

## **The Cultural Foundations of Informal Economies in Turkey**

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**ABSTRACT:** The scope of this article is two-fold. On the one hand it explores the meaning of informal economies to Turks, and the narratives by Turks associated with informal economies; on the other one it concentrates on the incapacity of people in Turkey to define them.

To this end, the article will summarize the pertinent literature on informal economies to attempt a conceptualization of the issue, and suggest the existence of a correlation between state-citizen tensions, broadly conceived, and the rise of the informal sector. It will be argued that informal economies are a way to solve the tensions, citizens feel unable to resolve by using formal state institutions.

Further, the article explores the cultural perception of the phenomenon of informal economies at the local level. Following the approach suggested by Herzfeld in cultural intimacy, it explores why some narratives seems to contradict, and thus attempt to modify, reality, that is the very existence of informal economies.

Methodologically this article is based on formal surveys in three big cities in Turkey (Istanbul Diyarbakır and Gaziantep) and compares the results with the material collected through informal interviews and participant observation in those same three cities. This comparison will contrast people's perception of themselves with their actions and ideas that often deny the existence of those very connections, alliances or actions that help them to survive or live better.

## The Cultural Foundations of Informal Economies in Turkey

### Introduction

In 2008 I set out to study informal economies in Turkey and I moved to my fieldwork place. Living in a central, but non touristic, area of Istanbul meant that I was often the center of attention for many locals. Turkish culture is based on long term relationships and deep interaction with your neighbors, acquaintances, colleagues. All those around you need to know who you are, how to classify you, or at least to figure whether to address you as *ocam* (my teacher), *ustam* (my master) or simply *kardeşim / abım* (younger or elder brother). This, added to the fact that I was a foreigner, demanded an extra social effort for many wanted to learn why I had chosen Turkey as a country of residence. The conversation could become even more intriguing for my interlocutor once they learned that, conversely from a number of foreigners settled in Istanbul, I was not married to a Turkish woman, nor I was teaching languages but I was simply doing *araştırma* (research) to write a book about Turkey.

The book, once mentioned, seemed to peace most questions but I could be asked about what the book would be about and one of the first expressions I had to learn was *kayıt dışı ekonomi* (translated as “informal economies”, even though the Turkish expression seems a bit less ambiguous than the English one; it literally means the economies that fall out of the records). Once that said my interlocutor, be this a seller, a border officer, a colleague from the university or a friend, would look at me with complicity in their eyes and suggest that I had chosen the right country, for “everything in Turkey is *kayıt dışı* (informal)”.

The first times this used to happen I would get excited, seeing immediately my interlocutor as a potential informant and seeking to draw more information from the conversation, thing that would reveal impossible. My potential informants would often be unable to discern informal economies from “the economy” and give me some valuable advise. The answer I would get more often would be that many restaurants, and other businesses, do not always issue bills so that they pay less taxes than due, despite this not being nothing new to me nor unique to Turkey.

Once a week I would visit a colleague of mine, whom we'll call Ahmet, from the University of Marmara to which I was affiliated, and we would discuss a number of issues about Turkey, the world, academia and more. I would be keen to use him as an informant and would ask questions about informal economies in Turkey but receiving only few clarifications and points on where to look for informal economies. The fact that common people could not understand what informal economies meant for me was something relatively normal, but that somebody with a PhD, to whom I spent so much time explaining in detail what my research was about, was unable to tell me much more than people in shops told me, was utmost weird and frustrating.

One day I was going to lunch with Ahmet and he received a phone call. He started deep negotiations on the phone and had to speak more than ten minutes. Once done he

apologized for keeping me waiting but, he said, he needed to solve the issue straight away. He had been asked to do some external consultancy for some private schools and he had to do it for free. I was utmost puzzled. He was working in a state university, had a low salary, if compared to private universities ones, was often looking for ways to round up his income, and still needed to do some free consulting for some private schools that in Turkey are extremely expensive and have money to pay external consultants, if needed.

The element he forgot to mention, and that I discovered afterwards, was that even if he had no monetary benefits, his work was not for free. Public universities and private schools often have an agreement. University teachers are asked to work a number of hours as consultants but, in exchange, the school will give a significant discount to children whose parents work in a public university.

I felt shocked. My colleague had this priceless piece of information on informal economies and was concealing it to me. I shared this idea with him and it turned out that he did not consider this to be part of informal economy in Turkey because no monetary transaction was involved. Besides, there was nothing to be concealed to the authorities in such agreement.

In that moment I came to see the gap between informal economies, that people engage with, and their perception. I consider this to be an enlightening moment of my fieldwork in Turkey, for it shed light on the dichotomy between informal economies and perceptions of informal economies by locals and at local level. After this episode I started reflecting on the reason why people were unable to give me information about informal economies in Turkey. It was not that they were unaware of survival techniques in their country, but that they considered them so embedded in their daily life, in what one could call "the economy" that it was difficult to consider them as an object of study, something scientifically relevant, or even relevant at all.

The dichotomy between informal economies and their perception is the main object of this paper. Following Hart's question on whether we really need a name for something *de facto* part of the economic life of a country (2005) I suggest that informal economies are so embedded in daily life, and survival strategies of a number of countries, that they fail to be perceived as exogenous. Informal economies, in this paper, are all those transactions that are not directly set up by the state, or are under its control, but nonetheless have a weight on the economic life of its citizens, and indirectly of the state. Once aware of this issue, one could stop considering informality as a deviation from the right path of formality and see it integrating part of an alternative system, functioning on alternative premises and rules, those that theory might fail to grasp. Informal transactions are part of daily life and survival strategies as much (and in some case even more) as formal economic transactions.

Most literature tends to consider informal economies as something exogenous and temporary, at least with regards to a theoretical system. Starting from a positivist and theoretical vision of "the economy" one tends to consider the blossoming of informal transactions as something that is needed to make an imperfect system work temporarily. The assumption is that we have "the economy" that should work whilst the "informal

sector" is the result of transitional policies and will be phased out as soon as the market starts functioning properly.

