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# *Social Capital and the Shadow Economy*

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***Abstract:*** Viewed in a wider context of paid and unpaid informal economic activities, the shadow economy highlights the little recognized ambivalence of social capital as both potentially positive and negative in outcomes for different groups in the economy. Using a concept of social capital as access to durable networks of actual and virtual resources as claimed by Pierre Bourdieu, I examine the shadow economy as a source of both resilience and repression, intimately connected to the formal economy and ultimately tied to a neo-liberal agenda. I draw from review activities I have previously conducted on the informal economy in disadvantaged neighbourhoods and from research on social capital in the economy in a European context.

***Keywords:*** social capital, shadow economy

***JEL Classification Codes:*** E26, D73

Although conventionally defined as economic activity that, for taxation and measurement purposes, is beyond the reach of governmental regulation, the shadow economy is now growing globally to the extent that more and more policy commentators are identifying a tendency to incorporate such activity in GDP calculations (*Gazzeta del Sud Online* 2014; Hetq 2014). Politically, we can interpret this as an indicator of an inevitable trend inherent in neo-liberal deregulation of labor markets, increasing competition, driving down wages and working conditions, and undermining the advances made by organized labor. In a counter trend to such acknowledgement, the Organization for Security and Co-Operation in Europe (OECD) and the European Union (EU) have pursued policy measures for many years to bear down on the shadow economy, particularly due to the extent of loss of tax revenue (e.g., European Commission 2007a). Yet, some suggest that the growth of the shadow economy harbors indications of labor resilience in the face of capital restructuring, within which the support and leverage of social capital is central. Such ambivalence, contradictory characteristics, and trends arise because of the diverse ways in which the shadow economy is conceptualized, discussed, and related to associated phenomena. This is compounded by a well-documented variance in the definition of social capital. Here, I utilize the kernel of the concept of social capital offered by Pierre Bourdieu (Bourdieu and Wacquant 1992) who view relationships as resources available to individuals and groups, thus enabling economic advantage.

In this article, I examine and define the concept of shadow economy, associating it to related informal economic activity in a typology before considering the scale of the shadow economy. I also deploy the Bourdeusian concept of social capital to provide an understanding of aspects of the shadow economy. What this reveals is a focus on the negative outcomes of features of social capital in the context of the shadow economy, which stand in stark contrast to the usually positive portrayal that the concept seems to enjoy. Yet, there is also a perspective that argues about the

existence of positive outcomes emerging from the presence of social capital in the shadow economy. This form of social capital enables coping and survival strategies in certain economic contexts, in addition to the nurturing of entrepreneurship. But, as noted above, one can also argue that the positive presentation of social capital in the shadow economy serves a political purpose of promoting and legitimating the progress of neo-liberal deregulation. I explore both the variegated character of the shadow economy and the deployment of social capital in this paper. I draw from review activities I have previously conducted for the UK government (Evans, Syrett and Williams 2006) as well as research on social capital (European Commission 2007b).

However, it is important to first denote that there is a danger both in conceiving the shadow economy in isolation from the formal economy and in seeing it as somehow a product of economic agents separate from the wider political economic structuring of the global capitalist economy by governments and big business. Writing in the mid 1980s, Ray Pahl (1984, 114) made the observation that “interest in what came to be referred to as ‘informal’ work developed among sociologists, social anthropologists in the 1970s largely through the study of marginal urban workers in Third World cities.” It is no coincidence that at a time when advanced economies were shifting from manufacturing to service economy, to more fragmented work organization, to deregulation and increased economic flexibility in the face of global capitalist restructuring, there was increasing evidence of interest in informal economic activity. Such shifts, variously referred to as late capitalism (Mandel 1975), post-industrialization (Bell 1973; Kumar 1978), or post-fordism (Amin 1994; Meegan 1988) – and perhaps best characterized as “disorganized capitalism” (Lash and Urry, 1987) – both require and are dependent upon the growth of informal economic activity. As Jonathan Gershuny (1985, 129) asserts, “the informal economy ... is of course not a separate economy at all but an integral part of the system by which work, paid and unpaid, satisfies human needs.” Moreover, the extent of state involvement and management of the formal economy through income tax rates and thresholds, rates of indirect taxation on consumption, taxation on the importation of goods and services, social security and benefit legislation, business and labor market regulation, policies on immigration and asylum seekers, and entitlements to engage in formal employment and their variation within and across different countries and trade areas, will structure the extent of shadow economic activity across the globe.

