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**Article**

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Journal of Illicit Economies and Development (JIED)

**Provided in Cooperation with:**

LSE Press, London School of Economics and Political Science (LSE)

*Suggested Citation:* Ginocchio, Francesco (2022) : Legalized extortion: A state-led governance regime to control informal street vending at Lima's Gamarra Market, Peru, Journal of Illicit Economies and Development (JIED), ISSN 2516-7227, LSE Press, London, Vol. 4, Iss. 3, pp. 310-322, <https://doi.org/10.31389/jied.132>

This Version is available at:

<https://hdl.handle.net/10419/320666>

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# Legalized Extortion: A State-led Governance Regime to Control Informal Street Vending at Lima's Gamarra Market, Peru

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## ABSTRACT

Based on Charles Tilly's definition of state-making, this article develops the concept of *legalized extortion* to understand the expansion of the state's fiscal capacity towards informal street vending. It presents an in-depth analysis of the case of the textile cluster of Gamarra (Lima, Peru), where the local government chose to profit from informal street vending by providing them labor security in exchange for extra 'taxes.' The study reveals the construction of a state-led governance regime where the boundary between taxation and extortion is blurred. It delves into the co-governance arrangements and extra-legal practices, and looks into the structural factors that sustain this governance regime. In doing so, the study contributes to theoretical debates about the governance of informal economies in Latin American cities and provides evidence about how the state's fiscal capacity is employed for managing the use of public spaces for informal street trade.

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## KEYWORDS:

informality; street vending;  
extra-legality; governance;  
extortion; Peru

## TO CITE THIS ARTICLE:

Ginocchio, F. 2022. Legalized Extortion: A State-led Governance Regime to Control Informal Street Vending at Lima's Gamarra Market, Peru. *Journal of Illicit Economies and Development*, 4(3), pp. 310–322. DOI: <https://doi.org/10.31389/jied.132>

Although street vending has been portrayed in academic research as one of the most salient representations of informality in urban economic structures, a limited number of studies identify this phenomenon as an economic activity that does not necessarily operate at the margins of the law (Tucker & Devlin 2019). Namely, studies about street vending that diverge from misunderstanding informality as an unregulated activity are still very limited. However, critical urban research questions state incapacity in the face of informality, demonstrating that state actors play an active role in shaping urban informality. For instance, several researchers focus on state practices for governing informality in urban spaces, through the study of processes of negotiation (Roy 2005), social practices (Haid 2017), and gray spaces (Yiftachel 2009). According to these scholars, urban informality is a social phenomenon that emerges as a linking device between the inhabitants of the city who are subjected to the spatial control of the state. Thus, the liaison between the informal and the urban is reflected in the political-economic transformations that directly affect the daily life of the city population (Frische & Tabárez 2013). In this way, the state has the power and the tools to manage, according to context-based economic and political interests, informal economic activities in urban spaces. In particular, from this perspective, the management of informal street vending tends to be linked primarily to the production of state-led systems of deregulation, where it is possible to identify regulatory flaws and different nuances in law enforcement (Batréau & Bonnet 2016; Holland 2017).

In Peru, the governance of informal street vending has become a policy issue for most local governments over the past 30 years. Among the most salient state-led strategies developed to govern this economic activity are formalization policies. However, the political and economic interests of the power groups behind their implementation ended up making these policies fail.<sup>1</sup> Building on a recent municipal corruption scandal, this article presents a different perspective, the dark side if you will, of the governance mechanisms employed by local governments to control informal street vending. Looking in particular at the state's fiscal capacity, I develop the concept of *legalized extortion* based on Charles Tilly's (1985) analogy of state-making with organized crime, to explore how the state's fiscal capacity is employed to govern informal street vending in Gamarra, an urban textile cluster in the city of Lima, Peru. I focused on Gamarra for two reasons. On the one hand, street vending in Gamarra has more than 70 years of tradition, which shows this textile market's ability to adapt to adverse political and economic conditions. The neoliberal transformations of the last 20 years of the last century stand out among these conditions. On the other hand, informality cross-cuts Gamarra at all levels, street vending being only its most tangible manifestation.

