for space function as an incentive to expand their network of suppliers to low-cost intermediaries -- in this specific case with intermediaries involved in smuggling -- and to develop street vendor organizations that support their product specialization. Having very low prices and working in specialized street markets, the street vendors located in the less accessible areas of downtown Mexico City attract customers despite their location.

In contrast, the street vendors located in the most accessible areas because of their small-scale type of commerce and because they are located in areas where street vending is officially banned but unofficially tolerated they got involved in a competition for space that constrains their profits and lead the street vendors to augment their number to gain political backing. If the city government will not support street vendors located in the most accessible areas -- in particular, if it will not act to regulate competition for space of these street vendor groups -- street trading of smuggled products will remain the best alternative for Mexico City street vendors.
Acknowledgments

I would like to thank my advisor Diane Davis and my reader Judith Tendler for their suggestions which helped me to navigate through this very complex field research. In particular, I owe special gratitude to Judith who has contributed in these years to my own development as a researcher.

I want to express my gratitude to Roberto Villarreal Gonda, who at the time of my research served as the Undersecretary for Urban Development and Territorial Organization in Mexico and his collaborators. Thanks to their help this thesis has been possible. Thanks to their humanity my field research has been an enriching personal experience.

I thank Marco Magrassi and Tito Bianchi to whom I will always owe special gratitude for having supported me during the first years of my experience as practitioner in the development field.

This research has been financed by the MIT Public Service Center. I would like to thank its staff and its director.

Finally I want to thank my family, in particular my mother who has always believed in me, as well as my friends in Italy and here in Cambridge who make my life such an interesting experience.
Table of Contents

Chapter 1. Introduction ...............................................................6

Chapter 2. History of Street Vending in Downtown Mexico City...........16
  2.1 Overview of Street vending in Mexico City..............................16
  2.2 City Policy toward Street Vending.........................................19

Chapter 3. Four Groups of Street Vendors in Downtown Mexico City.......24
  3.1 The Zócalo Group.............................................................25
  3.2 La Merced Group.............................................................27
  3.3 Tepito Group.................................................................29
  3.4 Santo Domingo Group........................................................32

Chapter 4. Location, Scale of Commerce and Type of Goods...............37
  4.1 Location and Scale of Commerce: the first street vendors’ trade off.....37
  4.2 Smuggling: Additional “Benefit” of Being Located in Inaccessible areas...41

Chapter 5. Location, Competition for Space, and Street Vendors’ Economic Organization.........................................................47
  5.1 Competition for Space in the Most Accessible Downtown Areas.........47
  5.2 Cooperation Among and Between Street Vendor Groups..................52
    5.2.1 Cooperation for Impunity among Groups..........................52
    5.2.2 Cooperation Within Groups.........................................55

Chapter 6. Findings and Policy Implications......................................59
  6.1 Confronting the Evidence with the Literature on the Informal Economy...60
  6.2 Policy Recommendations...................................................65

References..................................................................................69
List of Figures

Figure 1 – location of the four groups of street vendors – Mexico City downtown……………….13
Figure 2 – Accessibility of Mexico City downtown………………………………………………14
Figure 3 – Location and street vendors’ development……………………………………………15

List of Tables

Table 1 - Number of Street vendors in the area of the city center…………………………….21
Table 2 – Summary of the information about the four groups of street vendors……………..35
1. Introduction

The fight for space between city administrators and street vendors working in city centers is one of the major controversies about street commerce. Trying to renew and upgrade their downtowns, city administrators of most urban areas have attempted to relocate street vendors from central areas to peripheries, from the streets to indoor public markets. That attempt has almost always found fierce opposition among street vendors, who claim that relocation translates to a loss of a consistent portion of their already-meager incomes. Working in the most central streets is a guarantee of entering into contact with the greatest number of pedestrians and that is, they argue, the key to successful street vending. Most scholars studying street vendors have not questioned such a proposition; on the contrary, they have somehow taken it for granted. So, describing street vendors working in downtown Mexico City, Cross (1996) writes that, after being relocated to publicly built commercial plazas, street vendors returned to the streets because their profits had diminished (Cross, 19996). Other studies have focused on estimating the economic loss street vendors incur when relocated (Donovan, 2002). You can imagine my surprise when doing field research for my thesis, I noticed that in the less accessible areas of downtown Mexico City, there were street vendor groups who appeared to do better than their colleagues working in the most accessible area of the city center (see Figures 1 and 2).
Street vendors in the most accessible areas of the city center, the neighborhoods located in the central and southern part of downtown Mexico City, sell middle-income pedestrians every kind of low-value product which, they told me later, they buy in the less accessible street markets of the city center. They have very small stalls and limited access to storage space, which limits the variety of their products and, therefore, their sales. Probably to compensate for this, they work every day of the week for almost eleven hours, from nine in the morning until eight at night. More importantly, as it is testified by the endless work of negotiation by the street vendor with police and city officials on behalf of their street vendors, they are constantly afraid of losing their jobs.

On the contrary, street vendors in less accessible areas of the of the city center, the neighborhoods located in the northern part of downtown Mexico City, sell wholesale to other street vendors and to low-income people of the city who come to these street markets attracted by low prices. They are specialized by streets focused on different products. Some vendors sell electronic, sportswear and play products imported illegally from foreign countries, others sell footwear and stationery products which, they told me later, they buy from the many firms located in the small, manufacturing cities around Mexico City. In addition to being specialized and having low prices, they have quite good working conditions. The majority of them work approximately eight hours, with one day off, commonly on Monday. They have large stalls, the size of small one-room store, and easier access to cheap storage space. The value of these stalls has multiplied during the years. Finally, it is clear from the permanent common roofs built on top of their stalls and the leaders’ persistent preoccupation with problems related to supply, their main worry is not about being displaced any time soon. Although it is not clear what the impact is on the
income of every single street vendors working in these markets, it is a fact that their stalls have increased in value, they have to work less hours, and they trade in goods to which is easier to apply a consistent mark-up.¹

How to explain this paradox? Why do street vendors located in the less accessible areas of the city center have better economic and working conditions than others with privileged access to customers? Some recent studies conducted in seven major Latin American cities seem to suggest that the relationship between location, access to customers, and street vendors’ profits is at least more complex than how is commonly regarded. Rover (2006) reviewed almost twenty studies focused on street vending in six major cities -- Bogotá, Colombia; Caracas, Venezuela; Lima, Peru; Mexico City, Mexico, Santiago, Chile; and São Paulo, Brazil. She shows street vendors, both within and between countries, who are “are subject to a clearer and more stable legal framework … [and that they] … have occupied the same space for long time and who have thus established a regular clientele… have established lucrative enterprises that generate a reasonably stable income and provide decent working conditions” (Rover, 2006). Other research based on street vendors in La Paz-El Alto, Bolivia, suggests that “extreme competition in the overcrowded street commerce, diminishing returns, and disillusionment with traditional forms of workers’ organization hinder cooperation among street vendors” (Agadjanian, 2002). Thus, these studies reveal that other variables related to street vendors’ locations can have an impact on the economic and working conditions of the street vendors. In particular these variables include: i) street vendors’ historical control of location; ii) the level of economic competition among street vendors – which is commonly stronger in the

¹ On products like pirates DVDs it is easy to make a consistent profits as the difference between the consumption value and the production cost tends to be quite high.
most accessible areas where pedestrian traffic is concentrated; iii) the clarity and stability of the legislation, which often is of a special type in cities’ downtown areas.

Based on a comparison of four street vendor groups -- two located in the most accessible areas and two in less accessible areas of downtown Mexico City -- I will show that these three variables -- all related to use of space, competition for space, and regulation of space -- as well as access to customers and the access to storage affect the economic outcomes and working conditions of street vendors. As a result, depending on their location, street vendors develop in different ways and face different obstacles and opportunities (Figure number 3, page 11).

In particular, street vendors in the most accessible areas, given limited access to storage space and frequent relocation to which they are forced, specialize in small retail commerce. In turn, because they work as small retailers, their profits are strongly affected by their access to customers. This has the result of increasing street vendors’ competition for space. Strong competition for space in an area in which street vending is prohibited but tolerated creates the conditions that lead to the rise of illegal markets of the most remunerative locations, counterproductive for street vendors. In fact, because some corrupt officials grant the most remunerative place to the largest groups -- those who contribute the most in terms of financial and political support -- the number of street vendors in the most accessible areas has increased exponentially. The result is that street vendors’ have jeopardized their advantage in terms of privileged access to customers as an increasing

2 The number of street vendors in the most accessible area of downtown went from 6,068, in 1983, to around 60,000, in 2006. Data source INEGI, in “Ambulante, cuanto dapi or el?” (Hernandez et al, 1993) and El Imparacial, (05/06/07).
number of vendors have to share the same number of customers, the same limited space for stalls and the same inadequate access to storage.

Street vendors located in less accessible areas have followed a completely different path of development. Easy access to storage space and infrequent relocation permitted these street vendors to expand the scale of their commercial activity. In addition, their location in less accessible areas and their specialization in wholesale commerce led the street vendors to focus on price rather than on location. Out of the competition for space and with stronger control of their area, they managed to expand their network of suppliers until the point that they come to control a large portion of the Mexican “smuggling industry.” In particular, they specialize in articles of wide consumption like electronics and sportswear produced in low-wage countries such as China. To the extent that vendors use part of their profits to keep the police out of their commercial areas, these street vendor groups cooperated with rather than undercut each other like the vendors located in the most accessible areas who compete for the exclusive control of the most remunerative sites. In addition, the large scale commerce in which these street vendors are engaged limit the number of new street vendors capable of opening a business in these markets. By taking advantage of the informal distribution system represented by the 500,000 street vendors working in Mexico City, the street vendors located in the less accessible areas have increasingly expanded the scale of their commerce and now serve the entire city.

Thus, paradoxically, the experience of street vendors working in downtown Mexico City shows that the groups of street vendors who ended up enjoying better working conditions and most likely better returns are exactly those who because they were located in the least accessible areas of the city center had the ability to specialize in the large-scale
commerce of smuggled products. If the city government will not support street vendors located in the most accessible areas -- in particular, if it will not act to regulate competition for space of these street vendor groups -- street trading of smuggled products will remain the best alternative for Mexico City street vendors.