There are at least two objections that could be raised to this point. One is that even in market dominated societies non-market transactions have a main place in people's life (Williams 2005) so that it is unclear where the theoretical model with no informal economy could be applied. The second, and more relevant for an anthropologist, is that the meaning of some transactions changes across time and space. As a number of scholars have suggested, some categories of informal payments are so embedded in people's life, to different extents depending on their location, that it is not always possible to distinguish between cultural and economic phenomena (Humphrey 2002, Ledeneva 1998, Patino 2002, Polese 2008, Werner 2003, White 2004 to quote a few). Gifts, favors, social networks are as the result of an economic as much as of a social necessity that cannot always be measured in economic terms. A favor can create a credit that might never be extinguished, but that could give birth to a long term relationship of dependence with economic benefits for both sides.

Whilst politicians and practitioners need to classify, to judge, to put the label bad or good to a practice, the advantage of social sciences is that one can explore the meanings and rationale behind a behavior and is free from judgment. That is one is more free to appreciate the cultural aspect of a monetary transaction without having to condemn it. This, in turn, could also help practitioners and analysts to better understand a context and prompt them to contextualize instead of creating general rules that should apply always and everywhere. Actions, just like objects, are what they come to be (Thomas 1991) that is their meaning change depending on the geographical, social and cultural settings.

If we take that informal economies exist virtually everywhere, although at different degrees, then the differentiation between informal economies and their functions might be based on other criteria. It is not any longer whether there is an informal economy or informal transactions apply but it's about the function of this informal sector. Is it helping people to survive despite economic mismanagement of a state? Is it reshaping policies not tailored for a given context? Or it simply fulfill a social function and helps establishing long term social relations?

The function of informal economies will also determine their widespreadness and popularity in a given context. In some cases they could even be used as a way to assess the macroeconomic policy of a state. Where the informal sector is helping people to survive it is more likely that it will be present massively, whilst where it fulfills social needs it will still be present, but on a smaller scale. Accordingly, a widely spread informal sector may be indicator of unhealthy economic reforms or policies, whereas mere social functions of the informal sector would suggest that, apart from this, people are generally satisfied with the state operate. Already economists have suggested that shadow economies depend on the benefits citizens expect from the state and on the level of control of that state (Bovi 2002, Loyaza 1996) and anthropologists have shown how peasants may be able to reshape economic reforms by everyday forms of resistance (Scott 1984).

The starting question of this article is on the origins, and the function, of informal economies in Turkey. By determining its very nature we will be able to explore function and perception of informal economies. Another point worth exploring is morality, and the co-existence of moralities different, but parallel, from the state one. The more informal economies serve to save the citizen from the state, and its improper economic policy, the more people have to find a way out, the more local and group moralities may tend to replace universal and state one. The more state demands show unawareness or neglecting of its citizens needs, the more people will tend to organize themselves separately from the state. But because this will require new social and moral norms, their morality might come into conflict with state one.

A final question might be about space, and this has to do with methodological choices. Talking of perceptions of informal economies in Turkey means to become concerned with regional differences and the fact that informal economies might have a different function depending on the part of the country. Main argument of this paper is that informal economies in Turkey are so socially embedded in life that people often fail to perceive them as an economic fact, but they also contribute to reshape state policies as much as official politics. This article shall not claim to describe Turkey as a whole nor claims to be representative, but will use material gathered in certain situations and contexts from two kinds of sources to discuss the function, perception, and dynamics of informal economies changes across time and space. First of all I have spent more than one year in Turkey, mainly based in Istanbul, but with frequent visits to a number of other cities from the South and East of the country. By doing this I have selected some observation points that could provide me with an interesting perspective on the country. During my stay I came to identify a number of informants that have provided me with useful insights, comments, and sometimes material for discussion. Given the scope of the research, and the objective, I have chosen to conduct my interviews mainly informally, taking advantage of the atmosphere of trust and confidence that sometimes came to embed us with my informants.

The other part of this research is a survey that has been conducted in three big cities. Istanbul, the center of informal economies in Turkey is one; Diyarbakır, in the east of the country, a low income area, is the second and the fast growing Gaziantep is the third. The choice of the two cities is due to a desire to compare a city that is rapidly growing but is not under the spotlight (Gaziantep) and the capital of a region that is still considered underdeveloped and has lower incomes than the average of the country (Diyarbakır).

### **Defining informal economies**

The definition of the informal sector is utmost problematic and there is little agreement among scholars. Since ILO acknowledged it as part of the economy, many classifications have been attempted. The ideological difference and approach between anthropology and economics, meant to relegate informal economies to social and anthropological sciences (Hart 1973), at last until the International Labor Organization noticed that informal economies had a relevance that could hardly be concealed and started

reckoning with it. This also meant to give more attention to the idea of transition as durable, something already questioned by Hart (1973) denying the transitory nature of informal economies:

“Does the 'reserve army of urban unemployed and underemployed' really constitute a passive, exploited majority in cities like Accra, or do their informal economic activities possess some autonomous capacity for generating growth in the incomes of the urban (and rural) poor?”

Since ever, increasing attention has led to consider informal economies a durable phenomenon. Accordingly, informality, even if considered a transitional phase, is deemed able to survive for long enough that it is not only a subject for economic policy but a persisting and lasting part of the national economy (Maloney 2004), having an impact on the GDP it is necessary to reconsider it when deciding on a political and economic development strategy (Chen, Martha, Joann Vanek and Marilyn Carr. 2004). Such conclusions pointed at the fact that the informal sector is no longer considered separated from the formal economy (ILO, 1972; Sethuraman, 1976; Tokman, 1978), representing only small scale activities (Moser, 1978; Castells and Portes, 1989) or big enterprises trying to fraud the government (de Soto 1989). It is not only the low productivity and urban sector, the reserve army of underemployed and unemployed that constitute the informal sector but even skilled, and already employed, workers might want to engage in informal transactions, as long as this increases their welfare (Harth 1973).

People are not informal, their actions are (de Soto 1989) and this might also help to understand the higher degree of initiative by informal sectors entrepreneurs (Tansel 1999, 2000), for their desire to remain in the shadow could be due to an extremely high amount of red tape in their country, compelling many activities to stay extra-legal (de Soto 1989). In turn this may also be the result of a desire to import legal codes and economic policies, that seem to work in other environments, into a given system, with the arguable assumption that what is working elsewhere will also work in a given context (de Soto 2001).