To develop my argument around legalized extortion, I will first discuss the main theoretical debates about the governance of informal economies, as well as those related to the state behaving as a racketeer. Subsequently, I detail the qualitative methodological tools I used for data collection, highlighting the access to confidential judicial reports as additional documentary data sources. Then, I discuss how co-governance arrangements and extra-legal practices are employed by local governments to seek rent from informal street vending at the margins of the law. Finally, I present three structural factors on which the legitimacy of state-led racketeering, or legalized extortion, is sustained: the crisis of representative democracy, non-state control of public spaces, and labor instability within municipal human resources.

## ACKNOWLEDGING THE STATE'S FISCAL CAPACITY IN THE GOVERNANCE OF INFORMALITY

The purpose of this paper is not aimed at discussing the understanding of informality as a consequence of the absence of state or state over-regulation, nor it is aimed at configuring a new conceptualization of this phenomenon in urban contexts. It will therefore take for granted that academic research on informality tends to take the state as a pre-existing factor for certain economies that operate outside the law. This concerns, for instance, that the informal economy is often defined as 'income-generating activities operating outside the

<sup>1</sup> According to R.M.O., public officer from the municipality of La Victoria from 2014 to 2018, interviewed on 15 August 2019.

regulatory framework of the state' (Meagher 2013: 2). On the contrary, taking a critical urban studies perspective, this section focuses on the governing practices of informal economies by understanding it as a production of the state, denying the state incapacity in the creation of urban informality (Yiftachel 2009). In this regard, Roy's argument about state capacity to formalize and informalize economic actors is key to 'determine what is informal and what is not, and to determine which forms of informality will thrive and which will disappear' (Roy 2005: 149). Thus, the state has the power to develop a 'system of deregulation' that fundamentally becomes a 'mode of regulation', also understood as 'calculated' informality (Roy 2009; Varley 2013).

From this perspective, governing practices are not linear and are prone to shifts depending on the political and economic interests of the stakeholders (Graaff & Ha 2015; Haid 2017; Roy 2005). The exploration of this situation has been mainly addressed in academic research focused on street vending and informal housing (Huang, Zhang & Zue 2018; Roy, 2005; Devlin 2018; Wu, Zhang & Webster 2013; Xue & Huang 2015). In particular, the role of regulation in the management of street vending takes on special relevance for the argument of this paper. In cities of the Global South, most studies have emphasized a changing pattern in both regulation development and enforcement (Bhowmik & Saha 2012; Donovan 2008; Fairbanks 2011; Martínez, Short & Estrada 2017). This has led to the characterization of such a relationship as a cyclical process where it is possible to identify periods of extreme tolerance, as well as zero-tolerance periods mainly sustained in urban and territorial reordering policies (Crossa 2018; Le Galès & Ugalde 2018; Roever 2012). For instance, studies in cities like Mumbai (Anjaria 2006), Cali (Martínez, Short & Estrada 2017), Quito and Guayaquil (Swanson 2007), and Cusco (Mackie, Bromley & Brown 2014) provide an extensive and acute analysis of the mentioned trends of alternation.

From dualistic (Hart 1973) and structuralist analysis (Castells & Portes 1989), to legalist (De Soto 1989) and voluntarist approaches (Maloney 2004), research on informal street vending in Peru has been mainly addressed from a political-economic point of view. Among these, De Soto's research (1989) on informal street vending in the capital of Peru stands out as one of the most influential. From his perspective, the imaginary of informality implies a contentious alliance amid supply, demand and the regulatory framework of the market (Chen 2012). Thus, the arising of informal street vending is liaised to governance failures captured in regulations enacted by the public sector (De Soto 1989). Namely, the legal framework bounds the economic growth of incipient economies, bringing into debate the tangible meaning of illegality in a scenario that positions it in the causal relationship between formality and informality. For instance, the research of Bromley (2000) in Peru highlights the impact that planning policies tangentially have on informal traders of the city center, while Roever (2005) delves into how municipal officials develop informal practices for governing street vending. Despite the emphasis put on the role played by state actors in building the informal identity of street vendors, studies of the Peruvian case have been unable to establish a precise and concrete linkage between regulation and the management of informal street vending.

As it never appears possible to fully regulate informal markets, the feasibility of managing informal street vending through a specific regulatory framework, calls into question the state's legitimacy to act. As such, the analysis of the governance of informal street vending implies an analysis of the economic motivations behind it – particularly considering that the non-inclusion of the informal labour market into the formal one also represents a benefit for the commercial dynamics of the market as a whole. In other words, understanding the exercise of the state's fiscal capacity to govern informal street vending involves analyzing the state's extractive capacity.