In the remaining of this thesis I will review the above mentioned elements that differentiate the street vendor groups located in the most accessible areas from the street vendor groups located in the less accessible areas of the city center. Underling the marked differences between these two categories of street vendors, however, should not lead to draw rushed and too simplistic conclusions. As an example, it is not true that all the street vendors working in the commercial, central streets are poor and all the vendors in the less accessible areas are not. For instance, in both cases street vendor leaders accumulated conspicuous fortunes. More importantly, since between the most and the least contested areas there is a continuum composed by more or less attractive places, it is impossible to draw a line of separation between the groups competing for space and those focused on expanding their businesses. Finally, it must be underlined that many of the variables related to location affect each other and thus, in certain cases, it is difficult to distinguish which of these variables is a cause and which is an effect. For instance, it is true that street vendors who compete on price tend to be less involved in the competition for space. At the same time, the street vendors who do not compete on space, because in any case would be relegated in inaccessible and unsafe areas do not have to pay high cost for their locations and thus tend to have lower prices.
This thesis is organized in the following way. In the next chapter I describe how street vendors are organized and how the Mexico City administration regulates their commercial activities in the downtown area. In the third chapter, I review the current economic and working conditions as well as the opportunities and the constraints that four groups of street vendors located in different areas of the city center currently face. The information reported are the result of a four-month filed research which took place during the summer of 2006 and the month of January 2007. In the fourth chapter, I explain how the location of street vendor groups affects the scale and the nature of their commerce. In the fifth chapter I illustrate, on one hand, how the city administration’s policy toward street vending has shaped the competition for space among the street vendor groups working in the most accessible areas of the city center and, on the other hand, how the other street vendor groups outside of this competition developed. Finally, in the final chapter I review how the main findings of this research fit into the literature on informality and which policy implications we can draw from it for ameliorating the street commerce in downtown Mexico City.
Figure 1 – location of the four groups of street vendors – Mexico City downtown

Perimeter of the area prohibited to street vendors
Figure 2 – Accessibility of Mexico City downtown
Figure 3 – Location and street vendors’ development

Street vendors in the accessible areas

6. Growing number of street vendors

5. Increased Competition for space

4. Informal market of remunerative sites

3. High dependency upon location

2. Specialization in retail commerce

1. Limited access to storage and frequent relocation

Street vendors in less accessible areas

5. Barrier of entry for small street vendors

4. Focus on large-scale commerce

3. Competition on price not on space

2. Wholesale commerce often specialized in smuggled products

1. Easy access to storage infrequent relocation and strong control of their areas
2.1 Overview of Street Vending in Mexico City

In Mexico City, street vending is one of the most visible and dynamic forms of commerce. While the street vendors’ presence in the city is far from being a novelty -- prior to the arrival of Spaniards in Mexico, the native Aztecs had markets in public areas -- their number exponentially increased during the second part of the last century. That increase happened especially after the 1960s, after the end of the “severe repression [of President Ernesto P. Uruchurtu] and the huge market construction program” which had made the presence of the street vendors in the entire city “insignificant.” In 1998, Cross (1998b) estimated that in the entire city of Mexico City there were around 200,000 street vendors (Cross, 1998b). In 2003, the Chamber of Commerce of Mexico claimed that their numbers reached 500,000. Most newspaper articles refer to this estimate. This large increase is commonly explained as a result of the rapid rural-to-urban migration from the 1940s to the 1970s and the economic crisis in the 1980s and 1990s (Roever, 2006).

The city government created a typology that describes the street vendors, that is to say, those who have a commercial activity in the open air in the streets of Mexico City (DDF, 1998). It identifies three type of street vendors; those working in mobile markets, which change location every day of the week, those working in concentrations, which

---

3 El Imparcial, 05/06/2007
4 La Cronaca is one exception and claims that currently in Mexico City there are 700,000 street vendors, 08/31/2006
operate on a daily bases in a fixed location 365 days a year, and those working in bazaars, places open only during weekends or holidays in which the vendors have usufructuary rather than *de jure* right. All the street vendor groups analyzed in this research are participants in the concentration street markets.

Every concentration of vendors hosts many street vendor groups; independent vendors are basically excluded. The strong associationism of the street vendors in Mexico City has its origins in the city regulation which, in 1951, established that only civil associations composed by more than 100 street vendors could demand permits or request to enter into publicly-built markets (Reglamento de Mercados, 1951). Politically, the civil associations were also obliged to affiliate themselves with the PRI and support political actions on behalf of that party. Both of these requirements are not valid anymore, but the majority of the street vendors are organized in civil associations which range in size from a few dozen to 7,000 members (Cross, 1998a).

Every group is guided by a leader who has strong power over the street vendors he or she represents. In fact, the leaders decide which street vendor is part of an organization and which is excluded from it. In addition, when the groups receive a number of sale licenses inferior to the number of street vendors composing the associations, the leaders decide how to distribute these licenses. Finally, the leaders decide the disposition of the street vendors in the streets, an element that has a deep impact on the street vendors’ economic result, in particular for street vendors working in the middle-income commercial

---

5 Officially the city administration has stopped issuing “permanent” sale licenses in 1984. However, it gives temporary licenses during holiday seasons and at the beginning of the scholastic year. The street vendors told me that having these temporary licenses allow them to defend their position before a court even in the case in which they are accused of being vending in a different period of the year. In brief, the leaders who distribute these temporary licenses conserve a strong power vis-à-vis the street vendors they represent.
streets of the city center. To a certain extent, it is not wrong to say that the leaders select the street vendors rather than the opposite.

After a survey in six street markets located in Mexico City, Peña (1999) shows that street vendors see their organizations, that is to say their leaders, as performing two central functions (Peña 1999). The first is an intermediary role: vending organizations negotiate with the authorities on behalf of individual vendors, so that a primary incentive for joining an organization is to get help overcoming red tape and navigating bureaucratic procedures (51% of the street vendors interviewed by Peña confirmed this). The second is a managerial role; vending organizations manage conflicts among members and mediate access to informal markets (29% of the street vendors indicated this option).

The benefits the vendors receive are not without costs. Especially in the past, the street vendors were asked to join political rallies to support candidates. Even now, if a vendor does not show up at those rallies, the organization’s leader may prohibit the vendor from working one or more days (Peña, 1999). In addition the vendors pay daily or weekly fees to the organization leader.6 These fees are used by the leader to give bribes or gifts to government officials in exchange for tolerance so that vendors can work without problems (Peña, 1999).

---

6 The value of these fees varies depending on the location of the groups. While the vendors in the less accessible areas of the city center pay almost nothing, the street vendors located in the most accessible areas pay up to 5 dollars a day, the equivalent of 50% of their profits.
2.2 City Policy Toward Street Vending

The downtown area of Mexico City is a quadrant of less than 6000-foot-side (2 Km), commonly referred as Centro Historico (Figure 1, page 9). The southern part of this quadrant -- the rectangle with its extremes at The Palacio de Bellas Artes, the Fine Artes Palace, and the public markets of La Merced -- represents the commercial and tourist area of the city center. It is the most accessible area since is very well served by the subway which has stations every 5 minutes walk. Between the Palace of Bella Artes and the Zócalo, the main square of the city, there is the so-called financial corridor, where the banks and other private enterprises together with the city and national government have their offices. Given the numerous museums and historical buildings located in this area this is also the most attractive part of the city for tourists. The area located between the Zócalo and the public markets of La Merced is where commerce is concentrated. There pedestrians tend to be mostly part of the working class, who go there to do shopping.

The northern part of the city center, on the contrary, is mostly frequented by low-income people. Many of the buildings of this area are abandoned because they were damaged by the earthquake and have not yet been repaired. With the exception of the area near Tepito, the number of pedestrians is very limited. The area is disconnected from the rest of the city center; crime and bad transportation keep people out of this area. The only subway line that passes through it does not go south to the city center but west, so that to go from the southern part to the northern part of the city center it is necessary to transfer.

The downtown area is located across two city districts: Delegación Cuauhtémoc and Delegación Venustiano Carranza. Three of the four groups of vendors analyzed in this
study are located in the Delegación Cuauhtémoc. The other one, though at only 200 feet (50 meters) from the central district border, is under the administrative jurisdiction of the other district.

These sub-jurisdictions, however, do not have the responsibility for regulating street vending in the area of the city center. This task is performed by the Department of the Federal District, the city government (Cross, 1996), which, from the mid-1980s, has repeatedly attempted to reduce the number of street vendors. In 1984 the city administration, to contain the phenomenon of street vending in the city center, stopped granting new permits to street vendors and tried to relocate the street vendors working in the most accessible areas of the city center in a large public market called La Merced. That did not improve the situation however; the number of street vendors doubled in the following five years (Cross, 1998b). Later, in 1993, a large part of the city center became a special area in which street vending was banned (Figure 2, page 10) (DDF 1993). The city administration built 38 public markets to give a place to 10,000 street vendors. Yet in 1995, out of the 28 public markets that were constructed at that time, the majority had more than an 80% vacancy rate; the vendors had returned quickly to work in the streets (Cross, 1996). During my visit in 2006, most of the street vendor leaders I interviewed agreed that the only public markets that were fully used were one in Pino Suarez and another one called Meaves. In 1998, the government tried a similar project on a lower scale. It reasserted the prohibition of the street vendors in the most central part of downtown

---

7 In reality already in 1967 it was signed an agreement between the street vendors and the city authority that declared that in the area of the city center street vending was prohibited.
8 Cross 1996 points out that these two public markets, Pino Suarez and Meaves, were both planned long before this period at the instigation of the vendor organizations themselves, which were far more active in the design and construction process than other groups
and built 13 public markets, in this case called ‘commercial plazas.’ The result was that the street vendors working in the South-West area were forced to move to the Eastern part of the Centro Historico because the city in the meantime had began the redevelopment of the western part of the city center. At present, beginning in March 2007 the city government has attempted to remove from the city center at least 5,000 street vendors. The results of this last effort are still to be seen (LaJornada, 03/18/2007).

