Stealth of Nations: The Global Rise of the Informal Economy

Robert Neuwirth
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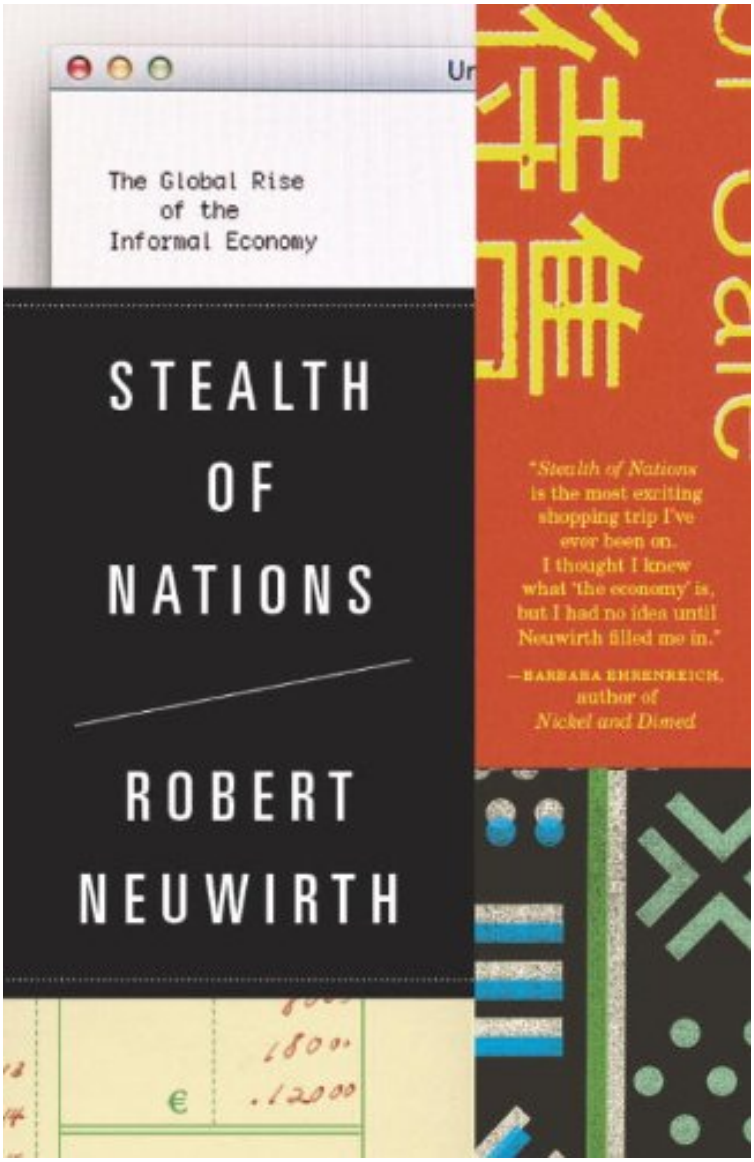

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Robert Neuwirth : Stealth of Nations: The Global Rise of the Informal Economy before purchasing it in order to gage whether or not it would be worth my time, and all praised Stealth of Nations: The Global Rise of the Informal Economy:

2 of 2 people found the following review helpful. Important Subject, Mediocre Writting, Inadequate AnalysisBy Jeffrey EldredI sought out this book because I wanted to learn more about the Informal Economy and the implications for the future of world development. The first chapter or so of the book reinforce this feeling, underscoring how important it is to understand what happens in the "System D" or "Informal Economy". I found the book was interesting

but not especially enlightening. The book primarily consists of "slice of life" features of various individuals who make a living without relying on infrastructure or paying taxes. These are fascinating, but I already a lot of these from feature-length articles written in new media - and most of them were better written! I was really hoping to get a book more from a book.Here's just one example. At one point he interviews someone who has a sizable and successful business in the Informal Economy who explain the problems they have getting a loan. Later in another chapter he interviews a development expert who says that actually businesses have no difficulty getting loans and what they really need is infrastructure. Neuwirth makes no attempt to connect this analysis to the earlier section, let alone resolve the apparent clash in perspective. In the string of experts he interviews in the same chapter, the analysis feels both small and isolated. Speaking about infrastructure, well-functioning governance and a healthy tax base is what is necessary to bring that about. But the Informal Economy is built no discussion about how to unify these forces into a functioning society or even whether society is going in the direction.Neuwrith makes the very important point that the very existence of the Informal Economy puts to rest any claim that markets are unnatural product of Western hegemony or corporate oppression. But while he is quick to protect the developing world from Marxist fantasy, he seems to instead indulge in libertarian fantasy. The upshot of every chapter seems to be "Isn't this amazing? Markets!" but I would I preferred something for substantial. There is no description at all about the dark side of the Informal Economy - nothing about envrionment degradation, crime, the difficulty government protection of life and property and whether big informal business should ever start paying taxes. Its not just that these are absent from the analysis, but there conspicuously absent from the "slice of life" that makes the majority of the book. And its not a matter of debunking misconceptions either - other works don't have any difficulty finding these stories.1 of 1 people found the following review helpful. A dialectic argument with himself over the power of the marketplace.By Shane C. PruyneThree and a half stars. This was a very difficult book to for me to rate. It is a well written and entertaining travelogue style look at the informal economy around the world. It doesn't matter if you call it Systeme D, Jua Kali, or the grey market; it exists and it is huge.All throughout this book I was reminded of my High-School English teacher, who tried to relate "The Stranger" and "Siddhartha" (existentialism and situational ethics) with a profoundly Lutheran fundamentalist perspective. She didn't do a bad job, she just had great difficulty in separating the material from who she was. Neuwirth has a much similar problem; he seems to glorify in the ingenuity and determination of people trying to get by yet he is repulsed by the sheer dynamism and indifference of