The state's fiscal capacity has often been connected to the control of the means of violence. However, most academic research on informal street vending only refers to the legitimate use of violence to explain the principal-agent relationship that emerges from enforcing the law (Banks, Lombard & Mitlin 2020; Crossa 2016; Le Galès & Ugalde 2018; Goldstein 1997; Graaff & Ha 2015; Tucker 2017). In this regard, since violence is commonly used by the state in strategic ways to access resources (Justino 2018), such a relationship exposes the fact that, when subjected to free-market dynamics, states are in the position to mobilize resources by establishing a taxation system (North 1991). Thus, whether in terms of the fiscal state of Schumpeter (1918) or the conceptualization of the fiscal-military state coined by Brewer (1989),

the fiscal capacity of the state determines its political-economic bond with the governed social structures. Despite this being the state's main tool to intervene in the market, the fulfillment of this role often leads to the emergence of conflicts in urban governance processes and the violation of citizen rights (Harvey 2008; Lefebvre 1996). That is, socio-spatial segregation and exclusion as part of the political state-building process.

According to Tilly (1985), when the monopoly on the use of violence is in flux, the construction of the state's fiscal capacity can resemble what he describes as racketeering. Following this line of argument, the state can be understood as an organization that exercises its coercive power to control its population, but also its fiscal capacity to extract rent to maintain its coercive powers. In this sense, states can act as 'someone who creates a threat and then charges for its reduction' (ibid.: 171). This way, 'governments' provision of protection [...] often qualifies as racketeering' – in other words, 'to the extent that the threats against which a given government protects its citizens are imaginary or are consequences of its activities, the government has organized a protection racket' (ibid.). Thus, even as the state's performance exhibits an oppressive relationship of domination, the existence of a regulatory framework is justified to provide recognition for government actions. Controlling the means of violence demands intense institutional capacity and law enforcement (Olson 1993). Therefore, violence and politics feed each other, both being present in the definition of a state as argued by Tilly. Although this debate has been forged as part of the historical analysis of the conformation of modern European nation-states, it has been used as a point of departure to analyze the violent relationship between citizens and government authorities in Latin American countries too (Bailey 2008; Müller & Weegels, this issue).

Violence and coercion in state building in the Latin American region have been usually conceived as complex and multidimensional issues (Pansters 2018). Essentially, the production of violence, including its criminal manifestations, implies continuous negotiation processes between state and non-state actors (Arias 2006; Auyero 2010). According to Pearce (2010), the latter occurs because Latin American political elites tend to benefit from the possibility of building extra-legal alliances as a way of reaching their economic and political goals. This has led to the imposition of social norms that favor informal and illegal activities, under a context characterized by neoliberal political and economic transformations (Auyero, Burbano de Lara & Berti 2014). In turn, the growth of this type of informal and illegal activities accounts for a new composition of actors with the ability to exercise economic and political violence over certain populations (Arias & Goldstein 2010). For instance, Auyero (2011) employs the concepts of 'violence specialists' and 'invisible elbows' to approach the authoritarian behavior of the state under democratic government structures. Thus, in Latin America, the coexistence of violence and democracy becomes visible in 'co-governance agreements' between stakeholders that impose control mechanisms over society not only in competition but also often in complementarity with the state (Weegels 2020).

## THE CONTEXT: GAMARRA MARKET

On January 1st, 2019, the new mayor of La Victoria, George Forsyth, washed the district flag outside the municipal building. According to a publication on the Twitter account of the Municipality, Forsyth arrived at the building minutes before midnight on December 31st, 2018, and washed the flag as a symbolic act against corruption before taking office as the district's mayor (MDLV 2019). With this act, he sought to distance himself from the traditional political class that 'dedicates their time to steal money'.<sup>2</sup> Reaffirming in this way his commitment to a zero-tolerance campaign against corruption, the elected mayor said at the time:

From the first day, we are going to carry out audits, we are going to open the door of the controller's office and we will ask him to investigate and convict, together with the prosecution. I will be focused on moving the district forward, but I am not going to allow any misruling inside the municipality. The first to come with acts of corruption will be decapitated [a rhetorical way of saying fired], because they are representing my government and I am not going to harm my government or my name by a corrupt person. (Redacción EC 2019)

<sup>2</sup> M.R., representative of street vendors in Gamarra since 2002, 23 June 2018.