The overall result of this struggle between the city administration and the street vendors was that the number of street vendors working in downtown Mexico city went from an insignificant figure, during the Ernesto P. Uruchurtu' presidency, to almost 60,000 (see table 1).^9

| Table 1 - Number of Street vendors in the area of the city center |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| City center     | 6,068           | 10,368 (in 12 associations) | 15,025          | ~20,000        | ~50,000         |
| (excluding the area of Tepito) | 15,025          | ~20,000        | ~50,000         |
| Tepito          | Missing data   | 6,231 (in 31 associations) | 6,288          | Missing data   | ~10,000         |

^9 The street vendor leaders and the president of the Association of Merchants of the Centro Historico I have interviewed agreed that at the moment there are about 50,000 street vendors in the central area of the city center and another 10,000 in Tepito. Newspapers, like El Imparcial confirms this figure (El Imparcial, 05/06/07)
Most street vendor leaders I have interviewed identify three distinct phases during which the number of street vendors increased. In the 1970s, the people who came to work downtown as street vendors in many cases had already had an experience in commerce and located there to have access the wealthy clientele of the city center. During the 1980s, the economic crises which followed one another brought additional people to work as street vendors. Most of these new street vendors had not had any previous experience in commerce. During the 1990s the situation was mixed. Some of the people who came to work in the city center were street vendors previously working in other areas of the city. In this case the main cause that led to the increase in the number of vendors was political. The rise of a new political party controlling the city government, as well as the rising opposition from the merchants of the city center, led to an increased competition among street vendor groups who, to augment their bargaining power, increased their membership (Cross, 1998a).

The change in the street vending system taking place in the city center, however, is not simply of a quantitative nature. The increasing opposition to street vendors from the merchants of the city center and from the Mexican Chamber of Commerce is a sign of a broader change that reflects the change in the nature of the street vending. In the past, street vendors working in the commercial streets used to buy their supplies from the stores located in the city center. By the end of the 1980s, however, most street vendors located in the most accessible areas of the city center bought their supplies from the street located in the less accessible areas of downtown. During the 1970s, in fact, a large portion of the street vendors who did not enjoy a favorite access to clients begun importing illegally
products from other countries; quickly they specialized in wholesaling targeted in particular to other street vendors, including the street vendors located in the most accessible areas of downtown. In brief, once working mainly as sales agent for the merchants of the city center, street vendors came to develop a parallel and autonomous system of commerce. This is one of the most important reasons why in the last two decades the merchants of the historic center have increasingly denounced street vending as their major concern.

Clearly, not all groups of vendors benefited in the same way from this process of commercial ‘emancipation.’ Simplifying, in fact, street vendors located in the most accessible locations of the city center merely changed their suppliers from the local merchants to the street vendors located in the less accessible areas of the city center, especially those specialized in smuggled goods. On the contrary, the vendors importing smuggling products increased their clientele and expanded their businesses. In the next chapter I will explain more in details how these two groups of street vendors managed to develop in such a different way.
3. Four Groups of Vendors Working in Downtown Mexico City

In this chapter I describe in detail the four groups of street vendors selected for this study. The data and information provided are the result of field research I conducted in July and August of 2006 and January 2007. To develop an unbiased understanding of the way the different groups of street vendors work I used multiple sources of information: the street vendors, their leaders, city officials, representatives of non-profit organizations operating around the street markets, and other street vendors both allied and competing with the groups I was studying.

Given the time constraints and the complexity of developing meaningful relationships with the groups of vendors, I could not select a sample that statistically reflected the diversity of the vendors working in the city center. However, I tried to counterbalance this limitation by selecting the four groups in an independent manner rather than following a “snowball” method.10 In other words, I came in contact with the four groups of street vendors in different and independent circumstances: in one case through a director of a non-profit organization I met at an international conference in Mexico City; in another case through a city official; and in still another case simply by showing up without any introduction.

Based on my understanding of the street vending system in downtown Mexico City the following four examples do not exhaust all the possible typologies of vendors working

---

10 For a discussion of the different sampling methodologies applied to field research in the informal sector see Meldolesi and Stame (1998)
in that area. Nonetheless those are representatives of the great majority of them. At the end of this chapter, in Table 2 (page 34), I present a summary of information regarding the four groups. In Figure 1 (page 10) I report their locations.

3.1 The Zócalo Group

The first group of street vendors I selected for this study is located in the Corregidora street near the Zócalo, the main square of the city and probably the most famous landmark of Mexico. The clientele of this group, which I will call “Zócalo” to preserve their anonymity, is mostly composed of tourists and other middle-income people either working in the surrounding public and private offices or shopping in the area. The Piñó Suarez street, one of the most trafficked, commercial streets of the city center start from that side of Corregidora.

Together with the Zócalo group there are another seven groups of vendors who work in Corregidora. The Zócalo group is one of the smallest and counts around two hundred vendors; it has a balanced gender representation, and the average age is about forty years. Many of them come here after being relocated from the south-west quadrant of the city center. Most of these street vendors come from the periphery of the city, the so-called ring of poverty of Mexico City. They work from nine in the morning until eight at night. Generally each vendor occupies an area of around five square feet (one and a half square meters) that they delimit with colored sheets on which they lay their products. They are not specialized on specific products. Some vendors sell CDs and DVDs, others small
electric equipments such as watches, small radios and batteries, and still others hand-made ethnic shirts and sweaters. Unlike many other vendors of the Centro Historico, they do not occupy the whole space of the street and place their products only on the sidewalks. Except for those selling CDs and DVDs, the vendors have almost no inventory with them and on their sheets they expose a very limited variety of products. Most of them buy their supply in the low-income street markets of the city center commonly regarded as dangerous, especially by the middle-class clientele. The leader of the Zócalo group owns a small stall and with some of his family members ensures that the police do not harass the vendors. He spends most of his time on the street and claims to be simply a political leader, meaning that he is not involved in any activity of commercial intermediation between the vendors and suppliers.

The commercial strategy of the Zócalo vendors is to take advantage of their privileged location and sell to middle-income customers the goods they buy in the wholesale, affordable markets located in the less accessible and dangerous areas of the city center. Their major constrain is their scarce means and possibilities to trade large quantities of goods, which would allow them to obtain advantageous discounts from their supplies. In fact, the high risk of having the goods confiscated by the police discourages the vendors from expanding the scale of their operations—repeatedly the city police has undertaken demonstrative actions against the vendors located in the most tourist and central areas (Cross, 1998b). In addition, the limited access to cheap storage places due to the high demand of land for commercial and business locales around the Zócalo area prevent them from stocking large quantities of goods.
Along these constraints that impede the Zócalo vendors from expanding their business, these street vendors face other major problems that threaten their survival in business. When interviewed, most of them emphasized that the increasing number of street vendors in the area has decreased their profits. The other problem that only few vendors revealed, but that other leaders confirmed, was that the vendors of the Zocalo group are forced to pay very high fees to their leader. Out of their $10 of profits a day, $5 go to the leaders. This payment is somehow balanced by the fact that, unlike their colleagues in the low-income and dangerous markets, they do not pay any rent for the places they occupy.\footnote{Pena shows that while in Tepito, one of the low-income market, 80\% of the vendors rent the places for their stalls, in other markets this practice is much less common (Pena, 2006).}

In conclusion, the Zócalo vendors face strong impediments to expanding or upgrading their businesses. Their main aim is that of preserving their occupation.

3.2 La Merced Group

These vendors are located in the area of the public markets of La Merced. This area is at the eastern border of the Centro Historico. Of the four groups of vendors this group is the only one located outside the perimeter of the Delegación Cuauhtémoc. Together with another three groups it occupies the Santa Escuela Street, a small road that separates the large food markets which the government built during the forties and which until the eighties functioned as the customs warehouse of the city. While the market attracts mainly working class people, the very large number of customers visiting the area everyday makes this place a very privileged and contested site.
The group, which I will call La Merced, is composed of about one hundred fifty vendors; most of the vendors come from the outskirts of the city. In terms of gender there is parity between men and women; their average age is around forty. They work following the hours of the public markets: they start at seven in the morning and end at six in the evening. Unlike the Zócalo vendors, they expose their products in small stalls, rather than on the ground, and instead of occupying only the sidewalks they take advantage of the entire space of the street. Most of the La Merced vendors dismantle their stalls at night; for this reason they are called semi-fixed street vendors. On average, their stalls are about eight square feet (two and a half square meters), though their size may vary.

In general, the La Merced vendors have always sold products complementary to the goods traded in the public markets. In the past, there was only one food public market and the vendors used to sell kitchen utensils, kitchenware and tools for the cultivation of flowers and vegetables. Later on, the city built other public markets and the most successful street vendors moved into them. The empty sites that they left in the street were quickly taken by other street vendors who previously worked in other areas of the city center. These new street vendors, together with those who could not afford paying the rent for a space in the public markets, sold any kind of cheap products, from sweets and confetti to CDs, DVDs and playthings for kids. Their suppliers are the street vendors operating in less accessible markets, the wholesalers working in less commercial areas of the city center, and the same vendors working in the public markets. At the time of my research, the leader of the La Merced group was in the delegation government most of the time, making sure that part of her vendors would benefit from the investments allocated to
upgrading the public markets. She told me that while that was an extraordinary period, her main occupation was that of “staying here,” meaning in the city government.

Similarly to the Zócalo vendors, the commercial strategy of the La Merced’s vendors is to exploit their location, in their case to satisfy the residual and unmet demand of the many customers visiting the public markets. Unfortunately, the two groups also share their constraints. In fact, most of the vendors of La Merced have a small space for their stalls and for their supplies. In addition, they never managed to specialize, which would have probably helped to increase their visibility and expand their clientele.

Thus, the vendors of La Merced neither have expanded their clientele nor have specialized on products that yield large margins. Like the Zócalo vendors, their main objective remains that of surviving and keeping their businesses.

3.3 Tepito Group

This group of vendors is located in Azteca street at the southern entrance of the market of Tepito, the densest and most organized concentration of street vendors in Mexico City. The neighborhood of Tepito lays outside the perimeter in which street vending is banned. In particular, it is located at the northern border of the Centro Historico and is considered the ‘barrio bravo’ of downtown Mexico City. With this expression, Mexicans indicate those neighborhoods famous for housing gangs and criminal groups, which in most cases are the only effective local, public authority.
The city's police do not enter these neighborhoods. In the case of Tepito, when public authorities need to arrest suspects or to confiscate stolen or illegal goods they send the federal police. In most cases, these raids turn into hours of urban war: while some people attempt to hide themselves and their illegal possessions others slow the police’s entrance into the neighborhood. This is made easier by the physical configuration of the entire area which is a forced pedestrian zone with stalls fixed to the pavement of most streets. In addition, the streets are narrow and the houses are the typical Mexican two-floor houses attached to each other and linked by labyrinthine passages. That makes the entire neighborhood a very dangerous area for any police officer. To underline these characteristics some residents of the neighborhood refer to it as the “autonomous republic of Tepito.”