the free market. The whole book is a dialectic argument with himself over the power of the marketplace to provide solutions, and the desperate want and need to control and regulate it.Keynesian economists despise and belittle Systeme D because they cannot understand it, other Statists fear Systeme D because they cannot control it. The future of freedom is here, if it isn't first crushed by collectivists trying to 'help'.25 of 27 people found the following review helpful. Fascinating study of overlooked economyBy Peter LorenziAt a time when we have serious concerns over unemployed and underemployed, about regulation that strangles or stifles business, and taxation and tariff rates that drive prices through the roof, this fascinating little gem grabs you from the start with stories and data about the 'real' economy around the world, where currently fifty percent (and moving towards sixty percent) of the billions of working people in the world are doing so in the 'informal' economy, below the radar, off the official record, not part of world GDP. Neuwirth cites an estimate that this 'informal' economy amounts to about $10 trillion dollars annually, or about one-eighth of the world economy. Why so many people and so little economic impact? Because the margins in this business are razor-thin, where unfettered and, yes, in some cases, illegal, immoral and unscrupulous business better expresses capitalism than does the image of the multi-billion dollar global corporation.Working his way through South America, China and Africa, Neuwirth meets and understands the people, their motives, and their practices. He is not writing about the darkest side of the economy, i.e., sex, drug and nuclear weapons trade, but rather the basic human element of survival, where entrepreneurs with a real flair for business work deals between Nigeria and China, dealing only in cash, bribing and smuggling, and providing a living for tens of millions of people. One can't decide if this is the solution to world economic problems, the 'real' economic problem itself, or just a grey underground world of questionable practices. Yet as scholars and over the years have noted over the years, the practice of these entrepreneurs are not that morally different from that of the established corporations. While I am not ready to go that far, read it and decide for yourself.

bull; Thousands of Africans head to China each year to buy cell phones, auto parts, and other products that they will import to their home countries through a clandestine global back channel.nbsp;bull; Hundreds of Paraguayan merchants smuggle computers, electronics, and clothing across the border to Brazil. nbsp;bull; Scores of laid-off San Franciscans, working without any licenses, use Twitter to sell home-cooked foods. nbsp;bull; Dozens of major multinationals sell products through unregistered kiosks and street vendors around the world. nbsp;When we think of the informal economy, we tend to think of crime: prostitution, gun running, drug trafficking. Stealth of Nations opens up this underground realm, showing how the worldwide informal economy deals mostly in legal products and is, in fact, a ten-trillion-dollar industry, making it the second-largest economy in the world, after that of the United States.nbsp;Having penetrated this closed world and persuaded its inhabitants to open up to him, Robert Neuwirth makes clear that this informal method of transaction dates back as far as humans have existed and traded, that it

provides essential services and crucial employment that fill the gaps in formal systems, and that this unregulated market works smoothly and effectively, with its own codes and unwritten rules.nbsp;Combining a vivid travelogue with a firm grasp on global economic strategymdash;along with a healthy dose of irreverence and skepticism toward conventional perceptionsmdash;Neuwirth gives us an eye-opening account of a world that is always operating around us, hidden in plain sight.From the Hardcover edition.