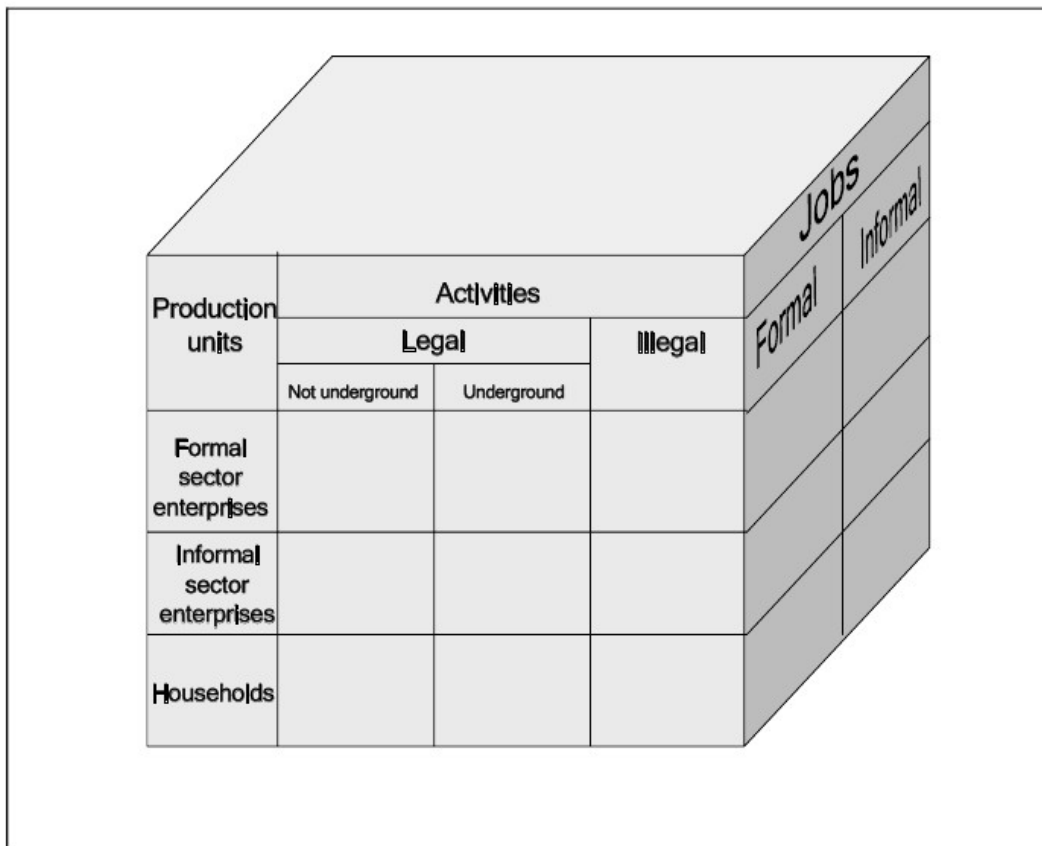
To better understand the informal sector, several classifications have been attempted. A first one is by Hart (1973), distinguishing formal opportunities, and informal ones, further divided into legal and illegal opportunities. Feige suggested to go further and proposed a classification into illegal, unreported, unrecorded and informal economies (1990). Illegal economies are activities perpetuated in violation of legal statutes defining the scope of legitimate forms of commerce, unreported economy consists of activities that circumvent or evade the institutionally established fiscal rules so that tax authorities are not informed of the activity; unrecorded economy are all those activities that the state does not consider revenue producing but they are, like household production. In developed countries it is estimated this accounts for between 25 and 50 percent of the GDP (Feige 1990: 9) and can strongly bias data on unemployment and production. Finally informal economies, according to Feige, include all those economic activities that

circumvent the costs and are excluded from the benefits and rights incorporated in the laws and administrative rules covering property relationships, commercial licensing, labor contracts, torts, financial credit and social security systems (1990:10).

A further classification can be considered the one by Hussmanns (2004), distinguishing illegal and underground activities. Illegal are activities which are forbidden by law, or which become illegal when carried out by unauthorized producers. Examples are drug trafficking or abortions practiced by unauthorized persons. Thus, illegal production can be considered to represent a contravention of the criminal code. A problem with this generalization is that activities banned temporarily (like goods importing during an embargo) or as a result of political mismanagement of a country (a law forbidding fresh cheese on an hygienic ground, but not suggesting how farmers could survive) might be equalized with trafficking or heroine smuggling.

Figure 1 the informal sector (source: Hussmans 2004, p. 9)

**Diagram 2**



What is indicated as underground production are activities that may be legal, when performed in compliance with local regulations, but are then concealed from public

authorities like failure to report to tax authorities. Despite the fluidity of such borders, the above diagram shows several three types of production activities: (i) activities, which are legal and not underground; (ii) activities, which are legal, but underground; and (iii) activities, which are illegal. (Hussmans 2004, p 9).

Acknowledgement of the existence, and role of informal economies have prompted increasing interest in the issue and several attempts to measure and conceptualize them. In some cases factors like electricity consumption are used to spot unregistered businesses (Kauffmann 1996), in other cases surveys start including questions about stability or employment and social security so that even people working on a contract, but unable to defend their right or claim social security (Hussmans 2004) may be considered as only informally employed.

### **Social informal economies**

There is an aspect that is still under-investigated. I am referring here to the social component of informal economies. Apart from securing survival and well off of people, informal economies have also a political and social function. They may be considered a way to oppose certain political decisions that are not the proper one for a given context. They can also arise from the human necessity to socialize and from a sort of Durkheimian mechanical solidarity that may go well beyond market needs but can nonetheless be connected with economic welfare. When two neighbor shops or restaurants keep good relations and help one another their first goal is social, but this will also bring some economic benefits in the long run.

Although the political aspect of informal economies has become object of study from Scott (1984) onwards, its macroeconomic aspects remains largely unexplored (Polese 2010). Political decisions, it is assumed, can be opposed through political actions or contentious politics (Tarrow 2005). However, people could also be silently unhappy and each look for a way not to abide the law, or do it only to a certain extent. In many respects this will *de facto*, but not *de jure*, bring to a situation where that law does not apply. The state will then have a range of choices: it could use coercion to make the law and rule observed, but this could lead to an open confrontation; alternatively it could ignore insubordination and let things as they are; finally it could change the law. Some years ago the Iranian government made an attempt to use women traffic police officers but drivers would simply not stop when asked to. The government acted very pragmatically and called the experiment out. It would have probably been too expensive to re-educate drivers and a rule that nobody respected was of no use.