In order to preserve their clientele, the vendors themselves enforce the law, especially those rules concerning the safety of their customers. In the market areas, petty-crime such as bag-snatching and petty theft is simply not allowed. This system of self-policing is made possible by the fact that many of the vendors are from the neighborhood and, therefore, they know the people involved in these types of activities. That said, no middle-income person would ever risk entering this area of the city center.

In the 1960s this was a market selling second-hand goods as well as stolen products. At the beginning of the 1970s, the vendors exploited the lack of policing to sell illegally-imported, second-hand goods, especially clothing collected in Texas. By the end of that decade the vendors of Tepito had met some merchants of the Korean community located in California and begun smuggling electronic and textile products. Now, the main products traded are footwear, electronic apparatus, pirated DVDs and CDs.
The vendors sell these goods in stalls that look like one-room shops. Usually these places are forty square feet (twelve square meters), with the goods displayed on the walls made of metallic fences. On the top of these one-room shops lay common roofs attached to an iron axis cemented to the floor. In some cases, vendors cover the asphalt in their “one-room-shop” with ceramic tiles and enlarge the sidewalks thereby using them to distinguish the floor of their stall from the floor of the street. In brief, the street markets in Tepito lost the character of an open-air market.

The group of vendors selected for this study, which I will call the Tepito group, has around two hundred members; most of them are young and male. Almost all of them live in the neighborhood or somehow know local inhabitants and have worked only in that specific street market. They commonly work from ten to five and are specialized in sportswear, in most cases carrying globally famous labels whose authenticity is very uncertain. Commonly, the vendors buy these goods from their leader who, unlike the leaders in the other areas of the Centro Historico, spends his time in a small office organizing the importing activity. While giving a speech to a group of people, the leader of the Tepito group described his activity as a real CEO of an international corporation. He claimed that “Tepito [under his and his partners’ guide] managed to take advantage of globalization rather than submit to it.” He claimed that because of people like him, Mexico City is a commercial hub and that his mission was to keep Mexico City the gate linking Asian production to Latin American countries. Later on, when I came back to meet him, he was often away at meetings with other local street vendor leaders discussing the possibilities for forming political and economic alliances.
One of the major advantages that the Tepito’s vendors have is that they dispose of abundant and cheap storage place. Most people living in the buildings surrounding the street market offer any available space for storage. In addition, very often at the end of the day, the street vendors store their goods in the shops next to them, on the streets that they occupy. This system allows Tepito’s vendors to buy large quantities of products, which in turn makes it convenient to invest in research for cheap and reliable suppliers. For this reason, street vendors in Tepito are famous in the entire city for providing the lowest prices and for being able to satisfy any quantity demanded. Not surprisingly, many street vendors and merchants come from the entire urban areas of Mexico City to stock their supplies in Tepito.

Thus, even if crime prevents middle-income consumers from entering the market, by vending to other street vendors and merchants, these vendors have managed to develop a very large clientele. It is very likely that most of the profits go to the leader, but the owners of the stalls have certainly benefited from the commercial expansion as the value of their stalls increased considerably. In addition, the limited hours of work, around seven hours a day, six days as week, seems to suggest that Tepito’s vendors are reaping some of the economic profits of their leader.

3.4 Santo Domingo Group

These street vendors work near Santo Domingo square, an area between Tepito and the Zócalo. The Santo Doming group is composed of around one hundred street vendors,
most of them male coming from the city periphery. The area in which they work is at the northern edge of the perimeter within which street vending is banned. This area is one of the least inhabited of the Centro Historico. In fact, most of the surrounding buildings were heavily hit by the earthquake in 1985, and have not been repaired. That gives this area an abandoned and unsafe look. It is probably for this reason that the commercial activity, which begins at ten in the morning, stops around five. Unlike Tepito’s vendors, the Santo Domingo peddlers stop working because there are no customers in the streets rather than simply because the sun is setting.

The partial state of neglect offers Santo Domingo’s vendors the possibility of occupying both the streets and the sidewalks and to install relatively large stalls of around thirteen square feet (four square meters). These stalls are similar to the one-room shops of Tepito in that they have walls made of metallic fence where vendors display their products. However, the market does not have a common roof and at night the vendors have to dismantle their stalls.

Like the other groups selling in this area, Santo Domingo’s street vendors are specialized in products for children. They sell mainly three types of products: articles for girls such as bracelets and hair-bands, toys such as dolls and little cars, and any type of socks for children. Thus, even though street vendors in this area are less concentrated, they are still part of a specialized market where customers can buy large quantities of goods at a low price.

The main problem of the Santo Domingo group is related to the frequent burglary of storage places. The street vendors do not have access to safe places for storing their goods. As a consequence, most of them have developed some sort of partnership with the
few shops that are in the area, and at night they store their goods in these shops. Unlike their counterparts in Tepito, these shops enjoy a monopolistic control over storage space. Thus, not surprisingly, they privilege providing storage space to the street vendors who buy products from them.

The leader of the Santo Domingo’s vendors is the owner of three of these shops. One of them has a back door leading to a warehouse which occupies the entire three floor building where the store is located. He explained to me that by centralizing the purchases of many street vendors he managed to increase the variety of products the street vendors can sell while still being specialized on specific goods. Obviously, the leader, similar to the other store owners, is the person who gains the most from these arrangements. However, it is undeniable that without a certain level of coordination the street vendors would have not been able to turn their neighborhood market into a specialized market that attracts a large number of customers even thought it is located in a quite inaccessible area.

In conclusion, the street vendors of Santo Domingo, despite working in an inaccessible and unattractive location have managed to specialize and expand their businesses. In comparison to the vendors of Tepito, however, it is likely that the benefits of this commercial success have only trickled down to the vendors to a limited extent as the leaders control both the supply and the storage places the street vendors use.
Table 2 – Summary of the information about the four groups of street vendors

<table>
<thead>
<tr>
<th></th>
<th>Zócalo</th>
<th>La Merced</th>
<th>Tepito</th>
<th>Santo Domingo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Accessible area</td>
<td>Accessible area</td>
<td>Less accessible area</td>
<td>Less accessible area</td>
</tr>
<tr>
<td>Type of neighborhood</td>
<td>Public offices and commercial area</td>
<td>Working-class Commercial area</td>
<td>Residential very low-income area</td>
<td>Mostly abandoned low-income area</td>
</tr>
<tr>
<td>Location vis-à-vis the banned perimeter</td>
<td>Inside the perimeter</td>
<td>Inside the perimeter</td>
<td>Outside the perimeter</td>
<td>At the northern edge of the perimeter</td>
</tr>
<tr>
<td>Other commercial activities in the area</td>
<td>Tourist and middle-income commercial activities</td>
<td>Working-class food public markets and other commercial activities</td>
<td>Only other street vendors</td>
<td>Only other street vendors</td>
</tr>
<tr>
<td>Relocation &amp; Turnover</td>
<td>Most street vendors previously working in other areas</td>
<td>Many street vendors previously working in other areas</td>
<td>Stable membership (mostly people from the Tepito area)</td>
<td>Never relocated</td>
</tr>
<tr>
<td>Type of stalls</td>
<td>Removable, 5 sq. ft.</td>
<td>Semi-fixed, 8 sq. ft.</td>
<td>Fixed</td>
<td>Semi-fixed, 13 sq. ft.</td>
</tr>
<tr>
<td>Size and stalls</td>
<td>On sidewalks</td>
<td>Entire street</td>
<td>40 sq. ft.</td>
<td>Entire street</td>
</tr>
<tr>
<td>Storage</td>
<td>Very limited</td>
<td>Expensive</td>
<td>Abundant and cheap</td>
<td>Controlled by leader</td>
</tr>
<tr>
<td>Specialization (yes/no)</td>
<td>No</td>
<td>No,</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Type of product</td>
<td>DVD &amp; CD, watches, ethnic sweaters</td>
<td>Sweets and confetti, DVD &amp; CD, Clothing</td>
<td>Sportswear</td>
<td>Toy and beauty articles for girls</td>
</tr>
<tr>
<td>Scale of commerce</td>
<td>Retailing</td>
<td>Retailing</td>
<td>Wholesaling</td>
<td>Wholesaling</td>
</tr>
</tbody>
</table>

Continues on following page
<table>
<thead>
<tr>
<th>Customers, Suppliers and commercial strategy</th>
<th>Suppliers</th>
<th>Zócalo</th>
<th>La Merced</th>
<th>Tepito</th>
<th>Santo Domingo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clientele</td>
<td>Suppliers</td>
<td>Street markets in less accessible areas</td>
<td>Street markets in less accessible areas</td>
<td>In most cases their leader</td>
<td>Their leader</td>
</tr>
<tr>
<td>Commercial strategy</td>
<td>Commercial strategy</td>
<td>Middle-class pedestrians</td>
<td>Working and low-class customers of public markets</td>
<td>Other street vendors attracted by low prices</td>
<td>Other street vendors attracted by low prices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sell few products at the highest price</td>
<td>Sell few products at the highest price</td>
<td>Have law prices to attract customers</td>
<td>Have low prices to attract customers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Working condition</th>
<th>Hours of work</th>
<th>Police harassment</th>
<th>Zócalo</th>
<th>La Merced</th>
<th>Tepito</th>
<th>Santo Domingo</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9am – 8pm</td>
<td>Very Frequent</td>
<td>7am – 6pm</td>
<td>From time to time</td>
<td>10am – 6pm (Monday closed)</td>
<td>10am – 5pm</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7am – 6pm</td>
<td>10am – 6pm</td>
<td>10am – 5pm</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>From time to time</td>
<td>Never</td>
<td>Almost never</td>
</tr>
</tbody>
</table>

Source: personal evaluations, summer 2006.
4. Location, Scale of Commerce and Type of Goods

"I do not have that movie.. no, sorry not even that.. look, I have only these movies you see here, write me down the title and I will have them in a few days" (street vendor of the Zócalo group selling pirated DVDs)

"In the mid-eighties, I was one of the first to sell walkmans in this city”
(street vendor selling televisions and cameras in Tepito)

4.1 Location and Scale of Commerce: the first street vendors’ trade off

Most of the debate about street vending has focused around the issue of location and use of public space. The most important, almost undisputed assumption that has framed this debate is that the best option for street vendors is to work in the most accessible areas where pedestrian traffic is concentrated. Most scholars are convinced that this is true because empirical studies show that when relocated to less central areas the same street vendors earn less income (Donovan, 2002). Moreover, the continuously claimed necessity to work in direct contact with the largest number of pedestrians, as professed by most street vendor leaders, has persuaded policy makers that indeed central location and direct occupation of the streets is what street vendors need in order to maximize their profits.

