

## LINKAGES BETWEEN “INFORMAL” STREET TRADING AND THE MACROECONOMY

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The proposed paper approaches the general question of how macroeconomic factors such as investment, exchange and interest rates and policy orientation impact informal workers. In particular, I aim to connect the “New Financial Architecture” (NFA)-borne crisis to the experiences of street traders selling new clothing in Gauteng Province, South Africa.

In what ways are macro-level policies like deregulation experienced by street traders? Traders are often perceived by policymakers as existing on the margins and thus not effected or minimally effected by macroeconomic policy decisions. However, research suggests that demand for traders' products fluctuates depending upon macroeconomic factors and that traders' livelihoods are directly linked to global value chains, albeit typically at the least profitable end. Studies also indicate that strategies for coping with a changing trading environment are limited, rendering traders among the most vulnerable workers in South Africa.

Using data collected through semi-structured interviews conducted in August 2008 with street traders in Gauteng Province<sup>1</sup>, I examine the impact of macroeconomic phenomena on the traders and their businesses and explore policies that can strengthen traders' prospects.

The paper will briefly examine the roots of the current financial crisis and then consider ways that the South African economy is likely to be impacted. Connections between street traders and the South African macroeconomy including financial flows, the interest rate and the exchange rate are then investigated. A set of policy options will be identified.

I argue that financialization is a consequence of integration in a global economy in which capital is extremely mobile and investment is drawn to short-term returns. Financial investment seeks high interest rates while real investment hunts for cost minimizing options such as low wages. Mobility combines with these “imperatives” to imbue investment with significant power that allows them to influence governance structures and economic policies.

The orthodox economic policies that governments adopt in order to attract and retain investment can have detrimental effects on the well-being of workers, including that of self-employed street traders. Alternative policies are identified in the form of capital controls, employment targeting and improved representation of traders.

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