

The Big Three and informality

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The Big Three, state, market, society, are pillars of social science. Society is the foundation. Social life takes shape (clan, tribe), markets evolve (surplus produce, artisanal goods, caravanserai, souk, fair) and organization follows (village councils, chief, bey, sheik, lord) to settle disputes, provide services and secure trade routes.

Without a society, no state, but there can be society without a state. States are extensions of society. The origins of state institutions are the administrative bureaucracies of feudal lords, kingdoms and empires, with security, census taking and tax collection among the key functions (Strayer 1970, Anderson 1986, Scott 2017). Society, the deepest layer, sprawls in many directions. Markets and states arise from the growing division of labor and differentiation of society; over time they become functionally autonomous and specialize. Economies and states spread out in many spheres. Talcott Parsons and structural functionalism—an influential approach in American sociology in the 1960s and 70s—added culture as a fourth domain.

In Thessalonica, visit the National History Museum and its emphasis is on national, Greek histories, costumes, narratives. Now go on to the Folk and Ethnological Museum and it tells much older stories, in which Ottoman and Greek worlds intertwine and rural mountain routes, dress and cuisine overlap. Visit the Archeological Museum and the angle pivots to Macedonia and Thrace.

‘Society’, often equated with the nation-state, is older than nation and state, is layered and unfolds in myriad ways. Social cooperation long preceded state formation. Why then is the conventional sequence that of ‘state, market, society’? Does it imply a rank order in the power to shape society? It goes back to the 19th century when social science disciplines took shape. Approaches were state-centric from the Westphalen Treaty of 1648 until the late 19th century when civilizational history and other genres of history evolved, economic, social, etc.

The state came in first place because it was held to possess the largest database and the widest range of agency. Hegel (1840) viewed the state as the leading embodiment of consciousness and agency: what it takes to awaken to the ‘spirit of history’, to become a subject rather than an object of history, is awareness of what is happening and the ability to act upon this knowledge. This lineage includes, among others, Jacobinism, the French revolution that set the stage for the French educator state, Prussia’s robust state, Lenin’s New Economic Policy, Nkrumah’s postcolonial state (‘Seek ye first the political kingdom and all else will follow’), and the developmental state of Japan, East Asian economies and China.

Adam Smith and Manchester liberalism criticized the royal chartered companies and deemed market forces to be more competitive and capable than government. This view moved up with neoclassical economics, Mises and Hayek and the Chicago school, became dominant from the 1980s onward and established another network of power. The limitations of market forces as societal guidance emerged in financial and economic crises during the 1990s, culminating in the crisis of 2008, which showed that neoliberalism was 'oversold'.

The informal underlies and enables the formal; the formal is an organization and regulation of the informal. The informal, like a diamond, has many facets and which show up depends on where the light shines from. From the point of view of the formal, the informal lacks standing and status and is merely ordinary, everyday casual as in dress and manner. From the viewpoint of states, the informal lacks features such as records, legibility, regulation, taxation (black market). From a business viewpoint, the informal means risk (no written contract, no recourse, unpredictable) yet also entails opportunities for cheap deals and backdoor scams. In many developing countries, the informal sector is the largest and street hawkers, rickshaw drivers and others who work in this sector have tacit rules of their own. In the words of the bard, 'To live outside the law you must be honest'. In advanced economies, informal and low regulation work have been on the increase in migrant work and the gig economy and with it the precariat grows while the informal circulation economy of sharing and reuse also grows. In organization studies, the informal is part of the infrastructure of the formal; the front door, side door and backdoor are interdependent. Informal organization is a resource of morale, trust, resilience (water cooler, TGIF) as well as a source of intrigue, sabotage, backbiting.

Viewed from an existential angle, the informal is wide and profound, layer upon layer of old strata, from folk wisdom down to ancestral knowledge. It is irreverent, ribald, a wellspring of the sage, the bard, the jester, of humor and bawdry jokes. It is concealed (an Ethiopian saying, 'when the great lord passes, the peasant bows and silently farts') and hidden from view alongside the power of the weak and their hidden texts (Scott 1985), their subterfuge, sources of comfort, healing and resistance. All social movements, peasant uprisings, mutinies, trade union organizing, women's emancipation arise from and are grounded in informal resources.

Erasmus mocked the posturing and hypocrisy of Roman Catholic dignitaries ('In praise of folly', 1511) and Qawwali music from rural Pakistan offers ribald mockery of the urban mullahs and their rules.

Formality, too, comes in many guises. Formality is a gatekeeper to the necessary passage points of decision making and institutional change. Courtrooms require gravity, parliaments require procedure. Great art inspires awe; formality demands awe, at any rate compliance. Rules and procedures are markers of organization. Also part of the equation are bureaucracy and red tape (disorganization is a byproduct of organization), ritualism,

pomposity, deception (Potemkin façade) and guile (promise, don't deliver), guises that are not always neatly distinguishable.