Months before, on August 3rd, 2018, the then-mayor of La Victoria, Elías Cuba Bautista, alias *El Uno* (the one), was imprisoned as the leader of *Los Intocables Ediles*, a criminal organization that controlled the streets of the district. Further investigations revealed that the leadership of the criminal organization was based on a shared governance structure, where the mayor co-governed with the organization's *financista* (investor) to obtain greater profitability from the leasing of public spaces. According to confidential judicial reports, the presence of the *financista* on the streets of the district dates back to 2012, when the first extortions were carried out by non-state actors in coordination with officials from the municipality. The organization's search for the maintenance of such criminal activities led to the financing of Elías Cuba Bautista's candidacy in 2014. What the *financista* sought through the investment in electoral campaigns, was obtaining two types of favors once his candidate won the elections: economic revenues from the leasing of public spaces and the overvaluation of public works and services. This set the tone for what would be the political agenda of both the criminal organization and the human resource management inside the municipality. In this latter aspect, the *modus operandi* behind municipal doors was characterized by the appointment of members of the criminal organization as government officials, to support law enforcement actions carried out by non-state members of the organization.

Although the existence of these arrangements between state and non-state actors was labeled as a great *uncovering of corruption* by the local press, coexistence between them is not new in research on street markets in Latin American metropolises (Dewey 2020; Hummel 2018). Indeed, a critical look at the labor market of this textile cluster shows that such great 'uncovering' is only the tip of the iceberg of an extensive, largely hidden illicit governance arrangement. Specifically, when analyzing the factors that allowed for Gamarra's economic growth since its establishment as a benchmark for the national textile industry in Peru, one will find that street trade played a key role. For instance, De Soto's research on street vendors in Lima exposed the economic value of their businesses for the capital city, bringing to the political agenda the need for the empowerment of informal entrepreneurs through legal recognition (De Soto 1989). In Gamarra, this resulted in the granting of certain regulatory benefits to this type of economic activity, materialized in specific regulations that were intended to promote economic development without losing control of public spaces. For this reason, the management of street vending became an inherent part of the political agenda for different local governments.

## RESEARCH DESIGN AND METHODS

The research findings presented in this article follow from a case-study analysis, having as main data sources observations and semi-structured interviews conducted during field work, supplemented by documentary analysis. A total of 40 interviews were conducted in Spanish with different groups of state and non-state actors in and around Gamarra over the course of 18 months, starting on January 2018. These groups were composed of representatives of business associations, representatives of street vendors, street vendors, municipal officials, state and non-state law enforcement agents. The selection of the interviewees was based on the role they played in the governance of public spaces, either as 'rulers' or 'ruled' – understanding 'rulers' as state and non-state actors that are capable of legitimately exercising violence over informal street vendors, and the 'ruled' as those subjugated to the exercise of power, regardless of their state or non-state affiliation. This differentiation is key since it brings power relations, allowing for an understanding of co-governance schemes that ultimately legitimize law enforcement on the streets. At the same time, documentary data sources were employed to contrast the information processed from the interviews and observations. Notably, access to confidential judicial reports allowed to corroborate the existence of extra-legal governance practices related to rent extraction and 'law' enforcement.

## EXERCISING THE STATE'S FISCAL CAPACITY TO CONTROL STREET VENDING

At the beginning of 2018, Gamarra's market can be described by occupied sidewalks, divided quadrants, and people jostling everywhere. When inquiring about the agglomeration on the streets, the response was similar across formal and informal vendors, 'this is the mayor's



business'.<sup>3</sup> But what specifically did they mean when referring to such 'business'? Marco, a street vendor, went a little further and mentioned that:

The streets have always been a place of work in Gamarra before we collaborated with the serenazgos (municipal police) so they let us work, we collaborated with what we could... You know, in the streets it is impossible to have a fixed income and the serenazgos knew that. Now the situation is different, we have a legal fee to respect, whether you sell or not ... the good thing is that you know that if you pay it, you can work and nobody has the right to take your place.<sup>4</sup>

On the other side, Monica, who works in a commercial gallery, argued that:

The mayor is a scoundrel, before we (the people inside the gallery) understood that people need to work and somehow we were able to handle this issue of street vendors. Today the mayor sends his thugs to collect money and they even claim to respect their job.<sup>5</sup>

Her assertions became vox populi even for the media who, already since 2016, gave signs of the existence of a *mafia* that governed the streets of the cluster (EC 2018). Under these circumstances, a twofold understanding of the financial governance of informal street vending in Gamarra could be discerned. On the one hand, its understanding as taxation (licit). On the other, its understanding as extortion (illicit). Yet both appeared to be complementary, as the success of one often appeared to depend on the other. Let me attempt to disentangle them, to better understand how they are connected.