Praise for Stealth of Nations:"Stealth of Nations is the most exciting shopping trip Irsquo;ve ever been on. I thought I knew what lsquo;the economyrsquo; is, but I had no idea until Neuwirth filled me in."mdash;Barbara Ehrenreich, author of Nickel and Dimednbsp;nbsp;"A valuable book because it challenges conventional thinking about what it means for an economy to develop."mdash;The Wall Street Journal"[Neuwirthrsquo;s] exciting tour de force explains the economic underworld that dominates the economic stratosphere far more than we realize. . . . An impressive new book that reveals a global, informal economy, stretching from Africa to China to the United States. . . . The authorrsquo;s sources are vast and the remarkable depth of his research cannot be overstated."mdash;The Star-Ledgernbsp;"An intrepid journalist examines the real world of wealth creation at the very bottom of the pyramid, where it matters most." mdash;Stewart Brand, author of Whole Earth Disciplinenbsp;"A provocative argument."mdash;Salonnbsp;"We are just beginning to understand that todayrsquo;s advanced global economy rises along with a proliferation of informal economies. Nobody can document this better than the world-traveling journalist Robert Neuwirth. This is a must-read book."mdash;Saskia Sassen, Robert S. Lynd Professor of Sociology, Columbia University, and author of A Sociology of Globalizationnbsp;"After reading this book you will realize that working in an office, a shop, or in a factory, earning a steady salary,nbsp;paying taxes andnbsp;having healthnbsp;insurance and anbsp;retirementnbsp;account isnbsp;an anomaly. Most of the worldrsquo;s workersnbsp;operate innbsp;the informalnbsp;sector andnbsp;in this fascinating book Robertnbsp;Neuwirth revealsnbsp;hownbsp;lsquo;The Stealth Economyrsquo; works and what does itnbsp;take to survivenbsp;innbsp;it."mdash;Moiseacute;snbsp;Naiacute;m, author of Illicit: How Smugglers, Traffickers, and Copycats are Hijacking the Global Economynbsp;"What he [Neuwirth] doesmdash;compellingly, readably, engagingly, and frequently, brilliantlymdash;is give the reader a picture of how the worldrsquo;s economies actually work, and a convincing argument that we need to respect and understand these economic systems. Itrsquo;s a good read and an important book."mdash;Ethan Zuckerman, Berkman Center for Internet and Society, Harvard University"A vibrant picture of a growing sphere of trade that already employs half the workers of the world."mdash;Kirkus snbsp;"Neuwirth explores the global significance of the lsquo;informal economyrsquo; [and] makes a striking case for both the influence of System D and the need to engage it as a partner in economic development."mdash;Publishers Weeklynbsp;"For the last three years, we all have looked at the economy with fear and trembling. . . . But we forgot to look at the people who survive in the shadows of the official world. One person, the American journalist Robert Neuwirth, has spent the last decade of his life studying just this realm. He lived for months in slums around the world, traveled to every continent, and learned about the complex underground business models that drive a huge part of the global economy."mdash;MONO Magazine, Greecenbsp;"Robert Neuwirth spent four years roaming street markets around the world and came back convinced of the benefits of the parallel economy."mdash;Lrsquo;Expression, Tunisianbsp;"A very daring hypothesis."mdash;Die Zeit, Germanynbsp;"Very controversial."mdash;Exame, Brazilnbsp;"Neuwirth does an excellent job of recognizing and celebrating the entrepreneurial spirit."mdash;How We Made it in Africa, South Africanbsp;nbsp;"The so-called lsquo;informal economyrsquo; is often viewed with suspicion by the agents of the state, as an underground and even criminal community. In reality, it is what Robert Neuwirth, in his book Stealth of Nations: the Global Rise of the Informal Economy, describes as a do-it-yourself economy based on self-reliance and innovation."mdash;Daily Maverick, South AfricaAbout the AuthorRobert Neuwirth spent two years infiltrating street markets and networks of low-level smugglers around the world to write Stealth of Nations. He lived in squatter communities for a similar amount of time to write his first book, Shadow Cities. These globe-trotting ventures were supported, in part, by the MacArthur Foundation and the Fund for Investigative Journalism. His work has been featured in many publications including The New York Times, The Washington Post, Financial Times Deutschland, Forbes, Fortune, Foreign Policy, Harperrsquo;s, Scientific American, and Wired. Neuwirth has taught in the college program at Rikers Island (New York Cityrsquo;s jail) and at Columbia Universityrsquo;s Graduate School of Journalism. He is also in demand as a public speaker, and his TED talk on squatters has been viewed by close to a quarter of a million people.Excerpt. copy; Reprinted by permission. All rights reserved.The Great Rummage Salenbsp;These are the products of some peoplersquo;s lives. Biscuits, balloons, and battery-powered lint removers. Rag dolls, DVDs, and cut-price datebooks. Individual packets of laundry detergent, roach killer, rat poison, face cream. Fresh fruit and finger puppets. Sunglasses and magnifying glasses. The Un-Bra (a pair of gravity-defying, self-adhesive, strapless silicone push-up cups.) Counterfeit Calvin Klein cologne cling-wrapped in Styrofoam clamshells.nbsp;A vendor selling slide whistles blasts a mocking trillmdash;several times a minute, seven hours a day. Across the street, a husky man standing in front of a huge heap of clothes hollers, ldquo;Cuecas baratas! Cuecas baratas!rdquo;mdash;ldquo;Cheap underpants! Cheap underpants!rdquo;mdash;in an increasingly hoarse tenor. Next to him, a hawker with a tray full of pirated evangelical