As already underlined, the meaning of these claims must be judged carefully. One interpretation could be that street vending is simply not possible in places that are not commonly frequented by a large number of pedestrians. However, another interpretation is
that street vendors need to be supported to change their organization and their practices as to adapt to a different clientele. After all, as shown in the cases of the group in Tepito and in Santo Domingo, street vending can be a lucrative occupation even in less accessible areas. This suggests that the relation between location, access to customers and street vendors’ profits is at least more complex than is commonly perceived. Indeed, the access to final customers is not the only factor related to location that concerns street vendors. An investigation of these other factors is crucial for understanding how location impacts street vendors’ development.

There are at least six different factors that street vendors consider when thinking about their location. Three of them push the street vendors to work in the most accessible areas; the other three encourage the vendors to locate in less accessible streets.

First, location is related to the viability of storage space. Since street vendors have limited space on their stalls, having a storage space close to their place of work allows them to sell a larger variety and quantity of goods without incurring the risk of exhausting their supplies. Unfortunately, most street vendors in central areas cannot afford to have storage places near their stalls because the many commercial and public buildings have left scarce and expensive space for renting.

Second, location is related to the risk of having the goods confiscated by the police. The police are more likely to confiscate the goods of the street vendors located in central locations because these areas are easier to control; they are close to police stations and are easier to access since they are intersected by large streets. More importantly, the city administration, at least in the last fifteen years, has tried to renew the central streets of the
city center in part by making it difficult for street vendors to locate there (Cross, 1998a). Therefore, it is not surprising that the vendors located just next to the Zócalo, the most central and tourist area of the city, are constantly under threat of police raids. In contrast, the vendors located in the other area of downtown know that the city administration’s attempt to renovate the city center, at least in the short term, will not involve their areas and that, therefore, police raids will be rare and more aimed at receiving bribes than confiscating large quantities of goods.

Third, location affects the type and the size of stalls street vendors can use. Usually, street vendors prefer large stalls that are fixed to the ground where possible so that they are not required to assemble and dismantle them everyday. However, only street vendors in Tepito can use this type of stall. In the central areas, in fact, the city police do not allow the street vendors to permanently occupy public streets. Thus, street vendors located in central areas tend to have small stalls, which need to be dismantled at the end of the day.

In brief, unavailability of storage place, the risk of having goods confiscated and the impossibility of working with large and fixed stalls are all aspects that encourage the localization of street vendors in places other than the most accessible areas. Clearly, there are other factors related to location that, on the contrary, persuade street vendors to work in central areas. Obviously, the most important factor is the privileged access to very large numbers of pedestrians. Especially when they are middle-income people, who are willing pay up to three times what is commonly paid for certain products in less accessible, low-income markets.

The second factor that encourages street vendors to work in the central and busy streets is that it is easier to manage a stall there. The physical constraints that limit the
quantity of goods and the size and type of stalls that street vendors can use reduce the upfront and operative costs required to open and run a stall. More importantly, these constraints level the competition between street vendors so that even vendors with limited financial resources and little commercial experience have a good chance of keeping their business. In addition, also because the vendors who inadvertently committed some wrong investments, like buying difficult-to-sell products, have the possibility to recuperate since they have can work until late, usually nine at the night. Their counterparts working in less central areas do not have this option, because the lack of security in their markets discourages people from going there to do shopping once the day ends, around seven in the evening.

Along the same lines, street vendors with limited knowledge of suppliers prefer to work in commercial, central areas. In this case, the vendors simply need to buy goods in low-income, often dangerous street markets and then resell them to middle-income people who do not dare to enter into unsafe areas, or to other customers for whom it is not worth their time to go to the less accessible markets. On the contrary, the street vendors working in the less central areas need to have privileged contacts with low-cost suppliers, contacts which are clearly not easy to establish. The clients who shop in the less accessible markets, in fact, are either intermediaries or final customers who explicitly go there to buy large quantities of goods at low prices.

Thus, in principle it is not wrong to affirm that there is not a unique best solution in terms of location for street vendors. Although some factors related to location encourage street vendors to work in central areas, others make it convenient for them to work in the
less central areas. By looking closely at these two groups of competing factors we can see a consistent and important difference between them. The qualities of central locations make it easier for street vendors to open and run small-scale stalls. On the other hand, the qualities of less central locations make it easier for street vendors to have large stalls and specialize in medium-to-large scale commerce. We have seen, in fact, that the limited requirements in terms of knowledge of suppliers, initial financial resources, and experience in the commercial field make it easy for inexperienced street vendors to start their small businesses in central locations. On the other hand, the viability of storage space, the limited risk of having goods confiscated, and the possibility of working with large and fixed stalls allow street vendors located in the less accessible areas to increase the scale of their activities.

In the next section I will show that once the street vendors in the less accessible locations manage to enter into the smuggling industry, the difference in terms of scale of commerce turns into a difference in terms of products sold and economic organization as well.

4.2 Smuggling: Additional “Benefit” of being Located in Inaccessible Areas

In the previous section, I illustrated how location relates to the street vendors’ scale of commerce. In this regard, it may appear that the difference between the street vendors located in the most accessible areas and those located in the less accessible areas of the city center is simply of a quantitative nature. The experience of the street vendors in downtown
Mexico City, however, shows that this difference may easily become of a qualitative nature. The street vendors located in the less accessible area of the city center, in fact, can sell goods that the other street vendors cannot trade. Easy access to storage space and abundant space for stalls allows the street vendors of Tepito and Santo Domingo to trade in large types of goods such as used televisions or repaired radios. More importantly, the very limited control of city police in this area makes it easy for these street vendors to sell stolen products. In the past, despite being a lucrative business, trading in stolen goods remained a marginal activity for the street vendors located in the less accessible areas of the city center because the supply of these products was limited.

However, from the beginning of the 1970s, however, things become to change. Under the presidency of Luis Echeverría Álvarez (1970 – 1976) the prohibition on importing products from other countries came to be less and less enforced. The street vendors of Tepito were among the first to take advantage of this new situation because they did not lack courage and had connections with local organizations dedicated to illegal activities. Throughout the 1970s, the street vendors of Tepito invested an increasing amount of resources in organizing the smuggling of goods from the United States, initially used clothes collected in Texas, and later new clothing and electronic products imported by Koreans in California.

Thus, without major limitations in terms of storage place or police control, the vendors managed to expand the scale of their operations so as to reduce their average costs

---

12 Interview with Alfonso Hernandez, the director of the Centro de Estudios Tepiteños,
13 Alfonso Hernandez, the director of the Centro de Estudios Tepiteños – a small and self-financed center of study of Tepito, affirms that the illegal introduction of clothing began with bags, then it evolved with buses and finally, by the mid seventies, was a real coordinated activity achieved using proper containers (La Jornada 03/16/2007). In so doing the street vendors of Tepito had a pioneer function as they were among the first to invest to expand their network of suppliers to find cheaper, larger and more reliable supplies. Within a few years, some of these street vendors managed to get the control of the supply chain of used clothes.
and, in turn, the prices for their products. The market of Tepito became the main supplier for all the street vendors of the entire city who sold clothes. As a result, the street vendors of Tepito served most of the low and working class of the city either directly, through their street market, or indirectly, through the decentralized system of distribution represented by the neighborhood street vendors who stocked up in Tepito.

Using the profits and the know-how acquired while vending used clothes, these street vendors began to import other foreign products: new clothes and electronic products imported to Los Angeles, California by Koreans serving as intermediaries. By shifting products, the street vendors of Tepito further improved their competitive position. Now, in addition to expanding their control of the supply chain to other products they managed to gain a unique monopolistic position in the trade of products which simply did not exist at all in Mexico.14 The street vendors in the Santo Domingo groups followed a similar strategy and specialized in toys and other articles for young girls imported from China.15

What it is important to underline is that the specialization in smuggled products led the street vendors located in the less accessible area of the city center to “improve” their business practices and develop a managerial approach. The large supply of products together with the necessity of selling them quickly required a complete upgrade of the street vendors’ managerial practices. The entire system of street vending developed in a flexible, specialized and managerially run sector.

14 One of the vendors I interviewed in Tepito told me that at beginning of the eighties, for a few years, they were the only people in Mexico selling walkman, the first generation of portable stereos.
15 Personal communication of Santo Domingo’s leader.
From the smugglers at the border to the street vendors in downtown Mexico City, everyone is interested in specializing in the specific level of the distribution process he or she controlled. By doing so, in fact, these agents minimize their risk and maximize their profits. They minimize their risk in that by reselling their products very quickly they were able to reduce the possibility of being caught by the police with large quantities of smuggled products. They maximize their profits because their financial resources, instead of being immobilized in the forms of inventory, could be used to buy increasingly larger quantities of goods at a diminishing average price (i.e. financial resources could be used to develop more privileged supply linkages). Thus, the first effect of the switch to imported products was that of creating a flexible and decentralized system of informal trade, reassembling in some ways to the model of flexible specialization of the informal small firms in Northern Italy (Piore, 1984). Indeed, the model followed by the street vendors seems to go even beyond one of flexible specialization seeing as the illegality factor adds an extra degree of fragmentation to the supply chain.