If people deny a phenomenon, then this phenomenon does not exist (Herzfeld 2005). A law that is not obeyed is *de facto* inexistent. However things are not always to black and white. Moving away from what has been called a dualistic approach, where things “are” or “are not” (Yurchak 2006) we can see many intermediate situations that have in common the fact that people, possibly excluded from the political sphere, retake possession of their rights to participate in political decisions (Gupta 1995) without necessarily engaging in contentious politics, or without coming to hit headlines and become known to the public.



The other function of informal economies is a socio-economic one. Most studies on informal payments tend to underline the reciprocity of exchanges, and labeling corruption whatever falls into this category but reality is more subtle. Ledeneva has gone as far as to explore the culture of *blat*' (1998) that leads to some long term relationships among people. However the social aspects of such exchange have rarely been explored in a Maussian perspective that includes long term debts to be generated by such transactions (Polese 2008). As White (1994) points out, in Turkey the fact that a favor will be reciprocated is less important than the debt arisen, that is the fact that, upon necessity, it will be reciprocated. People remain in a constant debt situation with each other and, as long as there is a debt, there is also a social relationship overarching the economic one. Even the person owing something can still ask for extra help and increase its debt, or its condition of dependence. Studies on reciprocity have shown how the payback for a favor might not come directly from the beneficiary, Parry's Indian gift gives access to a higher spiritual status that has nothing to do with the beneficiary but spiritually elevates the giver (1984). Turkish offers to poorer neighbors during *Ramazan* have the function to confirm, or increase, respectability of a family or an individual and do not expect material reciprocation but only spiritual blessing. However, their ultimate function could be seen as perpetuating a system that pledges taking care of its members, regardless of what the state is doing. By attaining a certain degree of economic autonomy, little communities (like enlarged families, or including neighbors and closer friends) can make sure to get protected from external factors. Not relying on the state but on what they can see and touch, they make sure to aliment a system in which nobody will be left on the street helpless as long as is supported by a community with apparently little economic but great social value (see Bourdieu 1984). This can be seen as a cause, but also consequence, of state policies. Capable to rely on those informal structures, the state has little pressure to put up a system of social security that will help the individual in case they will loose their job or need some extra care, *akraba* (relatives) will do it on its behalf. This, on the other hand, will also prompt the state to concentrate on more urgent things, in turn thus encouraging individuals to rely on close friends and relatives rather than the state. In many respects, this economic dynamics becomes embedded in social relationship and gets confused with it, contributing to shape social and economic policies of a state, a region, a city.

In such a context it becomes necessary to redefine the boundary between legality and illegality to admit the existence of a grey zone in between between "acceptable" and "non acceptable" things, actions and transactions, where illegal things may easily become legal and vice versa. In the past years scholars have exercised to define the borders and explore the possible contents of this grey zone, suggesting that some actions may not fall within the official economy because they fail to be noticed, classified or recorded because there are too high costs for entering legality so even if they had the right to claim legitimacy, they are prevented to do so by the high burden this implies

(see, among others, Bovi 2001, de Cornelius and Lenain 1999, de Soto 2001, Loyaza 1996).

There are several component of a national economy that may fail to fall under the control of the state. The state may acknowledge the existence of certain sectors, phenomena, actions, enterprises, cultural practices and define its attitude towards them. The state might persecute and forbid some practices, tax them -in commodities or money, promote and help them or simply create an independent organ of control. From their side, people and institutions involved in such kind of actions should acknowledge the state and define an attitude towards it. They should be willing to register within the state, declare their activities, revenues, give feedback, express their need, comment on state attitude towards them.

For a number of reasons this does not always happen. Either the state is unable to see some parts of the economy or it is unable to record it and take actions. From their side, actors might be willing to hide it (under any conditions, this is the illegal economy, or under the current conditions, and this is the informal one or extra legal), unwilling to do so (do not see any difference/advantage in making their activity official) or might simply be unaware that they should interact with the state. An case might be when the state fails to inform remote communities for instance, they still live, buy, exchange, but the state will not record anything. In countries with low levels of urbanization this might include a good deal of transactions.

This implies that there are things citizens do that elude state surveillance. Those actions may be monetary and non-monetary, conscious or unconscious. Citizens may avoid paying taxes by non declaring income or two companies might use barter to decrease the taxable income. This would fall in the conscious category, because they are aware that what they do fails to fall within the control of the state. Other actors might simply exchange favors on a daily basis, to be able to save some money like in the case of a restaurant asking another one for food, a mother looking after her neighbor's children, or the patchwork industry described by White (1994). Such cases are less conscious actions.

Conscious actions may be seen as a political choice, whilst unconscious or unaware ones are often dictated by social norms and necessities. In the end most situations are in between and they all have an effect on policies, but some are socially motivated, that is do not look at the economic effects in the first instance, whereas others are generated by the need to save or gain some money.

Table 3

transactions/attitude	Conscious	Inconscious
Monetary	Political (illegal sometimes)	Social

Non-monetary	Political	Social
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In the rest of the paper I will try to show some of the cultural (social) factors present in informal economies. This affects, and depends on, the relationship with the state, may be grounded on a desire to refuse to acknowledge the state or limit its action.