mix tapes blasts a stereo powered by a car battery. Two women toss tiny toys in the airmdash;twin pinecone-shaped pieces of metal lashed together with elastic. These novas brincadeirasmdash;new jokesmdash;clack together like raucous rattlesnakes, creating a din destined to drive mothers and schoolteachers bonkers. Around the corner, two vendors with plastic windup launchers shoot small helicopters high above them (they drift back down, rotors a-frenzy) while another stands, back to the breeze, and silently releases child-size soap bubbles from a scoop that looks like a giant Ping-Pong paddle. The bubbles squirm after being born, their edges hesitant. They wobble on the weak current and burst an instant before they touch anything.nbsp;In her office six floors above the everyday economic carnival, Claudia Urias, general secretary of Univinco, a nonprofit dedicated to promoting and improving the market, took in the tumult rising from the street. She shook her head. ldquo;Eacute; uma confusatilde;o total,rdquo; she declared. ldquo;Itrsquo;s total confusion.rdquo;nbsp;Despite her up-close knowledge of the street, however, Claudia is wrong. Rua Vinte e Cinco de Marccedil;o (the street of March 25) in the center of Satilde;o Paulo, Brazil, only seems like absolute anarchy. The street market heremdash;the largest in the city, where retailers from other markets come to buy, because many of the items you can get on this street are either unavailable or far more expensive elsewhere, even from wholesalersmdash;has unwritten rules and an unofficial schedule, almost as if all its merchants were punching a clock. The chaos here is meticulously organized.nbsp;Each market day starts well before dawn. At three thirty a.m., four men converge on a short commercial alley just the other side of the Tamanduateiacute; River. Thin sheaths of onion skins crunch under their feet, perfusing the air with their scent. The men, however, seem immune to the acrid atmosphere. They enter a run-down warehouse and emerge with several dozen battered wooden crates and splintered and stained plywood sheets. They rope this haphazard cargo on top of dollies and roll them along Avenida Mercuacute;rio and across the river to Rua 25 de Marccedil;o. There, they pile the boards on top of the crates to make two rows of makeshift tables along a pedestrian alley that leads from Rua 25 de Marccedil;o to Rua Comendador Abdo Schahin.nbsp;This is the opening ritual of a site-specific street performance, the construction of the stage set for Satilde;o Paulorsquo;s wholesale market for pirated CDs and DVDs. Within a few minutes, several dozen dealers arrive. Some roll up in compact vans and sell their contraband right from the vehicles. Others arrive on foot, carrying duffel bags. They plop the bags on the tables, unzip, andmdash;Eacute; isso ai!mdash;as if a starterrsquo;s gun has fired, the market has begun. First-run movies are often available a day or two after they open in theaters.nbsp;By four a.m., Eacute;dison Ramos Dattora is on the case. Eacute;dison is a camelocirc;mdash;an unlicensed retail street vendor. He came to the big city almost two decades ago and spent fifteen years selling chocolates, clothing, and small gift items on the trains at Estaccedil;atilde;o Juacute;lio Prestes, one of the cityrsquo;s commuter rail stations. For the past three years, he has moved into the more lucrative trade selling pirated movies and CDs on the cityrsquo;s streets. Business is so good that his wife, who used to work a sales job in the legal economy, has joined him in the illicit trade. Eacute;dison hits the wholesale market for both of them, so his wife can stay home with their young son. They buy movies for fifty centavos eachmdash;or thirty centsmdash;and resell them for at least twice as much. Most often they work separately, to maximize the amount of the city they can cover, but when the streets are particularly busymdash;before a big holiday, for instancemdash;they join forces to handle the demand.nbsp;Being unlicensed dealers in illegal copies of well-known films may put them at odds with the movie companies and the cops, but Eacute;dison is proud of his profession and insists that it is no different from the work his wife used to do in the aboveground economy. ldquo;Itrsquo;s the same as any job, with the same goals, only done differently,rdquo; he said. Street peddling has given his family a life that has transcended the dreams he had growing up in Brazilrsquo;s agricultural midlands. He now has an apartment in the center of the countryrsquo;s biggest city, a house in the suburbs (rented out, to bring in extra income), and a bank account and credit card. Eacute;dison earns enough money that, a few years back, he traveled to Europe to try his hand at street vending there (though he enjoyed his journey, sales were better in Brazil, he told me.) As he spoke, three members of the Guarda