The shift to imported goods also increased the incentives for street vendors to expand the scale of their activity. In fact, the necessity of quickly distributing the smuggled goods forced the intermediaries and the street vendors to offer strong discounts to those who could buy large quantities of products. In turn, that increased the street vendors’ incentives to expand their scale of operation and augmented the rewards for a sound administration of their businesses. In a trade system that strongly privileged the velocity of the circulation of goods, street vendors needed to have a precise idea of their ability to commercialize in order to develop strong and lasting relationships with suppliers.
The adoption of the wholesaling practice, in turn, also encouraged cooperation among street vendors. In some cases, even if not on a continuative basis, street vendors pool together their financial resources to buy large quantities of goods at low prices. In other cases they pool their resources. For instance, one vendor would buy more goods than he or she could afford to sell and give a part of them to another vendor who, on the contrary, has space on his or her stalls but not sufficient financial resources to stock up large quantities of goods. Such mechanisms reinforced the flexibility of the entire street vending system and, at the same time, made it easier for street vendors with very different skills and resources to manage and expand their business. The level of cooperation among the street vendors developed even further as the street vendors came to develop an informal system of property rights (see next chapter).

Finally, it must be acknowledged, however, that not all the street vendors enjoy the same level of involvement in the importing business. The “industry” of unregulated trade is very diverse. During my field research in Tepito, I interviewed street vendors who fly to China to buy products they directly sell in the market who work alongside street vendors who estimated in about ten the number of intermediaries above them. However, even the street vendors involved merely in the distributions of foreign products have been pushed to adopt the above mentioned practices and managerial arrangements.

In conclusion, starting from the beginning of the 1970s, the street vendors located in the less accessible areas of the city center managed to turn their obstacles into an opportunity. The location in a low-income neighborhood allowed the vendors to rent storage places for little money. The fact that they were located outside the central and tourist area of the city center along with the criminal activity taking place in the
neighborhood kept the police outside of the market and allowed for specialization in smuggled products. Once the vendors managed to expand the scale of their businesses so as to have the lowest prices of the city, their limited access to customers was no longer a problem: the street vendors located in the less accessible areas of the city center sold in wholesale to the other street vendors of the city who would then distribute their goods across the entire city.
5. Location, Competition for Space, and Street Vendors’ Economic Organization

“I do not know how to go back to my street vendors and tell them that the 10,000 dollars that we gave to a city administrator to keep the control of our site of vending are simply lost; someone in the city government has probably received a better offer and for this reason now we are obliged to relocate” (Leader of a group of street vendors located near La Merced)

“Oh, those shirts there are not mine; I am selling it for my leader to pay him for a credit he gave me when I got married” (Eusevio, street vendor of the Tepito group).

5.1 Competition for Space in the Most Accessible Downtown Areas

As the description of the two groups near the Zócalo and near the public markets of La Merced reveals, the main strategy of the vendors working in the most accessible streets of downtown Mexico City is to sell their few products at the highest price. In fact, the limitation in the quantity of goods the street vendors can show in their small stalls and the lack of sufficient storage place constraints the amount of goods the vendors can sell on any given day. For this reason, the street vendors located in the most accessible areas focus on a strategy that could be called intensive vending: selling a limited number of goods at the highest price.
This objective makes it necessary to reach middle-class customers or, more generally, those customers who are willing to spend some extra pesos in order to have their needs satisfied right away. In fact, the low class, which in Mexico City represents the majority of the population, pays close attention to their expenses and would not buy something that is sold at a lower price in a nearby street market. On the contrary, working and middle-class people are less worried about spending some extra pesos in exchange for having what they want in a convenient location. Furthermore, for a large portion of these customers, especially the most well-off, low-income markets are simply not an option as they are seriously scared of the safety conditions of these bazaars.

Thus, the objective of the street vendors working in the city center, contrary to what is commonly assumed is not simply to access the largest number of clients, whoever they are, but rather to sell to well-off clients passing by in the streets of downtown Mexico City. Consistently with that objective, the street vendors working in the central areas spend time and financial resources dealing with city administrators and police officials in order to retain their locations.

The problem with this strategy, however, arises from the fact that there are few locations that provide access to these riche customers. Typically, these areas are the commercial areas located in the most accessible streets of the city center, sites that the city administration would like to see without street vendors. As Cross (1998) shows, street vendors have managed to retain control of these locations by leveraging the fragmentation of the city government apparatus. When some government officials decide that street vendors must leave these sites, other city officials, often in exchange for political and financial support, back their cause (Cross, 1998b).
However, this very same system of opaque negotiation\textsuperscript{16} has pushed the street vendor groups to enter into an endless and all consuming competition for space that impedes the street vendors from upgrading their businesses and to improve their managerial practices and that keeps their profits artificially low. Clearly, the result of these effects is to reinforce the street vendor competition for space.

The street vendors located in the most accessible locations use most of their resources to gain the political support necessary to occupy the most remunerative sites. City officials, in fact, grant the best sites to the street vendor groups who provide the strongest financial and political support. The street vendors of La Merced and Zócalo pay their leaders fees that reach a significant portion of their profits, in most cases between one-third and one-half of their profits.\textsuperscript{17} These fees are at least twice as much as what their counterparts in the less central sites usually pay.\textsuperscript{18}

What is worse, however, is that these bribes do not guarantee that the vendor groups will obtain what they pay for. It is not infrequent, in fact, that a group of vendors gets relocated by the police despite paying a government official to occupy one portion of

\textsuperscript{16}In 1967, it was established for the first time that street vending was forbidden in the area of downtown Mexico City. In 1993, and later in 1998, the city approved two new programs promoting the reordering of the commercial activity in downtown Mexico City in which practically the same prohibition is reiterated. Yet, the city government issued permanent permits to the street vendors until 1984 and thereafter the city has issued temporary permits. In any case, city officials have continued to negotiate and distribute access to the best locations even though the number of street vendors in downtown went from 6,068, in 1983, to around 60,000, in 2006. Data source INEGI, in “Ambulantaje, cuanto dap or el?” (Hernandez et al, 1993) and El Imparcial, (05/06/07).

\textsuperscript{17}El Imparcial, 05/06/07 reports that many vendors pay about five dollars every day to their leaders for the use of public space. “Importantes dirigentes ya dividió el Centro Histórico prácticamente en dominios feudales, cobrando un alquiler de aproximadamente cinco dólares al día por el uso de espacio en las calles y aceras.” The same number is confirmed by journalists writing in LaJornada (03/19/2007).

\textsuperscript{18}I received this data from the leader of the Santiago Group and it has been confirmed by another leader working outside the city center, a leader who I do not have reason to doubt since he has very limited vested interests in defending or supporting this or that group working downtown. It must be acknowledged, however, that while the vendors working in the most trafficked areas do not pay the rent for the space they occupy some of the vendors working in less central areas, like those in Tepito, very often pay a rent for their stalls. My understanding is that this rent is around 10\% to 20\% of the street vendors’ profits.
the streets. In most cases this happens because police receive a better offer from another
group of vendors. Clearly, the vendors who paid the city official in the first place do not
receive any compensation for this damage. 19

The other possible way for the street vendor groups to increase their chances of
accessing the best sites is to augment their numbers. In fact, the greater the number of
street vendors working in a group, the larger the number of votes that that group will be
able to mobilize. In addition, the greater the number of street vendors, the higher the total
amount of the per-person fees that the leaders can use to bribe city officials in order to
obtain the control of the best sites. However, at an aggregate level this strategy is
detrimental for the street vendors. The increasing number of street vendors, in fact, results
in the decrease of the sales for the individual street vendors. This problem is particularly
acute for the groups of vendors who are not specialized on specific products as the larger
number of street vendors it is not even partially compensated by a stronger visibility and
attractiveness of the street markets. In addition, a larger number of street vendors translate
into more difficult access to storage and less space for stalls. Yet, even in this case street
vendor groups could not resist the competition for space. In 1983, there were 6,068 street
vendors in the most central area of downtown Mexico City. In 1991, their numbers
increased to 15,520 street vendors. 20 Current estimates say that in the same area there are
now between 50,000 and 60,000 street vendors.

---

19 While waiting to interview a public official in the offices of the Delegación Venustiano Carranza, I met a
leader who was desperate as she did not know how to justify to the vendors she represented that the 2000
dollars they gave to a public official had been simply wasted. She explained to me that the police removed
them from a street next to one of the market of La Merced because another group of vendors had made a
larger offer.

20 Source of data INEGI (Mexican National Institute of Statistics), in “Ambulante, cuánto dap o el?”
Hernandez Hernandez Alfonso, Sanchez Garcia Ma. Del Carmen, Villafan Caro Martha Beatriz, Mortera
The competition for space has also other more indirect effects on street vendors. For instance, it reduces the street vendors’ possibility of upgrading their businesses. The frequent reshuffling of the vendors, in fact, discourages them from investing even their limited resources in their businesses because their sales are hard to predict. In addition, their relocation impedes the street vendors from developing a loyal clientele and, more generally from distinguishing themselves as being part of a specific market. This, in turn, makes it difficult for them to specialize and, more generally, to incrementally upgrade their businesses and their managerial practices. Finally, the competition for space impedes the street vendors from switching to trading more profitable products. In an attempt to gain political support from the businesses association of the city center and the city administration, some vendor groups refrained from selling the most controversial products like pirated DVDs and sportswear. In so doing, however, they neither accessed the large profits that these products usually yield nor were they induced to expand and upgrade their network of suppliers.

It is important to notice that the competition among street vendor groups does not diminish but augments when the city administration is inclined toward tolerating the street vendors’ occupation of the commercial central streets. In fact, when the city administration seems to tolerate street vending, the number of authorities who have room to ‘authorize’ street vendors to occupy privileged locations augments. This has the effect of increasing the level of competition among groups of vendors as each authority has its “favorite” group of vendors to support. Moreover, newly elected city administrations that tolerate street vending will still tend to support the vendor groups that are more loyal to them rather

---

21 Recently, some groups leaders working in the city center have publicly announced that they would not allow their vendors to sell pirate products like CDs and DVDs.
than those controlling the best sites during the former administrations. Once again, the result will be an increasing number of groups competing for the control of the most valuable spots of the city center.\footnote{22}

In conclusion, the street vendors in the most accessible locations are trapped in a vicious cycle. Their location constrains the scale of their commerce and as a consequence their only available commercial strategy is to gain access to well-off clients. In attempting to reach this clientele, however, they enter into a competition for space that reduces their profits, increase their difficulties in accessing storage, limits the size of their stalls and impedes them from selling more lucrative types of goods. The effect of these constraints is to increase the street vendors' dependency on a well-off clientele, that is to say, to increase their competition for space.