## TAXATION

In 1999 the municipal government issued the first legal framework that incorporates the informality variable into the definition of street trade (MDLV 1999c). This allowed local authorities to deal with what Schneider and Enste (2002) conceptualize as a legal economic activity that generates added value through a monetary exchange, but that does not pay taxes or is not licensed by the municipality. It also allowed them to reduce the chance of ambivalent interpretations for the management of public spaces. As a result, during that same year, two regulatory mechanisms were issued for the 'new uses of public spaces, the prohibition of informal street trade and the promotion of textile production in the productive cluster,' as well as for the creation of the 'Damero de Gamarra' (MDLV 1999b, 1999a). What was sought with both regulatory mechanisms was in particular the prohibition of street trade in public spaces, according to the new zoning plan for Gamarra. On March 15th, 1999, the implementation of this regulation meant the eviction of street vendors from the Damero de Gamarra.

A year later, at the national level, the Peruvian government began a decentralization process that sought to empower subnational governments by transferring functions and resources. As part of this process in 2003, the Organic Law of Municipalities Law was issued. This national legal framework reaffirmed the municipal responsibility for organizing, regulating, controlling, and suspending street trade in public spaces. In this case, the policy objective was to provide the legal support needed by local municipalities to exercise real control over their jurisdictions. Based on this regulatory framework, in 2008, the municipality of La Victoria issued a regulatory mechanism allowing street trade in certain situations but maintaining the informal status of street vendors (MDLV 2008). Specifically, the regulation issued amended an article of the one issued in 1993, establishing that 'the Municipality may, as it chooses, authorize the operation or sign lease, concession or similar contracts for the installation of modules of goods, services, entertainment, and food in public areas, under the locations and conditions approved by Municipal Decree' (Table 1).

## SOURCE: ARTICLE 4 – MUNICIPAL ORDINANCE NO. 044-08 / MDLV.

Under these considerations, the municipality of La Victoria incorporated the SISA (*Sistema Impositivo al Servicio Ambulatorio*, Tax System for Street Trade) to provide legality to street

<sup>3</sup> R.M.A., representative of street vendors in Gamarra since 2008, 3 July, 2018.

<sup>4</sup> M.R., a street vendor in Gamarra since 2002, 17 July, 2018.

<sup>5</sup> M.I., formal vendor in Gamarra since 2008, 2 August, 2018.

<b>Street vending</b>	Temporary economic activity, which is carried out by street vendors in regulated public areas, whose capital does not exceed two annual Tax Units, and lacks a working relationship with their suppliers, in addition to being their only income source.
<b>Regulated street vendor</b>	Natural person of legal age, registered in the District Municipality. This condition will allow the start and renewal of the temporary municipal authorization for the development of commercial activities in public spaces, before compliance with the requirements established in the ordinance.
<b>Authorized street vendor</b>	A regulated street vendor who has a valid municipal authorization, to dedicate himself individually, directly, exceptionally, and temporarily to the exercise of an authorized business, in a specific and regulated location of the public space.
<b>Unregulated street vendor</b>	Natural person or economic organization that is not registered in the municipality and is developing a commercial activity in an itinerant way, generally walking through public spaces or that has a module, without authorization.

**Table 1** Definitions added in Article 4 of Municipal Ordinance No. 044-08 / MDLV (2008).

trade and, at the same time, obtain revenues from the leasing of public spaces. This was not a novel issue in the municipal regulation since SISA was first recognized in the metropolitan regulation in 1985 (MLM 1985 – it should be pointed out that when this local regulation was implemented street trade was not considered an informal economic activity). However, when the municipality of La Victoria implemented the SISA in 2008, street trade was considered an informal activity, with which the taxation mechanism became questionable. As a consequence, to provide legality, the municipality linked the collection of SISA with the concept of solid waste collection for informal trade. The following table summarizes the taxation system applicable to both formal and informal economic activities in Gamarra, following from the above:

LEVEL	TYPE OF TAX	FORMAL	INFORMAL
<b>NATIONAL</b>	Income tax	Taxes all the profits obtained from a job or the exploitation of capital. Workers and business owners are required to pay this tax. (1)	No
	General sales tax (VAT)	Taxes all phases of the production and distribution cycle, it is oriented to be assumed by the final consumer, normally included in the purchase price of the products. (2)	No
<b>LOCAL</b>	Property tax	The annual tax that taxes the value of properties. (3)	No
	City services	Taxes paid for the provision of public services such as public cleaning, municipal police, parks, and gardens. (4)	No
	SISA	No	Tax paid for solid waste collection from informal trade. (5)

**Table 2** Types of taxes paid by formal and informal commercial inhabitants of Gamarra (2008–2018).  
Source: Authors' elaboration.