Municipalmdash;the local police forcemdash;sauntered by on the Viaduto Santa Ifigecirc;nia, one of the long pedestrian bridges that span the low-lying downtown park/plaza called the Anhangabauacute;. Eacute;dison fell silent. His wares were safely zipped inside a pink schoolgirlrsquo;s satchel at his feet, but he stared after the cops and waited until they were at the far end of the viaduct before he picked up the thread of the conversation.nbsp;It takes about an hour for Eacute;dison and his fellow camelocirc;s to finish their purchasing. Thatrsquo;s when Jandira pulls up in her small pickup, as she has six days a week for the past ten years. She parks in the same spot every daymdash;a corner next to the pirate marketmdash;and does her business right from the back of her truck. Her trade is bolo and patilde;o. Each day she bakes eighteen cakesmdash;usually chocolate, chocolate/vanilla swirl, and orangemdash;and twenty-five loaves of bread, and makes cafezinho (black or with milk, but always heavily dosed with adoccedil;antemdash;artificial sweetener). She sells these items to the street market workers and their customers. At one real per slice and fifty centavos for a coffee, her average sale totals less than a dollar, but her low prices have yielded good profits. ldquo;With this clandestine job,rdquo; she said as she proffered a slice of orange cake, ldquo;I have bought two cars, a house in Minas Gerais [a province about five hundred kilometers north of Satilde;o Paulo], and sent my kids to private school.rdquo;nbsp;The pirate market ends at sunrise. The haulers, who had disappeared while the market was in full stride, return. Therersquo;s some haggling and shouting until the wholesalers hand over the daily ldquo;vig,rdquo; the extra cash the haulers demand to

do their job. Once the dealers ante up and vacate their posts, the haulers toss the crates and boards in piles on the sidewalk. They load up their dollies and roll the crude infrastructure back across the river to the onion brokerrsquo;s place. A few wholesalers huddle in darkened doorways, making quick transactions with camelocirc;s who were late to the fair. The rest move briskly off. By five thirty, therersquo;s no sign of the presence of the pirates except a thick scattering of plastic DVD wrappers in the gutter.nbsp;Itrsquo;s still early. A few catadoresmdash;self-employed recyclers who prowl the streets looking for cardboard, plastic, and metal that they can sell to scrap dealersmdash;catch some shut-eye in front of the gated storefronts of the Centro, their half-filled handcarts tilted back so they wonrsquo;t roll away. Downtown is still dormant, but Rua 25 de Marccedil;o is already welcoming the next wave of street sellers.nbsp;Merchants from China dominate this second line of sales. They arrive a little before six a.m., pulling small folding carts on which they have packed their inventory and the spindly accordion-style folding tables that function as their mobile stalls. Each has a different specialty: one bracelets, another backpacks, a third sunglasses. Most cater to the latest fads: New York Yankees caps in camouflage, orange and green plaids, and other unofficial patterns, pirated futebol jerseys for local clubs like Corinthians, Palmeiras, and Santosmdash;some of them indistinguishable from the real McCoy, others with the dripping ink and blurry logos that are the mark of bad knockoffs the world over. They sell their products to street sellers and small-scale retailers who cannot afford to buy in large quantities or donrsquo;t have the warehouse space to store excess goods. Street vendors who sell sunglasses, for instance, could buy their wares at one of the wholesale outlets two blocks away on Avenida Senador Queiroacute;s, which offer the lowest prices. But these stores donrsquo;t open until nine a.m. and you have to purchase at least twenty pairs of each style if you want to shop there. Here on the street, the Chinese will sell you three pairs for five reaismdash;at 1.7 reais to the dollar, thatrsquo;s about $1 a pair. Roving street retailers resell each pair for three reais, or about $1.75, thus garnering a 75 percent profit over the price they pay the Chinese vendors. Because of the middlemen on Rua 25 de Marccedil;o, camelocirc;s who canrsquo;t afford or donrsquo;t have the space to store scores of sunglasses can buy a small quantity of different styles at a price that will still guarantee a strong profit when they resell them in their neighborhoods.nbsp;The Chinese turn on Rua 25 de Marccedil;o lasts about an hour. By seven orsquo;clock, the merchants have started repacking their wares and moving off. And by seven thirty, only a few stragglers are left, steering their overstuffed carts toward the bland commercial buildings downhill from the Praccedil;a da Seacute;, where many of them store their goods.nbsp;The street readies itself for another shift. First the legal camelocirc;s start rolling in. Eighty handicapped people have been approved by the city to do business on the streets around Rua 25 de Marccedil;o, but few of the original licensees remain. Most of the disabled vendors have clandestinely sold or leased their street hawking right to other, able-bodied people, who now run the carts. They, in turn, employ haulers who roll their sturdy steel carts from the nearby parking garages, where they park the carts