5.2 Cooperation Among and Between Street Vendor Groups

5.2.1 Cooperation for Impunity Among Groups

As already underlined, the main objective for street vendors working in the less central streets of the city center is to have access to cheap, large-scale and reliable intermediaries, or, even better, intermediaries specialized in smuggling. Outside of the

\footnote{22}{Every vendor or leader interviewed complained that during the last administration the PRD has formed a new set of vendor groups which has increased the fragmentation and the competition among street vendors. The newspaper La Cronaca citing a study undertaken by Castillo Bertier, a researcher at the main university of Mexico City (UNAM), says that with the election of the PRD party to the city government, the number of organizations of street vendors went from 13, in 2000, to 200, in 2006.}
most accessible areas of the city center, in fact, the only means of attracting clients to their locations is to have very low prices. This is the reason why the street vendor groups located in the less accessible areas of the city center do not compete for space; their main objective is to have low-cost suppliers not to be closer, for instance, to the street markets' entrances. Clearly the most low-cost suppliers are those involved in the smuggling industry.

As shown in the previous chapter, one of the reasons explaining why they managed to enter the smuggling is that they are located in the less accessible mostly low-income areas of the city center where criminal organizations, and not the police, tend to have the control of the territory. However, the street vendors’ illegal activity would not have lasted had not the street vendor groups had the complicity of police and other city administrators. It is common knowledge that the street leaders of Tepito use a portion of the profits to corrupt high level city and police officers to prevent any obstacles to the smooth functioning of the business in Tepito. In so doing, however, the groups do not undercut each other like the street vendors working in the most accessible areas of the city center. The street vendors in the most accessible areas, in fact, demand of city officials that they have the exclusive access to remunerative locations. 23 On the contrary, the groups in Tepito, and similarly the groups in the less accessible areas, demand a “non rival good:” having police out of their neighborhood benefits all the street vendors located in the neighborhood, even if they are part of different groups. 24

---

23 Exclusive refers to the fact that when one group of street vendor occupies one sites the other street vendors cannot stay in the same space.

24 A good in non-rivalrous when the consumption of this good by one individual, in this case one group of street vendors, does not reduce the amount of the good available for consumption by others
experience of the street vendors of Santo Domingo to explain this affirmation in more
details.

A former worker for an airline company, the leader of the Santo Domingo group used his financial resources and contacts to begin importing products produced in Korea and then, from the beginning of the 1990s, produced in China. He used his profits to rent a store functioning as a warehouse. He sold most of his goods to his street vendors who, not having other places to keep their products, used his warehouse as storage. When his commercial activity came to be too visible he bought a license as a merchant, yet he kept selling only to street vendors. The commercial licenses, he told me, represented merely a ‘gift’ he had to give to some city administrators. In the following years, he bought other two commercial licenses, one for his son and another for his sisters. On each occasion he had to bribe some city officials. In exchange for these bribes, he obtained the police staying out of the streets surrounding his shops. The result is that all the vendors located in these streets, independently of the groups they belong to, are ensured that they will not have to face the police and as a result they can trade in smuggled goods without fear.

In conclusion, what distinguishes the groups of street vendors located in the less accessible areas of the city center from those located in the most central areas is the fact that rather than competing for space they supported each other in obtaining impunity for their commercial activity.
5.2.2 *Cooperation Within Groups*

One of the reasons why the street vendor leaders are called ‘natural leaders,’ is that there are not public rules or administrative regulations that discipline the selection of the leaderships within the associations of street vendors. Indeed, the adjective ‘natural’ underlines the fact that the leaderships position are the result of selection “on the ground;” who becomes a leader is someone who has demonstrated capacity to solve collective problems. Clearly, in the case of street vendors working in the most accessible streets, the leaders will be those who have shown a capacity in negotiating with public authorities for the ability to occupy a privileged location. In the case of the street vendors located in the less central areas of the city center, in contrast, the leaders will be those who can provide contacts with privileged suppliers. Indeed, many of the street vendors I interviewed in Tepito and in Santo Domingo buy their products from their leaders who function as middlemen. It is important to notice that the same it is not true in the case of the street vendors located in the most accessible areas of the city center. Their leaders, in fact, think that it is not worth doing good intermediation because without storage space and large stalls the street vendors would always face major constraints to their commercial expansion. In addition, unlike the leaders in the less accessible areas of the city center, they know that their street vendors would have major problems trading in smuggled goods, i.e. the really lucrative commerce for which it would be worth trying to overcome the obstacles related to the limitations of space.\(^{25}\)

\(^{25}\) Interview with the leader of the Zócalo group
Hence, the leaders of the street vendors working in the less accessible areas, unlike their counterparts operating in the commercial streets, have a deep stake in the street vendor business expansion. The greater the total sales of the street vendors, the larger the profits that the leaders gain from their activity of intermediation. Thus, it is not surprising that the street vendor leaders operating in the less accessible areas of the city center not only use their connections to suppliers but also the power they have as leaders to promote the street vendors development. The way the street vendor leaders promoted the specialization of the street vendors is probably the best example of how these leaders use their authority to promote the street vendors’ commercial expansion.

The street vendor leaders, as most large-scale merchants, tend to be specialized in few products. While doing their businesses, in fact, they acquire knowledge and develop networks related to specific supply chains. In addition, given the large discounts that they obtain buying large quantities of products they will tend to focus their resources on few suppliers, which in most cases are specialized in few products. Thus, the leaders of the groups of vendors located in the less central locations of the city center have an interest in promoting the specialization of their street vendors in these specific products. is beneficial to the street vendors This in the medium-long term because the street markets in which they work it distinguishes from the others and attracts more customers. However, commonly street vendors of the same group tend to avoid selling the same products. Indeed, one of the reasons that led to the establishment of street vendor leaders is that there is the need for somebody who can solve disputes among street vendors who want to sell the same products (Peña, 1999).
The leaders of the vendor of Tepito and Santo Domingo, however, have pushed their vendors to trade in similar goods. They were able to do so by using their commercial power. The leaders, in fact provided their street vendors with products of the same category but of different models. For instance, in one group specialized in selling writing materials, near Tepito, some vendors sell notebooks for offices with a particular color and form, others sell notebooks of smaller dimension with pictures on the cover for elementary students, etc. However, it is hard to imagine that this could have happened had the leaders not also had the power to reward and sanction the street vendors.

Another sign that reveals how street vendor leader use their power directly to the advantage of their street vendors is their work of limitation of the number of street vendors working in the less accessible street markets. As an example, in 1991, in the entire area of Tepito there were 6,288 street vendors. Currently, most accounts say that there are around 10,000 street vendors in Tepito. Thus, while in the most central areas of the city center the number of street vendors multiplied by four or five, in Tepito it doubled at most. There is not doubt that this has happened because the leaders of Tepito wanted it to be so. They are, in fact, the only people responsible for deciding the number of street vendors who are part of their groups. Very likely the reason why they limited the number of street vendors is that as wholesalers they prefer to trade in large quantities with a limited number of street vendors rather than with many street vendors, selling each a small amount of goods. In any case, the result has been that the street vendors have been protected by their leaders from the competition of the other vendors and, as a result, they did not face constraints to their business expansion.
Finally, the leaders used their power to support the establishment of an informal system of property rights which allowed the street vendors to access credit and to accumulate consistent assets. Street vendors, especially in the past, did not have sufficient financial resources to buy large quantities of supplies. Once the leaders came to have large amounts of goods available, they began supplying goods on trust using the street vendors’ spots as collaterals in order to speed up commercialization. Currently in Tepito, for instance, around 90% of the stalls are either owned or rented (Peña, 1999). The street vendors who I interviewed told me that their 40 square foot stalls can cost up to 10,000 dollars. To estimate the real value of this amount of money it is sufficient to say that that is equivalent to what a Mexican employee earning minimum wage makes in 6 years. To give a sense of the sophistication of this system of property rights as well as the central role that the leaders play in it, it is worth saying that for any stall transaction the street vendor leaders receive a levy equivalent to 10% of its value.

With time the street vendors began asking their leaders for credit for the purchases of goods other than the products they sell, for instance for financing the expenses of their marriage. In many cases these agreements contain a mix of in kind and monetary transactions. For instance, the street vendors who borrowed from their leaders sell their goods together with those of the leaders instead of paying interests and give them the correspondent profits. Once again, the power that the leaders have vis-à-vis the street vendors made possible the establishment and the functioning of a mechanism that helps the development and the business expansion of the street vendors.

---

26 This is the experience of one street vendor in Tepito. In his interview he told me that his case was not an isolated one.
6. Findings and Policy Implications

“However useful ‘sectors’ may be in coming to terms with a national economy and drawing up broad programs for investment, it is important to understand they are empirical, not theoretical categories: they are arbitrarily defined chunks of this or that economy, managerial devices. Their use as comparative analytical categories can only be an imposture. .” (Robertson, 1984)

“. . the SF [small firms] literature is strangely silent on the politics in which SF support is so firmly embedded” (Tendler, 2002)

This work started with one question: why street vendors located in the less accessible areas of the city center have better economic and working conditions than others with privileged access to customers. This is a central question because the answer helps not only to design better relocation programs or regulations disciplining street vending, but also to understand what distinguishes the street vendors and why in a commonly assumed unregulated and very competitive sector composed by small enterprises and similarly educated workers there is such strong heterogeneity. Most mainstream theories, in fact, do not lend themselves to interpret differences existing in the informal economy, as they are
developed around a notion of “modern” economy described in terms of technologies, sectors, human capital, etc.  