Notes:

- (1) Retrieved from: <http://www.sunat.gob.pe/legislacion/renta/index.html>
- (2) Retrieved from: <http://www.sunat.gob.pe/legislacion/igv/index.html>
- (3) Retrieved from: <https://www.munilavictoria.gob.pe/index.php/tributos-municipales?v=legislacion>
- (4) Retrieved from: <https://www.munilavictoria.gob.pe/index.php/tributos-municipales?v=legislacion>
- (5) Retrieved from: <https://www.munilavictoria.gob.pe/index.php/tributos-municipales?v=legislacion>

## EXTORTION

'Taxation is not successful if you don't have a way to ensure that the law is enforced,' J.C., the former public officer of the Municipality of La Victoria, told me.<sup>6</sup> The production of specific regulatory frameworks oriented to maintain and expand informal street vending in Gamarra ended up turning it into a 'gray area' (Allum, Merlino & Colletti 2019; Mete & Sciarrone 2017). In order to ensure income flows from street vending taxation, the local government built co-governance arrangements with three groups of partners: formal entrepreneurs, informal entrepreneurs, and members of the criminal organization. The latter is considered part of the commercial universe of Gamarra, given that 'crime is a business that is inevitably present in areas where money flows'.<sup>7</sup> On the side of formal entrepreneurs, permissiveness towards informal street vendors meant for them the possibility of accessing a selling plaza in the streets

<sup>6</sup> 19 September 2018.

<sup>7</sup> Racketeer, personal communication, 21 August, 2018.



and the chance of being favored during municipal control actions.<sup>8</sup> In the case of informal entrepreneurs, the public space distribution scheme allowed them to leave the nomad behavior characteristic of street vending and thereby develop and consolidate commercial ties with clients on the one hand, while on the other, it facilitated them to ensure greater profitability and, consequently, a greater competitive advantage compared to their formal counterparts. This was basically since the only cost they had to assume to operate was the payment of the SISA, which, in percentage terms, represented a minimal fraction of what it would imply to assume the payment of income and sales taxes. About arrangements with criminal partners, these were aimed at maximizing the profitability of the leasing of public spaces, diverting tax collection away from the municipal coffers.

The co-governance arrangements in place pointed to the construction of a value chain tied to the expansion of the state's fiscal capacity. The responsibility for its functioning was rooted in extra-legal practices in which the empowerment of criminal partners and investment funds was crucial. Two extra-legal practices in particular contributed to the achievement of the arrangements: extra-legal financing among commercial inhabitants and extra-legal law enforcement. Knowing that the search for higher profitability implied greater investment, the partners of the local government sought to diversify their investments. Thus, during the SISA period, capital flows among formal and informal entrepreneurs in the textile cluster increased.<sup>9</sup> This is not a new practice in Gamarra, on the contrary, the most successful entrepreneurs have the habit of financing small businesses, that is, those that sell garments, so that they can commercialize their products and thus expand their markets (ILD 2016). In general, this type of financing took different forms, either through the granting of credit for the purchase of supplies or merchandise and even cash loans.

Once the streets were divided into quadrants for the selling of textile products, services, food, and vehicle parking by the municipality, extra-legal law enforcement came into action. To this end, criminal partners were empowered by municipal authorities in the function of non-state law enforcement agents. Despite not having a contractual relationship with the municipality, such agents had an established procedure to carry out their functions under the supervision of municipal authorities. For instance, before collecting the SISA, street vendors were required to make a first payment to 'register' and occupy a space where they could offer their products (EC 2018). After this first payment, the collection of the SISA started in the mode of a daily fee to work. However, no legal payment receipt was issued and therefore there were no records of the collection of this tax.<sup>10</sup>