overnight, to their official positions on the street. The haulers unwrap the blue tarpaulins that swaddle these carts during their off-street hours and protect them from the elements when theyrsquo;re on the street. At eight, the largest legal store on the streetmdash;Armarinhos Fernando, which sells school supplies, stationery, appliances, and a wide variety of household goodsmdash;also opens for business. (This store, which controls almost a full block in the middle of Rua 25 de Marccedil;o, has an unwritten but highly effective policy prohibiting camelocirc;s from setting up any table, no matter how makeshift, on the sidewalk; the store canrsquo;t keep them out of the street, however, and many set up impromptu booths just off the curb.)nbsp;At almost the same time, a dozen men and women in orange jumpsuits swarm by. These are the foot soldiers of the cityrsquo;s sanitation department. They stride down the street with stiff-bristled brooms and long-handled shovels, toting plastic bins in their wake. They sweep up the cardboard and plastic sleeves that are the residue of the pirate DVD fair and the corn husks, papaya skins, coconut shells, and splintered boxes left over from the nearby wholesale fruit and vegetable market.nbsp;By eight thirty, the unlicensed hawkers who give the street its chaotic daytime appeal have arrived. Therersquo;s Paulo Roberto, who spends seven hours a day tossing tiny plastic Spider-Men against the marble facade of a small office building at number 821. Each four-inch-long blue man with gummy red feet and hands sticks for a few seconds, then begins to teeter. Tentatively at first, then picking up speed, the little man rappels down, flipping at the waist. As one Spider-Man descends, Paulo Roberto flips another on high. And then another and another and another, until he has ten on the wall. All of them, pulled by gravity, make the slow, staggered journey down. Paulo Roberto doesnrsquo;t have to shout. The pivoting men are his sales pitch. They are made in China, imported to Paraguay, smuggled across the border into Brazil, and trucked down to Satilde;o Paulo. He tells me he buys them for eighty centavosmdash;or about fifty centsmdash;each, and sells them at R$2.50 each, three for R$5. If he sells them one by one, he generates a profit of 200 percent. But there are several other merchants on the street who sell the same toys, and the competition has made sales slow. Paulo Roberto wouldnrsquo;t divulge his income. ldquo;I survive,rdquo; was all he said.nbsp;Around the corner, always on the same spot on Rua Comendador Afonso Kherlakian, therersquo;s an old man who sells two practical joke items: extremely realistic plastic patties of dog shit, and noisemakers that sound like a chicken when you pull a cord. His time on the street is spent standing above his plastic piles pulling that cord over and over, hundreds, perhaps thousands of times a day. When it rains, many of the merchants leave the street. But not this fellow. He simply crooks his head, rests an umbrella against his neck, stares down at his artificial poop, and keeps on pulling.nbsp;And therersquo;s Maacute;rcio,

a thin man with an apologetic smile and a graying Caesar curl of hair. He patrols the block just outside the Armarinhos Fernando discount store, holding up a rack of pens (since hersquo;s got no table, hersquo;s exempt from the storersquo;s unofficial ban on camelocirc;s on the sidewalk). Hersquo;s been doing this business on Rua 25 de Marccedil;o every day for the past ten years. Maacute;rcio buys his pens and markers for fifty centavos each from a nearby wholesaler. He sells his pens for one real (perhaps seventy-five cents), a bit less than they charge inside the legal store. On a good day he will sell forty pens, so his profit is twenty reais, or about $12mdash;meaning that his paltry street sales give him an income that is approximately equal to Brazilrsquo;s minimum wage (and, since he doesnrsquo;t report his income or pay taxes, his take-home haul may well be higher than that bare-bones minimum).nbsp;Itrsquo;s 9:08. For the early morning street sellers, itrsquo;s already late. The daytime vendors are in place. The legal stores on the street are rolling up their steel gates. This is the time Jandira leaves. She must pack up quickly, in case the Guarda Municipal decides on a show of force. Some mornings, the cops muster early, in an effort to prevent Jandira and the Chinese middlemen and the camelocirc;s from doing business. On those days, the vendors fan out down the street, no one selling anything, simply waiting for the police to disappear. On other days, the police attempt to fake out the hawkers, letting their enterprises get started, and then marauding down the street, overturning tables and dumping the merchandise of any vendor whorsquo;s not quick enough to pack up and flee. Jandira unrolls a plastic sheet that covers the back of her pickup and, with a lilting, ldquo;Para amanhatilde;, queridosrdquo; (ldquo;Till tomorrow, my dearsrdquo;) to the people still munching her cake and sipping her coffee, heads back home. Her work isnrsquo;t finished, however. Once at her house, she will clean her plastic cake carriers, scald her thermoses, and prepare a new batch of cakes and breads. Then she will sleep for a few hours, and wake well before the sun rises to pack up her goodies and make the coffee, so