### *The Shadow Economy*

The importance of a clear definition about the so-called “shadow economy” is reflected in the great variation in estimates as to its extent, as evident in the next section. A broad definition treats the shadow economy as “market-based production of goods and services, whether legal or illegal, that escapes detection in the official estimates of GDP” (Smith 1994, 18). But a still broader definition can be obtained by including the possibility that many goods and services in many parts of the world may not appear traded through cash transaction, but rather through barter. Moreover, a case can be made that the focus should be only upon legal goods and services, so as to avoid consideration of illegal trades (e.g., drugs, prostitution, stolen or counterfeit goods and trafficking of humans, and weapons), the legal focus of which is criminal rather than civil, contingent on where the legal boundaries are in different societies. On this basis, Friedrich Schneider and Colin C. Williams (2013, 25) define the shadow economy as “all market-based production of legal goods and services that are deliberately concealed from public authorities for the following reasons:

- to avoid payment of income, value added or other taxes;
- to avoid payment of social security contributions;
- to avoid having to meet certain legal labour market standards, such as minimum wages, maximum working hours, safety standards, etc.; and
- to avoid complying with certain administrative obligations”

Although Friedrich Schneider, Andreas Büehn, and Claudio E. Montenegro (2010, 6) have derived their calculations of the size of shadow economies by focusing their definition of a shadow economy upon “those economic activities and the income derived from them that circumvent or otherwise avoid government regulation, taxation or observation.”

Such variation in definition of economic activities outside of the formal and observed/apparent economy raises some important issues. These issues are not just about what should be included, but also about power relations and what might be considered to be the negative and positive implications of such activity. This is reflected in a host of related terminologies, which broadly discuss similar phenomena and incorporate what sectors are involved in the shadow economy, including: informal (Gershuny 1979; Jordan and Travers 1998); underground (Cardi and Passerini 2001; Giles and Johnson 2002; Fortin, Lacroix and Montmarquette 2002); black (Lyssiotou, Pashardes and Stengos 1999; Thomas 2000); undeclared (Matemen and Renooy 2002; OECD 2000); hidden (Battacharyya, 1999; Dixon 1999; NAO 2008); and non-observed (OECD 2002). If we commence from the broadest possible consideration of such activities, the informal economy, then we should incorporate considerations as to whether we are referring to both paid and unpaid economic activities. In this regard, a four-fold typology might be considered that clearly differentiates paid and unpaid activity, but includes illegal economic activity in the overall picture since there are clear connections between this and what I call paid informal work. Indeed, this reflects the wider connections between formal and informal economic activity (see below).

The definition of informal economic activity I adopt, therefore, is characterized by a clear division between paid and unpaid informal economic activities. I then further sub-divide these economic activities to generate four categories (Evans, Syrett and Williams 2006), as shown in Table 1.

*Illegal economic activity* – remunerated activities, generating goods and services that are forbidden by law and/or are unlawful when provided by unauthorized producers.

*Paid informal economic activity* – an activity that is remunerated, hidden, and not registered with or by the state, but the goods and services provided through it are otherwise deemed legal.

*Self-provisioning* – a usually unremunerated activity that is undertaken by household members for themselves and/or for other household members.

*Mutual aid* – an unremunerated activity carried out by members of households for members of other households in the wider community.

**Table 1. Categories of Informal Economic Activity**

Activity	Remuneration	Characteristics	Agents
Illegal economic activity	Paid	Goods and services that are forbidden by law and/or are unlawful when provided by unauthorized producers	Individuals and groups of criminals
Informal economic activity	Paid	Hidden and not registered with/or by the state, but the goods and services provided through which are deemed otherwise legal	Independent individuals, but often organized by and dependent upon other individuals or firms within the formal economy
Self-provisioning	Unpaid	Self-servicing activity (e.g., cleaning, cooking, and care) undertaken for/by household members	Members of households (usually female), supporting themselves and other household members
Mutual aid	Unpaid	Social-servicing activity (e.g., cleaning, cooking, and care) undertaken by household members for other households	Individual members of households or informal groupings often organized on a neighborhood basis

The latter two categories of unpaid economic activity conducted to support and maintain households and wider community relationships, respectively, have been the subject of studies, generally highlighting the importance of social capital in the emergence and maintenance of such activities (Cattell and Evans 1999; Evans 2007; Williams and Windebank 2000, 2001). My focus in terms of conventionally defined shadow economy is on the first two categories of paid economic activity. However, as it will become apparent, the unpaid informal economic activity also highlights more subtle associations between social capital and the shadow economy, and its function, in support of the neo-liberal project.