6.1 Confronting the Evidence with the Literature on the Informal Economy

Based on a comparison of four street vendor groups -- two located in the central, commercial areas and two in the less trafficked, internal streets of the city center -- this study shows that street vendors working in Mexico City downtown are stratified. The cause of this stratification is related to the different locations of the street vendor groups. Location, in fact, affects the scale and the kind of commerce street vendors can develop, determines the level of street vendors’ competition for space and affects street vendors’ possibility to develop appropriate economic institutions and other arrangements that support their economic development. As a result, depending on their location, street vendors develop differently and face different obstacles and opportunities. This divergent development keeps the street vendors segmented in two different types of street markets that are so different from each other that it is difficult for street vendors to move from one type to the other. The street vendors located in the most accessible locations, in fact, do not have the skills, the organizational capacity, the financial resources and the required connections with suppliers to compete with the street vendors located in the less accessible areas. In addition, the street vendors located in the most accessible areas find it difficult to

27 Most economic models predict that these types of firms in this type of ‘sector’ would show very similar outcomes. Without market-specific skills, immobilized resources, and restrictive legislations the street vendors should have no reason not to move from the less to the more remunerative street markets.
move to other street markets as the leaders working in these other markets oppose their entrance.

The first striking conclusion of this analysis is that it contradicts an interpretation that describes street vending as possible only in locations where there is heavy pedestrian traffic. The experience of the street vendors located in downtown Mexico City shows that access to customers is only one of the factors that influence street vendors’ economic outcomes and working conditions. Space for storage and competition for space influence the street vendors’ development in such a way that street vendors in less accessible areas can develop, and expand their businesses, and become small wholesalers so as to offset their disadvantages in terms of limited access to clients.

Thus, the second conclusion drawn from this study is that there is no single typology to define street vendors in downtown Mexico City. Indeed, the street vendors working in the city center can be divided into at least two groups: one composed of street vendors engaged in very low-scale commerce in a endless competition; and another group composed of street vendors involved in medium-to-large scale commerce with privileged access to lucrative products. The first striking characteristic of this stratification of the street vendors is that it contradicts all interpretations describing the workers of the informal sector as either “refugees” lacking formal jobs (Hart 1971; Desoto, 1989; Portes 1984) or voluntary participants seeking to avoid paying the price of legal compliance (Maloney 2004). 28

---

28 The definition of the informal economy has evolved during the times. At the beginning it was defined as the sum of the economic activities taking place in small firms with little capital, in sector with little barrier of entry where formal regulations of the state could be easily avoided. Thus, it was believed that the cause of informality was the existence of a large population of poor who did not have the assets to enter the formal economy (Hart 1971). In the eighties the informal economy scholars began to question and investigate the
in the so-called informal sector there are both types of workers. The second surprising
feature about this duality within the informal sector\(^\text{29}\) is that it resembles the duality within
the formal economic (Berger and Piore, 1980): on one extreme, firms that due to their
larger seize and their collusive behavior are able to conserve their competitive advantage
vis-à-vis their potential competitors; and on the other extreme, a large number of small
firms in fierce competition for a niche market. In the case of the street vendors, however,
the determinant of the economic polarization is caused by their different location rather
than by the different mode of production or the distinct characteristics of the economic
sectors in which they compete.

This leads us to a third conclusion: exemption from legal compliance as well as the
political economy that develops around these initiatives has a deep impact on the
development of micro-enterprises like those of street vendors. In the last fifteen years the
literature on small business development has extensively debated the necessity to grant
informal firms the possibility to avoid compliance with fiscal and labor standards as a
means to support their development (DeSoto, 1989; Djankov et al. 2002). The comparison

\(^{29}\) It is important to remember that Informal self-employment in Latin America constitutes the largest source
of employment among men after formal salaried employment, in some cases exceeding 40\% of the work
force (Maloney 2004).
between the street vendors in downtown Mexico City confirms the thesis put forward by Tendler (2002), who underlines the distinction between two types of exemptions: those unconditioned and 'universalist,' which discourage firms' development; and those aimed at increasing the rewards for enterprises that decide to grow, which encourage business expansion. The case of the street vendors, in fact, letting aside the pernicious effects of smuggling, shows that those who have been exempt from complying with the rules disciplining the use of public space, base their competitiveness purely on the privileges that this exemption provides them (i.e., access to customers) and as a result stay small. Paradoxically, the seemingly less 'active support' that the other street vendors receive (i.e., impunity for their expansion and later for entering in the smuggling industry) had the opposite effect: it increased the rewards for those willing to expand the scope of their businesses.

However, the comparison of the street vendors in downtown Mexico City shows that there is a second, and probably even more important, reason to avoid unconditioned exemption which has to do with the political economy that develops around these initiatives. When this support is rationed, in the sense that is granted only to one group of firms, still without regard to their ability to compete, enterprises may enter in competition for obtaining the exemption rather than for expanding their businesses. That, especially in contexts characterized by phenomena of corruption, has the effect triggering an unregulated competition which not only discourages firms from developing but also mines their very capabilities to grow. One of the mechanisms by which this may happen is
through the weakening and the spoiling of the correct functioning of small firms associations.\textsuperscript{30}

This leads us to the forth conclusion. Mexico city street vendors throughout the years have developed associations which in turn have created economic institutions and rule of conducts that strongly affect their economic decisions. There is an ample literature that discusses street vendor organizations.\textsuperscript{31} However, almost all studies focus on the sociological and political implications of the existence of these collective actors; no study that I read explicitly focuses on the economic implications of these organizations. Yet these organizations have a very strong impact on the street vendors’ economy. In addition, most likely these organizations will filter any type of policy intervention based merely on monetary incentives. Policies of this type are often advocated for informal, small firms’ development on the assumption that small-scale economic actors in strong competition with each other and in an almost completely unregulated sector are perfectly sensitive to price variations (Maloney, 2004). This comparison, however, suggests that the category of agents probably most commonly regarded as being highly sensitive to price variations, the street vendors, actually face important barriers of an institutional nature. This suggests that institutional reforms and regulations disciplining in particular the functioning of small businesses associations have a central role and should be regarded as policy instruments as important as those impacting directly on price signals.

\textsuperscript{30}There is an extended literature that focuses on the connection between (lack of) economic development, untargeted economic support and corruption, thought despite very distinguished exception -- Berger (1981), Tendler (2002), Criscuolo (2002) -- it has focused on large firms (Biddle, J.& Vedat M. (1997)). Given the critical role that legislation and the enforcement of it, on one hand, and associationism of small firms, on the other, plays on small enterprises, this bias is not justified

Finally, this study shows that the distinction between the informal sector and the illegal sector is less neat than how it may be represented by a legalistic definition. Castell and Portes define the activities in the informal sector as those that encompasses income-earning activities that are not regulated by the state in social environments where similar activities are regulated "(Castells and Portes, 1989). This definition would make the street vendors involved in the smuggling business seem as standard workers engaged in the informal sector. However, it is clear that the high profits that some of the vendors involved in the smuggling industry make are a direct result of the fact that that activity is very risky, and accessible only to a restricted number of people. Risks and accessibility should be regarded as important categories to analyze when assessing “border line” economic activities within the informal sector.

6.2 policy Recommendations

From these conclusions it is possible to draw some policy recommendations aimed at improving the conditions of the street vendors working in downtown Mexico City, in particular those located in the central commercial streets. Given the complexity of the stakeholders’ interests, these recommendations should be taken as an illustration of potentially positive initiatives rather than as a list of “all inclusive” interventions. However it is important to underline that if the city government will not support street vendors located in the most accessible areas -- in particular, if it will not act to regulate competition for space of these street vendor groups -- street trading of smuggled products will remain the best alternative for Mexico City street vendors.
Firstly, there is not a single approach that can be followed to support the
development and the formalization of all street vendors at the same time; indeed, it is very
likely that an initiative supporting one type of street vendors if applied to another type
could have detrimental results. It is better to design specific initiatives aimed at either
making the competition for space of the street vendors engaged in survival activities
transparent, or supporting the development of deeper linkages between Mexican producers
and the vendors involved in large scale commerce. These initiatives would contribute not
only to improve the street vendors’ economic conditions but also to undermine the
expanding power of illegal organizations that somehow are involved and benefit from the
street vending activity.

Secondly, the city administration should stop granting in an unregulated and no-
transparent manner the permission to work in the main streets of downtown Mexico City.
The actual perimeter of the downtown area in which street vending is not allowed should
reflect the real possibilities for and will of the city administration to enforce such a
prohibition. Outside of this perimeter, street vending areas should be assigned on a
multiyear basis following a transparent system of bidding.

Thirdly, policies and initiatives should be designed based on a notion that
recognizes that street vendors, even in economic terms, act in groups. For this reason there

\[32\] In supporting the establishment of an organization linking the vendors to national producers it is
recommended to encourage an organization with a high degree of autonomy from the public authority and
whose financing is progressively related to the vendors’ economic results, for instance by linking it to the
cost paid by the vendors to rent public space. These characteristics will ensure that the organizations at the
beginning will find flexible solutions reflecting the concrete possibilities of the vendors and later on that will
increasingly favoring the development and the formalization of the street vendors. For more on successful
provider of services to small informal firms read Criscuolo (2002)
are no policies or relocation programs that can be successful without being accompanied with reforms aiming at redesigning the institutions street vendors have developed.

For instance, it is important to change the mechanisms guiding the access to the leadership of the street vendor organizations. As the street vendors in the less central areas of the city center show, for street vendors’ development the leadership should be open to those who are more equipped to reap the opportunities that the markets provide. Such a reform would have the additional benefit of increasing the transparency and the democracy of the leadership selection. While a positive objective in itself, achieving this goal would increase the possibility that economic benefits will trickle down from the leaders to the street vendors. This objective could be accomplished by attributing directly to the single street vendors the sale licenses. Currently, the leaders receive the licenses from the city administration and in distributing them reward their supporters and penalize their challengers. Even if the city administration stops issuing these licenses, this reform is needed as in the absence of a transparent system that gives autonomy to the vendors the leaders will keep exercise their power.33

Similarly, in supporting the unsuccessful street vendors, a particular attention should be devoted to the street vendor leaders whose interests must be realigned with the economic success of the individual street vendors they represent; currently the economic interests of the street vendor leaders is related to the per-head fees that street vendors pay to them, hence to their number more than their economic success. Changing this structure of incentives for leaders would contribute to facilitate street vendor upgrading and to reduce the number of street vendors working in the city center.

33 See Thulare (2005) for a description of how administrative arrangements’ effects survive to regulation (2005)
Lastly, in designing policies supporting the street vendors engaged in survival activities, policy makers need to balance the objectives of supporting the most capable vendors to upgrade and move into more remunerative markets, with those of limiting the depletion of the organizational capacity of these vendors groups. As shown street vendors’ success is very much related to their collective capacity.
References