## THE LEGALIZED EXTORTION OF STREET VENDING IN GAMARRA

The exercise of the state's fiscal capacity over informal street vending in Gamarra evidences the construction of a state-led deviant governance scheme that enjoyed a certain degree of legitimacy. Building on Charles Tilly's analogy of state taxation with racketeering (1985), the convergence between political power and commercial capital in Gamarra turned it into the perfect scenario for negotiating and struggling for rent-seeking activities. This situation can be understood as a sort of *legalized extortion*. Yet the success of this governance scheme is not limited to the control of the means of violence, on the contrary, there are three other structural factors that condition it: the crisis of representative democracy, non-state control of public spaces, and labor instability within municipal human resources. Each of these shapes this scheme in different ways.

The collapse of the representative democratic system in Peru during the 1990s marked a breaking point in the ties between state and society (Tanaka 1995). In this scenario, political representation in Gamarra fell into the hands of informal institutions, where power relations set the standard to follow. This was evidenced mainly in the drastic reduction in electoral

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<sup>8</sup> M.F.H., a public officer from the urban development office from the Municipality of La Victoria from 2008 to 2012, 24 August 2019.

<sup>9</sup> M.C.C., a police officer working in the Police Station of La Victoria since 2014, 12 May 2019.

<sup>10</sup> Racketeer, 28 August, 2018.

support for political parties and in the general discrediting of political activity.<sup>11</sup> Likewise, the repercussions of this crisis of representation were reflected on an economic level. For instance, the informal sector managed to establish itself not only as an alternative to ensure livelihood in the face of non-inclusive local economic development policies but also as the most effective and efficient way to commercialize products in the face of the increased administrative burden that formality implies.<sup>12</sup> In other words, economic informality normalized, to the point of being present in both the production and commercialization chains of the textile industry in the area. In this way, street vending became a legitimate way of doing business.

Rent-seeking liaised to the use of public spaces is however not exclusive to street vending in the capital city. Informal economic activities that make use of public spaces range from collecting tips for parking and washing cars to specialized legal and accounting advice. In this sense, given the existing demand for the economic utilization of public spaces, non-state control of them has always been around the corner. Like the phenomenon observed by anthropologist Daniel Goldstein in Bolivia (2016), staying or roaming on the streets is linked to the payment of fees. In the case of Gamarra, this was not considered illegal, until the economic interests of local governments were at risk.<sup>13</sup> The legitimacy of non-state actors as law-enforcement agents for the collection of the SISA is one example of this. For the *chato*, his work as enforcement agent *cum* racketeer was successful because he already knew how to relate to 'his people': 'You know, people have to collaborate, one says ... papi, let us work, we respect your work, you respect ours.'<sup>14</sup> For him, the key to success lies in his ability to protect the people who work in his area. This protection is not only against the possibility of theft or eviction but also of confrontations with other commercial inhabitants of Gamarra. His explanation in this regard says a lot about his role:

There is bread for everyone here, papi, we all have to eat, we all have to look for bread ... they (the formal ones) know that they cannot complain too much ... they will have the right to complain once the people (racketeers) go to adjust (threaten) them.

In this particular case, he makes explicit reference to 'the formal ones' who work within the commercial galleries. In response, 'the formal ones' also opted for the leasing of public spaces. Malena, who has worked in a commercial gallery for six years, explained that: 'clients are no longer prone to visit the galleries as much, they prefer to stay on the first floors [galleries usually have more than six floors]. It is not profitable for us to continue paying rent here.'<sup>15</sup>

In Peru, municipal government periods have a duration of four years and since 2014 the re-election of mayors is forbidden (CR 1997). On the one hand, the short duration of the municipal government is not consistent with medium and long-term planning, so most of the government policies implemented are short-term. On the other hand, this situation directly affects the development of a public career at the municipal level. This is reinforced by a 'clean slate' political tradition each time a new municipal government takes office.<sup>16</sup> In other words, municipal human resources are transitory and there are a series of disincentives for wages and political identification that limit the hiring of qualified public servants. As a consequence, municipal human resources tend to be used in a clientelist manner.

This way, for informal street vendors, the distinction between state and non-state agents was almost absent for two key reasons. The first was the camouflaging of these non-state agents within municipal human resources, and the second was the recognition by street vendors of the criminal networks that co-governed the streets of Gamarra. Indeed, non-state law enforcement agents were known in the area as formerly incarcerated people or retired criminals who, because of their liaison with local authorities, were able to obtain a 'decent' job.