The informal and formal are a continuum, not a binary. The distinction between formality and informality is also an administrative fiction, a tool of governmentality. The actual boundary between formal and informal lies in the twilight zone, a moving target that looks different by day than by night. A pirate may be an envoy of the king. Relations between formality and informality are not easy to map because of lack of transparency. The spectrum of the informal is wider than that of the formal. After all, the secrets of the formal are informal (networks, backroom, 'personnel is policy').

American corporations and Hollywood studios tuck the informal away in Non-Disclosure Agreements, which are formal. Media discreetly follow codes of no-go yielding to the code word classified information. The informal works through and in the crevices of the formal—like cops moonlighting for gangs, secret services shielding crime syndicates in East Europe and Russia (Glenny 2009), intermediary judges for hire, billionaires' dark money funding rightwing movements and think tanks that design policy papers for Congress. The secrets of the US' 'longest war' in Afghanistan include 'imaginary institutions' and 80 percent of US funds going to large contractors (Bijlert 2009, Ackerman 2022).

In developing countries, the informal sphere is often more knowledgeable on the ground, more effective, better organized than government agencies. The government hoards the limelight but has limited grasp. In developing countries government and civil society often compete for legitimacy and foreign aid. In Bangladesh (BRAC, Grameen), Pakistan (Jamaat-e-Islami), Egypt, religious organizations and charities often function better than government agencies. This follows the 'retreat of the state' in the wake of markets opening up and government spending cutback. In several countries NGOs are stronger in some domains than government agencies, with uneven ramifications (Hanlon 1991, Duffield 2019).

According to Serif Mardin, in Ottoman Turkey the tax collectors were the center, tax payers were the periphery (1973). The periphery survived by informal means. Thus, one view is that the problem is not informality, that's simply how people get by, ever did; the actual problem is formality, the quality of governance that is superimposed on much older informality in various ways. Susan George's advice (1977) is don't study the poor, they get by (with the kind of community help this volume discusses). Study the rich, that's where the problem lies.

Several entries in this volume refer to patron-client relations, which often go back deep in time and cross strata of caste, class, slave, an underestimated dimension of social cohesion. What goes under the bulky heading of 'corruption', then, forks in at least two directions—social cooperation and cohesion, and abuse and fraud. Abuse and fraud fork in two further paths—small fry and big fish. The big fish are a big problem.

Folklore is much older than the state and the nation. Many entries in this volume refer to folk legacies, customs and traditions. The revocation of the old also refers to the creation of new hiding places and forms of camouflage. Are the informal practices discussed in this volume, with its wide range and geographical scope, transformative?

According to an entry in this volume, *palanca* in Mexico is the ‘informal social practice of exchanging favours... Similar to the Russian *blat*, the Chinese *guanxi* or the Brazilian *jeitinho*, *palanca* in Mexico is considered a balancing mechanism that restores justice when formal institutions malfunction. The justification is that when the authorities do not offer services or goods efficiently, it is fair to use "*palancas*" for solving personal or family problems... *Palanca* does not seek revolt against the formal rule itself, but against the fact that the formal rule does not work in practice’ (Arellano-Gault and Trejo-Alonso 2023: 107, 108). ‘Restoring justice’ is an interesting perspective. Does it work? The entry also points to limitations: ‘The dark side of *palanca* is that the most influential leverage networks can be highly exclusive, usually permeable [accessible] only to those with the most money and resources’ (ibid.). Thus, the rich not only bask in wealth and power, they get favors too.

The informal, of course, shapes formal decision making. The ‘quiet encroachment’ of the poor (e.g., street hawkers move to a slightly better position when police isn’t watching; Bayat 1998) is no match for the quiet encroachment of the rich. In the words of Warren Buffett, one of the world’s wealthiest persons: “There’s class warfare, all right”, Mr. Buffett said, “but it’s my class, the rich class, that’s making war, and we’re winning” (Stein 2006). How come mega corporations and billionaires pay little or no taxes? The rich leverage their wealth and power to secure a favorable tax code. Lawyers turn tax evasion (illegal) into tax avoidance (legal). Big Tech, Big Pharma, Big Oil, Big Banks, Big Agrobusiness etc. spend millions on lawyers and lobbyists. Their lawyers and lobbyists tweak Congress legislation so that regulation stifles competition from smaller firms (Derber 2007). The gap between Big Cap, Wall Street and Main Street keeps growing. Financialization has been trendsetting since the 1980s and swindle is profuse in the finance sector (Nesvetailova and Palan 2021). Tax havens and what the Panama Papers and Paradise Papers convey are informal too (Bernstein 2017) while the US Senate polices that uphold them are formal.

Inequality has risen to staggering heights. In the US, the top 0.01 percent of Americans, about 200,000 families, own as much wealth as the bottom 90 percent, about 110 million households (Piketty et al. 2018). Most Americans live from paycheck to paycheck. Worldwide, ‘The richest 10 percent today snap up 52 percent of all income. The poorest half get just 8.5 percent’ (IMF 2022). The use of informal means by the wealthy and powerful turns the world into a world of scams. The balance is not in favor of the majority.

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