it will be fresh when she reclaims her post.nbsp;As Jandira pulls off, a crowd bursts through the doors to Galeria Pageacute;, the marketrsquo;s oldest indoor mall. Almost ever since it opened, in 1962, Galeria Pageacute; has been a magnet for merchants trying to get a leg up on their competition by buying at below-wholesale prices. Today, the Galeria has six floors stuffed with dealers in mobile phones, electronics, toys, and knickknacks. Several hundred businesses operate here, and more than fifty thousand customers visit every day. Many of the arearsquo;s unlicensed vendors buy from wholesalers in Galeria Pageacute; (for instance, Maacute;rcio buys his pens from a stall in the mall). Before any rainstorm, a cavalcade of camelocirc;s and legal merchants queue in front of wholesalers on the ground floor to buy packs of a dozen umbrellas for $1 apiece. Street vendors will resell them for five reais ($3) while stores will retail the same umbrellas for around eight reais, or approximately $4.50.nbsp;The camelocirc;s, Jandira, Paulo Roberto, and their ilk are all unregistered. They pay no taxes or fees in their cash-only businesses. By contrast, most of the businesses in indoor malls like Galeria Pageacute; are licensed, and many are incorporated as legal trading entities. But that doesnrsquo;t mean that they are legit. Reginaldo Gonccedil;alves, the building manager of Shopping Mundo Oriental, a shiny mall on Rua Baratilde;o de Duprat that has carved out a niche as the place for customers seeking somewhat higher-end products than are sold in Galeria Pageacute;, requires each prospective tenant to prove that his or her company is registered with the government before he will offer a lease. But, he admits, this means almost nothing. ldquo;Irsquo;m not saying they are all totally legal,rdquo; he explained. ldquo;They have certificates. They are filed with the government. But we have a saying here in Brazil: lsquo;If you work one hundred percent legally, you cannot survive.rsquo;rdquo; He shrugged and mimed the universal ldquo;see no evil, hear no evil, speak no evilrdquo; hand gestures. ldquo;They do what they do. They do their business and Irsquo;m not responsible.rdquo;nbsp;Reginaldo may not be liable, but his comment makes an important point about the street market: all the businesses of the area, legal and illegal, are intertwined. Landlords think therersquo;s nothing unusual in collecting rent from tenants who are doing some kind of illegitimate business. Legal stores willingly supply the illegal market. Hardware stores in the area, for example, stock an inordinate number of different models of hand trucks and wheeled carts, which are popular with illegal street vendors. Discount stores offer an unusually large array of folding tables and lightweight metal and plastic racks that are highly prized by the folks who deal in pirated DVDs (you can clip DVD sleeves to the rack to create an enticing display, and even if the police do manage to yank it away from you as you flee, yoursquo;ve lost none of your inventorymdash;because the sleeves are all empty). Other merchants provide the thick plastic tarps that peddlers use to cover their wares for overnight storage and to protect their goods from a sudden downpour. Legitimate fruit merchants from the nearby wholesale market sell papayas, pineapples, and mangoes to unlicensed hawkers who bring them by wheelbarrow to Rua 25 de Marccedil;o and sell them by the slice. Licensed beverage distributors sell cases of soda and beer to unlicensed camelocirc;s, who, in turn, vend the drinks to thirsty shoppers. Local parking garages and commercial buildings rent off-hour storage space to the camelocirc;s. Vendors can pay by the hour to stash their bags on the roof of nearby shoeshine pavilions and newsstands. Therersquo;s even one enterprising local merchant who has cornered the market in cardboard boxes, which are popular with the camelocirc;s because you can rig them up as impromptu tables and balance lightweight products on topmdash;and if the police muscle by, you can grab your display and hustle away, leaving only the cardboard behind, and limiting your loss to fifty centavosmdash;or about thirty cents.nbsp;The pace of sales on Rua 25 de Marccedil;o crescendos through the day, with hordes of new hawkers arriving as others move off to sell in different locations around the city. By late afternoon, however, the market changes once again. The

old man packs his poop patties and noisemakers in a plastic sack and trundles off, and vendors like Maacute;rcio and Paulo Roberto follow suit. But the crowds only increase. This is when Eacute;dison and his fellow pirate vendors return to the street. The afternoon rush is not particularly good for the guys selling small toys and stationery, but itrsquo;s great for the DVD sellers, because shoppers who have been at work in downtown offices are generally looking for something fun to bring home. Alongside Eacute;dison, other itinerant dealers are pushing battery-powered plastic toys, games for PlayStation and Xbox, discount computer operating systems, stuffed animals, and pirated name-brand backpacks.nbsp;As the sun drops, the market thins out. As soon as night falls, itrsquo;s gone. The streets around Rua 25 de Marccedil;o remain curiously sedate until the haulers start things up again at three thirty in the morning, and