However, those actions may not be conscious, people might not know they are doing politics and might not see informal economies or acknowledge them, do not see them separate from the rest of the economy, as Hart suggested (2005). Also Feige and other classifications exist at theoretical level but do they exist at practical daily level? Or do people see the differences between them? It rather seems informal economies are part of people's lives, of their cultural systems and to what extent they are developed depends on the role of the state. I would see the economy of a country divided as follows

“The Economy”

			Social economy
Official (monetary) economy	Unofficial and illegal	Unofficial (extra legal) monetary	Unofficial non-monetary
	Extra-legal	Economy	

This being only a theoretical model, there are many questions that remain unanswered, *in primis* the borders between the above mentioned categories. A tentative explanation might be:

Monetary-nonmonetary: non monetary is what cannot be transformed into liquidity immediately, or cannot be traded as liquidity immediately. If an apartment, a new car, a property is given as payment or used in a transaction, it has a different meaning from a payment in the form of food (be this vegetables, meat, eggs, milk) an old car, some hand-made clothes or the right to use a piece of land for some time. In this respect most of what I call non-monetary falls in good part outside the control of a state. This might have, among other things, the effect of reducing official data on revenues unless those who measure it are aware of it. 50 dollars and some food per month may still make 50 dollars in official data. This can have relevant proportions when culturally defined norms do not consider “proper work” the labor that produced such goods. In her study on piecework in Turkey for instance, White (2004 [1989]) found that women consider earning from their home knitted clothes as part of their domestic duties, despite the fact that they are then sold to retailers dispatching them to shops.

As for the distinction between illegal and legal, this is quite tricky but we could consider illegal those transactions and actions that performers would tend to hide under any jurisdiction, legal code or country. If there is no legal system or moral code that would allow such actions, then they are illegal. One could also try to say that, if the action does not harm any fellow citizen directly, then it is not necessarily illegal (Polese 2010).

Trafficking and hard drug sell would fall within the illegal category in this case, for they directly harm a fellow human, but fiscal fraud would not, because the state would get

less revenue and the fellow citizen would only be indirectly affected. However this fails to sense the difference between fiscal fraud carried out because otherwise the company would not survive and the one performed to increase profit.

Following this approach, I shall suggest that the the whole aggregate of informal economies has a “social” origin, where “social” means two things. First it refers to Bourdieu's notion of social capital in the sense that such transactions boost a person's social capital, their reputation, respectability and a culture of indebtedness that may make up for state inefficiency in some aspects of life. Second they replace a social state. As long as one of the functions of the state is to take care of its citizens, in case states fail to do that citizens need some extra care. If they do not earn enough they need a better job, if they have no job they need some kind of assistance or if they perceive the state is harming them they need some protection from the state (or from state inefficiency). It's a suicidal state but people will expect some services anyway

This is not to deny poverty and underdevelopment of a number of countries but to say that the reason why a contingent or structural measure fails to produce the desired effects is that macroeconomic data shows only what the state, or other institutions, are able to measure and this might turn out very far from the way things go in a country or sector.

In the next section I shall present some situations that should help to illustrate the tensions between citizens and state, while trying to assess what categories might be useful to concentrate on, when comparing people's perception and those suggested by this paper.

### **Reputation and documents**

When I first moved to Turkey, one of the first things I decided to do was a permit of stay. Most EU citizens prefer not to have to do with bureaucracy and leave the country every ninety days. Despite this being illegal there is a margin of tolerance by the state, given the relative low number of people using such a strategy.

Supported by my host university I was able to prepare, and presented, all the documents listed on the website of the foreigners' office (*Ikamet*), including a pink folder that seems to be compulsory according to the website but nobody would ask for. When it came my turn the officer did not accept some of my papers and said that, in my case, a foreign bank account could not count as evidence that I had money, I needed a Turkish one.

In most cases you cannot open a Turkish bank accounts easily unless you are a resident of the country so I had fallen into a catch 22 situation. With no bank account I could not apply for a permit of stay, for which a bank account was needed. The officer told me that the only alternative was to show that I had enough cash to stay there the whole year. Although an alternative, I was utterly upset. How could I possibly find 5000 Euro, change them into Turkish YTL and get back to the office before it closed?

There was a way, and this was only the first of the discovered-to-be apparent contradictions Turkey falls into, when developing a citizen-state relationship. A Chinese girl I had befriended during the day told me how to do: “go out, turn left, then left and walk some 500 meters. There will be an exchange office. Tell them you need a check that you have changed 5000 Euro into YTL. Everybody does that”.

I was shocked, everybody knew and still everybody did it. And still, officers accepted such a practice. I went to the place, paid 20 YTL and got my voucher. Within 20 minutes I was back at the officer's desk who seemed pleased, looked at me with an expression like “you see? It was not so hard as you thought”, accepted my application and told me to come back the next morning to pick up my permit.

I see this as one of the best examples showing that the state is “peopled” (Jones 2007). There are some formal requirements to fulfill to release a permit of stay and there are several alternative documents one can produce. But it is up to the officer to accept or not that document as evidence, for they will be accountable before the state should anything happen. One friend once told me “police in Turkey, when they stop you, they look into your eyes and decide whether to check you or not”. This may not be the case (in some cases my Turkish looking but foreigner status allowed me not to produce any documents, in some others no) but it shows a general tendency of officers in Turkey that is the level of discretion they are allowed to use when making decisions. They can choose (when and how) to respect, or not, a rule but, conversely from other cases, the beneficiary of this choice will be the citizen, who might be saved from some extra hassling. It goes beyond the scope of this paper to debate the consequences but it is indicative of the trade off between social relationship and the law. If you feel you can trust a person, you do not necessarily need to be very zealous. You can decide whether to believe words or papers and if you think you can trust this person, then respect and words becomes more important, for it is the basis of a mutual trust relationship that transcends the law or written rules.

The percentage of people engaged in such transactions in Turkey is extremely high. The results of a survey conducted in Istanbul, Gaziantep and Diyarbakir shows how the majority of respondents is engaged in some monetary exchanges with neighbors and relatives that are informal (and for which there is no contract signed) as table 1 indicates.

Table 1: Friends, neighbors, relatives, exchange favors (money, food, services) from time to time. To whom do you happen to give?