<sup>11</sup> J.L.V., a public officer from the economic development office from the Municipality of La Victoria from 2014 to 2018, 13 March 2019.

<sup>12</sup> M.F.H., a public officer from the urban development office from the Municipality of La Victoria from 2008 to 2012, 24 August 2019.

<sup>13</sup> R.M.O, a public officer from the municipality of La Victoria from 2014 to 2018, 15 August 2019.

<sup>14</sup> Racketeer, 21 August 2018.

<sup>15</sup> M.P., a formal business owner in Gamarra, personal communication, 25 July 2018.

<sup>16</sup> C.A.N., councilor of the municipality of La Victoria from 2008 to 2018, 3 August, 2018.

Moreover, in the eyes of street vendors, the job performed by such agents was consistent with the legitimacy of the SISA collection. For Armando, street vendor and neighbor of the district, ‘many of the collectors are stoners and criminals from the area, here in La Victoria they are well known... I prefer to know how they are robbing me than being caught unaware, at least in this way they do not steal from us without giving us anything in return.’<sup>17</sup>

## CONCLUSION

Understanding the governance of informal street vending starts with assuming that deregulation is not inherent to it. By contrast, urban scholars have noticed that regulation is a control mechanism often employed by the state to govern informality (Roy 2005; Yiftachel 2009). Either directly or tangentially, law development and enforcement have become a tangible manifestation of the state’s capacity to intervene in the market economy, and tax it. Since regulation as a governing practice is affected by the political and economic interests of the stakeholders (Graaff & Ha 2015; Haid 2017; Roy 2005), it tends to be characterized as a cyclical process (Cossa 2018; Le Galès & Ugalde 2018; Roeveer 2012). According to Tucker and Devlin, this materializes in negotiability, forbearance, and the privatization of public spaces for street vending (2019: 463). Namely, state-led governing practices might embody unpredictability and rule-breaking. From this, uncertainty stands out as a key variable to understand the regulation and law enforcement of informality in urban areas.

Under these circumstances, the feasibility of managing informal street vending through specific regulatory framework calls into question the state’s legitimacy to act. By doing so, the analysis of the governance of informal street vending also implies the analysis of the economic motivations behind it. Particularly considering that the non-inclusion of the informal labor market into the formal one also represents benefits for the commercial dynamics of the market as a whole. In this way, the recognition of state legitimacy refers to its capacity to mobilize resources by establishing a taxation system (North 1991). In other words, the understanding of the exercise of the fiscal capacity of the state for governing informal street vending involves the analysis of the state’s extractive capacity. To approach this issue I developed the concept of *legalized extortion*, building on Charles Tilly’s analogy of the state’s extractive capacity with racketeering (1985). From this, informal economic activities might be subjected to a type of state control that would not necessarily be aligned with legal control, but whose legitimacy is justified as long as it is taxable. If this is the case, which mechanisms would be necessary to exercise legitimate control over an economic sector that by definition is outside the law? Or, is it possible to regulate informality? If so, how and under which circumstances would it be possible to materialize this control?

My analysis of the textile cluster of Gamarra, in the city of Lima, Peru, exposes the construction of a state-led governance scheme oriented at managing informal street vending through the leasing of public spaces. It highlights the complementarity of taxation and extortion as a twofold way of governing informality, which directly impacts the configuration of public spaces. Both are tailor-made to the needs of the social structure over which the local government exercises its coercive power. Thus, we find ourselves in a scenario where government legitimacy is manifested in the state’s capacity to build alliances and co-govern with non-state actors to profit from citizens’ economic use of public spaces. For both academic and societal debates about violence and coercion in city-making, this demonstrates the need to look into the structural factors that feed non-state actor involvement in state-led urban governance regimes.

## COMPETING INTERESTS

The author has no competing interests to declare.

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<sup>17</sup> A.M., a street vendor in Gamarra since 2005, 13 July 2018.

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#### TO CITE THIS ARTICLE:

Ginocchio, F. 2022. Legalized Extortion: A State-led Governance Regime to Control Informal Street Vending at Lima's Gamarra Market, Peru. *Journal of Illicit Economies and Development*, 4(3), pp. 310–322. DOI: <https://doi.org/10.31389/jied.132>

**Submitted:** 15 September 2021

**Accepted:** 11 August 2022

**Published:** 21 December 2022

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