Eacute;dison and Jandira and Paulo Roberto and Maacute;rcio and all the others reclaim their places at their specific nonassigned times.nbsp;Roving vendors have been part of the DNA of downtown Satilde;o Paulo for better than three centuries. In the 1700s, hawkers sold produce and household goods on the narrow lanes of the central city, and farmers set up impromptu vegetable stands on the bridges in and out of town. As downtown developed into an office zone, the real estate industry decided that the flea market environment was unbecoming for high-end commerce, and hired guards to push the street trade away. For many, the easiest place to migrate was down one of the steep hills toward the Tamanduateiacute; River, where immigrants from the Middle East had established stores. The market here was reminiscent of the ancient souks of Beirut, where there has always been street selling, so the new arrivals fit right in. In an accidental irony, the illegal market emerged on a street whose name commemorates March 25, 1824, the date Emperor Dom Pedro I approved Brazilrsquo;s first constitution. So this strip of asphalt that honors the inauguration of the rule of law is the domain of a market that exists, for the most part, outside it. More than a hundred years on, therersquo;s still no statute that says the street market can exist, and most of the merchants here do business without licenses, without being registered or incorporated, and without paying taxes.nbsp;According to the camelocirc;s I spoke with, the market still runs on these old-fashioned rules: Vendors pay no rent to occupy the curbside, and therersquo;s no protection money, taxes, or other fees. Eacute;dison described how the process works: ldquo;You simply ask, lsquo;Can I set up next to you?rsquo; and if itrsquo;s okay, you do it.rdquo; (If itrsquo;s no, and you set up anyway, you will surely have a fight.) Maacute;rcio, too, reported that he didnrsquo;t have to pay for the right to stand outside Armarinhos Fernando and undersell the bigger store. For her part, Jandira told me that she started selling on the street a few blocks away and took her current corner when the person who had occupied it gave it up. She holds it by custom and she will continue to operate there until she chooses to leave the business. The only people on the street who pay for the right to be there, Eacute;dison told me, are the handicapped merchants, who pay the city for their licenses, and the pirate wholesalers, who must throw some money to the haulers who shuttle their impromptu stalls on and off the street, and pay rent to the onion broker who beds down their crude infrastructure each day.nbsp;The trade on Rua 25 de Marccedil;o draws four hundred thousand people on the average weekdaymdash;and many more on Saturdays. On important holidays, the market attracts a million shoppers a day. ldquo;They donrsquo;t come to pass through; they come to buy,rdquo; said Claudia Urias of Univinco, the nonprofit dedicated to promoting the street. On this shersquo;s undeniably correct: the eight thousand merchants in the market (according to a recent census, sixty-five hundred of themmdash;or 80 percentmdash;are either unlicensed or evading registration requirements in some way) do more than R$17 billion of business a yearmdash;or almost $10 billion. Brazil is a massive country with a population of perhaps 190 million and a strong industrial base, but, if it were incorporated as a single business, this one street market in one city would qualify as one of the five largest Brazilian-owned firms operating in the nation.nbsp;As the end-of-the-day crowd churns along, a vendor releases another soap bubble from her Ping-Pong-paddle scoop. A giant egg, it makes its embryonic journey down the street, then loses its form and merges with the air. That shaky and elusive oval, those novas brincadeiras that clack together so hideously, the fake designer sunglasses displayed in Styrofoam like butterflies pinned in a collectorrsquo;s portfolio, those boxes full of futebol jerseys and baseball caps, those Santa Claus sacks of pirated movies, those midget action figures that journey halfway around the world before being flung on the side of a building so they can be sold on the street for cheap, all the vendors and customers and haulers and, yes, even the cops who harass the market: they join together to create something significant. It takes a massive number of transactions and tasks performed by people all over the world to bring all these things together in this place. The lives and labor of dozens, hundreds, thousandsmdash;millions, if you include every street market in every city, village, and town in every country on the planetmdash;stand behind each product.There is another economy out there. Like those floating soap bubbles, its edges are diffuse and it disappears the moment you try to catch it. It stands beyond the law, yet is deeply entwined with the legally recognized business world. It is based on small sales and tiny increments of profit, yet it produces, cumulatively, a huge amount of wealth. It is massive yet disparaged, open yet feared, microscopic yet global. It is how much of the world survives, and how many people thrive, yet it is ignored and sometimes disparaged by most economists, business leaders, and politicians.nbsp;You can call it System D.From the Hardcover edition.