	Number	Percentage	Percentage of cases
Brother	64	8	12.3
Father mother children	37	4.6	7.1
Relatives	200	25	38.5
neighbors	343	42.9	66

Friends	76	9.5	14.6
Nobody	79	9.9	15.2
Total	799	100	153.7

Table 2: Friends, neighbors, relatives, exchange favors (money, food, services) from time to time. From whom do you happen to receive?

	number	Percentage	Percentage of cases
Brother	61	7.6	11.7
Father mother children	37	4.6	7.1
Relatives	203	25.3	39
neighbors	342	42.7	65.8
Friends	75	9.4	14.4
Nobody	83	10.4	16
Total	801	100	154

Not only the level of informality is high, so is also the level of reciprocity, or at least its perception. Figures in giving and receiving are very close, suggesting that reciprocity occurs, or is perceived to, on a regular basis. The relatively low level of exchanges with parents and offspring may be due, according to my experience, to the perception of this kind of help. Money to the children or parents is not perceived as an help, but as something due, with no reciprocity expected and people tend to less notice it or expect something in exchange. On the other hand the elevated level of exchanges with neighbors indicate an active social life but also the lack of gratuity and, in many respects, an expectation of reciprocity. However, with money circulating without the control of the state, this is *de facto* an informal transaction and a monetary one, but so culturally embedded and often socially motivated that there is little chance that people will see it as belonging to the *kayıt dışı ekonomi*.

### **The state will take care of your health, and you of your close ones**

Turkey has a mixed system when it comes to medical assistance. There are private and public hospitals that people can use. Private hospitals are extremely efficient, in terms of service, equipment and waiting lines. Doctors have often studied abroad and can speak at least a foreign language and, in many cases, they are worth the money you spend so that, given the choice, people might prefer private hospitals.

Conversely from other countries' systems, lack of a private insurance does not exclude automatically from such benefits. Doctors seem aware of their role of employees and people at the same time and they have a higher degree of choice. Social relationships within the hospital are extremely important and doctors can waive fees if needed. An informant reported to have felt bad during a visit to Istanbul and to have called a friend, who decided that the easiest thing to do would be to bring him to a private hospital. At the reception he was asked to produce an insurance card but his card revealed not valid for that hospital. They went on with the visit anyway, for he was feeling too much pain and could not wait. When the visit ended, the doctor did not issue any check and the informant was dismissed without having to pay anything for the visit. It turned out that the doctor was a friend of the his friend and decided not to charge him.

This is not an isolated case, another informant, a doctor in a very important hospital of Istanbul, said to me "every day there are lots of people with no private insurance coming to my hospital. In principle they should pay for the visit, but there are several ways not to pay. One is to know the doctor who will not issue a bill, another is to come with a medical card of a relative and charge the visit on the relatives' insurance, that will cover anyway everything. Patients just go to the reception and get agreed with the people there not to have to pay, this practice is very popular here in Turkey".

Another informant, a psychologist from Gaziantep, was working with asylum seekers fled to Turkey, who do not enjoy the status of refugees, according to Turkish law (UNHCR 2009). When those refugees need medical treatment, they might not be able to go to a public hospital, where only people registered and with documents are accepted, nor to a private one, where they should pay. My informant happens to share the flat with an oculist working in a public hospital who can still arrange for a visit for some refugees, if not always, in most cases.

Some other informants reported cases when doctors, working in private hospitals, advice the patient on the way to save some money. An informant needed to get her son operated and the price was 5000 YTL. Her doctor filled the form omitting some of the services he had applied so to make the bill 4500 and included the following visit (worth 200 YTL) into the bill. Other informants reported to have gone to the hospitals with two children, get both visited and being billed only for one. In many respects your social status, appearance and the sympathy you awake in people will influence the price you have to pay. Even if they go against themselves, doctors act as safety valve and are aware of their social role.

Once again, informality solves the potential tensions between the state and the citizens. It resembles to a lifestyle, a consolidated practice, rather than a daily strategy but it cannot be institutionalized. It exists and is perpetuated everyday with no possibility to stop it without creating a tension, but it will not be acknowledged.

To an external observer from the capitalist world, where private hospitals are a way to make money this kind of solidarity is intriguing. It involves a number of elements of generosity and the victory of social rules over economic ones.

Such an habit is an economic loss for hospitals and indirectly for doctors, let alone the state and insurances. There is a whole parallel system, capable to accommodate much

more people than official figures would show. A substantial number of people in Turkey declares not to have any health insurance (Table 3) whilst other categories have different ones. Are those people not visiting any hospitals or paying for visits? According to my experience it is more likely that they are using some social connections to secure some assistance in one of the above mentioned ways.

Table 3: What kind of individual medical insurance do you have?

	No	Percentage
Bag - Kur	275	12.9
SSK	892	41.8
Retreat insurance	218	10.2
Private insurance <sup>1</sup>	1	0
Green card	328	15.4
Nothing	416	19.5
SSK and private insurance	2	0.1
Total	2132	100

Doctors cannot, alone, decide to let a patient go without paying or accept to take care of someone who has no insurance. They have at least to agree with receptionists and rely on complicity of other doctors who make sure not to report the issue. There must be a border line, if a doctor started receiving all patients with no money somebody might complain and the practice could be discontinued. However one could also ask questions of another nature, such as why not everybody has the right to a social security number? How are supposed to solve this tension those people with no social security? Even in the case an individual has medical insurance, are hospitals well equipped to take care of all cases?

Starting from this point one could see two parallel systems, a real and a theoretical one. In theory everybody is supposed to have access to medical insurance. As long as you are legally resident and have a job you have access to state medical care. In addition, some employer will provide their employees with a private card to be able to use private hospitals. There is also a retreat fund to pay for medical care of people not working anymore. The question is whether everybody is where it would be supposed to be, has a recorded job and is paying medical insurance contributions that will give access to at least state hospital care.

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1 The survey targeted people earning from 500 to 3000 YTL per month (300 – 2000 USD). Although the number of people with a private insurance may be, in average, higher, the above revenue does not allow purchase of a private insurance. This choice was dictated by the desire to focus on little informal transactions rather than on business ones lower income classes would not engage with.



Reality is far from this situation. Not everybody has access to medical insurance, not everybody can wait as long as public hospitals demand. Private hospitals have prices that are extremely high for middle and low class people so that a different system is in place. Money, time and social capital are inter-exchangeable (Bourdieu 1984). At the bottom of the scale one has the lowest income ones, who can allow to wait several hours to be visited. However not all of them has the right to use public hospitals or nobody wants to waste a whole day of potential income to get visited in a hospital. This category, however, will rather pay in time and wait in a public hospital, possibly saving time if they can get ahead the line. The upper level are people with a private insurance, who will go to a private hospital. In between we have people of several social strata, going either to a good public hospital or, most likely, to a private one, but at a price lower than the official one. In such a system, both parts agree on that the price and the system are not real, or affordable for everybody and they will find alternative solutions. Doctors will lower the income for their hospitals, and in turn lower their contribution to the taxes, but make medicine accessible to more people in many cases. They will be supported by administrative personnel who, in case, will be able to count on doctor's help to send a relative for a free consultation or visit.

In Islam to make money is considered not honorable, unless you share it, and one can see this directly in Turkey, with people going against themselves for the sake of social rules. Doctors will be willing to share some of their time in order to help some patients. In addition, they will also be willing to give discounts depending on the people's income, to limit expenses for people.

If, on the one hand, this reduces the income of a hospital, it makes it also more accessible, with people able to come regularly, or more regularly than if prices were always the official ones. In turn this makes up for state inefficiency in securing medical coverage to everybody, so the state might even be happy to receive less money through tax collection, as long as the tensions that it has generated are solved. In this way more people have better services, despite they are not officially entitled to.

There is clearly an economic side in all that, and economic transactions that fall without state records, however it is extremely rare to get this mentioned when talking of informal economies. They are considered a social fact, rather than an economic or political one, features that also should be considered.

### **How would you define a job?**

Work from home is one of the most interesting aspects of Turkish economy, at least given that women work is not necessarily perceived as "necessary", being the man the bread winner. The catch is not that women are not supposed to work, rather they are not supposed to engage in regular paid work. White (1994) noticed how patchwork was considered an extension of women housework to a certain extent and thus irregular earning from this activities might not be classified as job revenues. Entrepreneurs collecting this patchwork, from their side, could consider this activity as a simple exchange bringing little profit that would be shared with their close, given that profit in Islam is not well regarded. This unchained a series of liaison so that people were related to one another through money (money makes us relatives, like the title suggests).

Activities in the household, or its immediate proximity, can be considered “politically correct” for a woman. They allow extra income, and to some extent female emancipation, without denying their social role in a society (Ghavamshahidi 1995). The side effect of this approach is that all those activities not bringing money, or only irregularly earnings, are not officially counted towards a family revenue. It might even happen that women work longer hours than man, but their activity is still not acknowledged.

One of my informant, working in a university, had his wife working on her own business for years. Whilst this denotes a high level of emancipation, a family business is also a way to have elastic hours and take care of the children, take leaves when needed and work when it's possible. Besides, she was also doing housework, cooking and looking after the children. The 2008 financial crisis urged her to close her company and stay home with the kids.

From an economic point of view the company needed not necessarily to be losing money to be discontinued. It was rather a matter of opportunities: how much income could the company bring? Was it enough to justify the partial absence of the woman from her home tasks? Were they not better off by having one job each (he the state one and she the housewife one?) rather half wife half company worker?

Technically this woman moved from a half recorded position back into the unrecorded or unreported economy, using Feige (1990) classification, but the meaning is deeper. The survey reported that in more than 90% of the cases, it's the woman who does such routine tasks like cleaning up, cooking, taking care of the children or washing up (clothes or dishes).

Table 4: Who is doing home tasks in your household? (answers in percents)

	Cooking	Cleaning	Clothes washing	Knitting (making clothes)	Looking after children
Woman (evin hanimi <sup>2</sup> )	95.4	94.2	94.2	86	86.2
Man (evin erkegi)	2.7	2.3	2.1	1	0.6
Children	0.4	1.9	2.1	1	1.3
Grandmother /grandfather	0.4			0.8	0.2
Housemaid (paid)	0.2	0.6	0.2	1.7	0.2
Together (the couple)	0.8	0.8	1.2		0.4
Other	0.2		0.2	0.2	0.2

2 In Turkish the expression indicates the “main woman” of the house. This is normally the main bread winner woman but in case more generations live under the same roof it might become less blurred as definition.

No answer		0.2		9.4	10
Total	100	100	100	100	100

From another questions, it turns out that only 30% of respondents declares to be working regularly, 30% works from home and 30% are still studying (Table 5)

Table 5: income situation of household members

	Frequency	Percent	Valid percent
Full time job	344	16.1	62.3
Part time job	45	2.1	8.2
Temporary/seasonal/daily job	33	1.5	6
Self-employed	120	5.6	21.7
employer	9	0.4	1.6
Unpaid family job	1	0	0.2
Total	552	25.9	100

Table 6: job status

	Frequency	Percent	
Working	541	29.2	
Jobless, seeking	119	6.4	
Jobless, not seeking	52	2.8	
Helps with home tasks	3	0.2	
Retired, not working	101	5.4	
Retired, working	8	0.4	
Student, not working	550	29.7	
Student, working	6	0.3	
Housewife	466	25.1	
In the army	7	0.4	
Other	1	0.1	
Total	1864	100	

In many respects, a real job is something bringing money at home regularly. This is also visible from a following question asking about regularity of salary. With 62.3 percent declaring a regular income and 21.7 percent being self-employed, there are little chances that housework (and housewives) be included in this classification. When entering in touch with new people, a normal subject of conversation was their job and they countered "housewife" to "employed" in their description. In addition, most family businesses are registered under the man's name and women, children and other

relatives living in the same household (on the same budget) are supposed just “to help out” but are not necessarily formerly employed. To the family it makes little difference, as long as the male's income overlaps the family ones. However this poses a methodological dilemma, for classifications must take into account unpaid jobs bringing regular income. An extra worker in your restaurant would cost you money unless it is part of the household, in which case the money you save can be spent for the household. Another example are tips for home delivery. Turkey is the place where you can order any kind of food or drinks to your place and in family business it will be a child or a relative that will come to your place. In such cases it will be a good habit to give a tip that will go into the family budget. The point is that this habit is perpetuated dozens of times per day, every working day of the week and will account for 5-10% of the final price on all home deliveries. Nobody will be willing to record this extra income for it is socially grounded, not an extra income but an acknowledgement for the service of bringing food or any other kind of things, to your door. It will nonetheless count towards the family budget.

### **Taxes: to pay or not to pay?**

The tax code, tax collecting system and government measures against illegality also show a cultural tendency to accept a number of informal transactions as necessary to the system. Government controls on low income transactions are virtually inexistent and in the tax code it exists a lower limit below which no declaration has to be filled. People, earning less than 9000 YTL (around 6000 USD) per year, are allowed not to fill any tax declaration. When I asked an officer, during an interview, how is possible to control that they earn less than 9000 YTL per year the answer was that the government tends to trust people on such small amounts of money. Everybody with a small business has the right to apply for a permission and earn money not declaring anything. The assumption is that all those street sellers (*el araba, eskici* and others) will not be able to earn that much in a year and even if they make some 1000 YTL more it will make little difference. It is much more important to catch those not declaring several thousands YTL and concentrate on them is a main task of the government. The other side of this approach is that, being reputation and honor still a priority for a high number of people (Giordano 2005), there will be a tendency to declare an income as soon as it becomes more substantial.

In the summer of 2010 I spent some days in a little hotel in the south west of the country and noticed that, just above my door, there was a small paper with the earnings of each year and the relative taxes paid in that year. Although the hotel existed since several years, the first imposable year was 2007, when a revenue was just above 9000 YTL. It continued growing in the following two years reaching 13000 YTL. In a country like Turkey I found quite unusual to declare a revenue of just above 9000 YTL, but my interpretation was that, to be willing to declare that amount, they must have earned more. To partially confirm my interpretation, the day I paid the hotel I was given no check or any other proof of payment. We all knew I had paid and this was enough, as long as the guest was concerned. He would not be asked to produce any evidence of

payment when checking out, the rest was a private matter between the owner and the state. Very often informants reported the reason for small companies to hide some revenues was “we are a small company, do not make much money and, should we survive after paying what the state is demanding, we would have to close down tomorrow”. It comes with no surprise, thus, that in many cases cash, or even commodity, payments are preferred to bank transfers that are visible and impersonal, whilst cash can still be seen as an extension of a social relationship.

When in the need for cash I had to drive two hours to get to the main town. This was because, the owner of the hotel explained to me, the bank next to their place had to close, for people would not use it, preferring cash for transactions.

Bovi (2002), but also Loyaza (1996) have suggested that, apart from the level of control by the state, willingness to pay taxes also depends on the expected benefits of contributing to state budget. The more you can expect in terms of social security, school education, the more you will be willing to pay. There are a number of ways the Turkish state is not willing, or able, to propose itself as a main welfare actor and it might be too complicate to decide what comes first. Did the state decide not to interfere because social structures and family support in Turkey are strong enough not to need state help? Or rather family support has increased because the state has revealed unable to provide the expected level of welfare? Or, as intermediate solution, family relations and culture of indebtedness have remained untouched by the introduction of a modern state because the state has evolved slowly and people prefer to rely on family? Could this be the desire of a conservative political direction that, eager to maintain family traditions, is not giving too much in the hope that people will stick to one another as in an enlarged family? It might not be easy to answer this question but what appears from those situations is that the social role that in a modern state should be played by the state is often played by small communities that make up for state ineffectiveness. By creating such practices of mutual help, people reinforce habits, the importance of social networks, of dependency, of solidarity and of traditional roles in a family. Such roles allow to earn, or save, extra money, but are not in people's perception and, to a large extent, still confirm social roles and social identities and class identities.

From this angle actions like repairing a house, exchanging favors with neighbors, establish social networks, are nothing but social actions with no economic significance, at least from a local point of view. In a larger framework, however, all those actions reshape economic policy, at micro and macro level, and contribute to the state's perception of informal economies, economic policy and other macro-decisions that are officially decided at top level.

## **Conclusions**

If a state is absent in some regions or sectors, is it possible to distinguish what is the cause and what the consequence? Are people organizing because the state is absent or the state is absent because family, and other informal institutions, are strong enough to guarantee a degree of security for the community? Is it possible to trace a line? People might fail to perceive some actions as informal economies.

Informal economies may be generated when tensions between the state and the citizen reach such levels that the citizen cannot feel this can be solved using official institutions or practices (be this elections, trade unions or street protests). When tensions reach that level, what Scott (1984) has defined as unorganized resistance starts and individual or group moralities replaces state moral in one or more aspects of life. This can go as far as prompt acceptance of practices in spite of knowing them as illegal, and thus consciously explaining why they do not comply with state rules. But it can also lead to replacement of state morality (and legal codes) by local ones by a group, a community, a village or even an alternative institution. People can solve this conflict internally and perform illegal actions everyday. They might not be aware that their actions are illegal because the state failed to explain. This can also happen at the group level, when a community or an economic class (entrepreneurs, doctors, workers) performs extralegal actions in response to state pressure that they feel unable, or unwilling, to contrast. They end up adopting those practices as routine and living a parallel reality distant from the theoretical one of the state. The existence of two value systems, one official and one unofficial may be considered responsible of a number of failures in economic policies and leads to the "macroeconomic death" of a country, quoting here one of my informants who smartly said "according to macroeconomic data, we should have died long time ago".

In such contexts, state morality is outweighed by personal needs, not sporadically but systematically. This put people and state morality on 2 different (and conflictual) levels. Borders, between moralities and values, become blurred, they perceive some unlawful actions but fail to understand that others are. Informal transactions become part of a daily survival strategy and are thus a cultural phenomenon, apart from economic. So embedded in daily life that people do not distinguish anymore the social and political and economic.

In addition, by being a way to solve tensions between the state and the citizens when this latter cannot, or is not aware to be allowed to, use formal means, informal economies provide a feedback on the operate of the state, make some measures fail and basically reshape state policies.

At theoretical level one could, when searching for informal economies, distinguish all that is registered and of which the state is aware from the rest. However the reality is more complex: why the state is not aware? Is it incapable of measure it? Do legal concepts comprise all the possible cases? Is there a cultural influence preventing the state from considering labor a number of activities? How far shall a state go to control and measure all the activities? Shall we measure favors exchange as revenue saving? What about informal baby sitting (when a friend agrees to take care of your children for some time one day or regularly)? Gift exchange?

If those actions have in common some kind of immediateness, that is the expected counter favor or gift will be granted in the short run, how shall we deal with acts that boost long term relationships? Are they measurable? I cultivate my relationships and my reputation in the eventuality that one day I need a job or some money. I do a favor

gaining a credit that might never be spent. Human interaction is made of social events and facts so that there are some things on which the state, or even the individual, cannot possibly have full control.

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