### *Illegal Economic Activity*

This is economic activity that involves criminality and, from that perspective, it is clearly activity that is even more likely to be concealed than paid informal economic activity. To distinguish this from mainstream criminal activity, the OECD (2002) introduces the idea that such activity becomes primarily economic activity since it involves consensual transactions between the participating parties. The most common illegal economic activities to consider are those involving the provision of class A and B drugs, sex, alcohol, tobacco, counterfeit currency, money laundering, and illegal labor. Much of this activity is controlled by networks of gangs operating in organized crime. That such gangs rely, to a significant degree, on relationships of trust between their members and those on the periphery has been extensively evidenced (Arlachi 1986; Coleman 1987; Coles 2001; von Lampe and Johnson 2004). It is rare, however, that we talk of this in terms of social capital other than in terms of a “down-side” (Portes and Landolt, 1996), relating more to the outcomes of social capital than to context. Such down-side social capital is a reference to the strength of bonding social capital in some groups to the extent of generating insularity and social exclusion. The importance of strong bonding social capital is especially evident in tying individual members to group loyalty and codes of silence (e.g., omerta). But here I am referring more to a “dark side” of social capital that relates to the context and purpose of the behavior, and concerns the extent to which illegal and criminal economic activity emerges

from and relies upon certain types of social capital – most often referred to as “negative” or “perverse” social capital (Rubio 1997). In and of itself, social capital, despite the heavy connotations of positivity, constitutes a relationship that can be either positive or negative (such as “solidarity,” often evident in criminal networks and right wing cadres as well as among progressive worker groups, locally and globally). The presence of social capital in relationships can serve a darker side of illegal and criminal activities in the shadow economy. It can be an important component in maintaining trust and silence concerning the activities of organizations, formally engaged in legitimate economic activity, but which might also be directly or indirectly involved in the shadow economy.

### *Paid Informal Economic Activity*

The classic definition of “shadow economy” refers to economic activities that are undeclared to state authorities for taxation and other regulatory purposes. This covers a wide range of interconnected activities. It can involve individuals working in whole or in part as self-employed and not declaring the income for tax purposes, or possibly not registering and complying with a range of regulations on trading and business activity. It can also involve individuals claiming state unemployment benefits while actually being employed. Revenues lost through tax evasion (both income tax and forms of indirect and value added taxation) and benefit fraud are areas of significant concern to governments in advanced economies (European Commission 2007; Grabiner 2000). Yet, more is lost through corporate tax avoidance on the part of major transnational corporations. Evidence across a number of economies indicates that regularly tax avoidance far outweighs the (more media-hyped) benefit fraud. Evidence from the UK’s Department of Works and Pensions (DWP 2014) indicates that, in 2013–2014, just 0.7 percent of benefits were overpaid due to fraud. This totaled £1.2 billion over the year and was less than both accidental overpayments due to error (£2.2 billion) and underpayments of benefit to those entitled (£1.3 billion). This is a small amount in the context of a public spending that totals £700 billion, £150 billion of which is spent on welfare and pensions. The tax gap, on the other hand, (the difference between estimates of what the UK’s government should receive and what they estimate they will get) for 2012–2013 stood at £30 billion (HMRC 2013). Of this gap, almost £5 billion is considered to be from tax evasion and £3 billion from stealthy measures on the part of corporations and individuals to avoid taxes. It should be mentioned that these are considered very conservative estimates, and the actual tax revenue loss may be much bigger.

Also prevalent and hard to detect is the extent of undeclared and “off the books” work conducted by those that are already engaged in formal employment, whether through an employer (“dependent”) or on their own account (“independent”). Such “moonlighting” is difficult to detect not just due to cash-in-hand payments, but also because the individual or firm is often already legitimately registered for tax and other regulatory purposes. An interesting aspect of such activity, and its contribution to the level of paid informal economic activity, is that “moonlighting is usually the preserve of more affluent workers using their social capital networks of associates and customers, whereas the stereotypical image of undeclared employment usually involves poorer and unskilled workers (Williams and Windebank 2000, 2002).

Much of the attention on paid informal economic activity centers on individual workers and small business in often small scale and marginal activities. They might on occasion engage a co-worker in such activities, but these activities do not normally constitute large scale tax evasion or benefit fraud (despite the image in government campaigns; viz. Grabiner 2000). More insidious is the extent of activities involving major corporations that engage in boosting paid informal economic activities, whether through serial subcontracting or outsourcing. The

construction industry is particularly notorious with respect to this practice. A useful distinction regarding paid informal economic activities, therefore, is the extent to which it is conducted “independently” of the formal economy, or the extent to which it is “dependent” on (and closely engaged with) formal economic activities, integral to the supply chain of the formal production of goods and services.

It is important to take a broad perspective on the shadow economy so as to not see it as somehow distinct from the formal economy. There are three important points to note concerning how the informal economy relates to the formal. The first one is that a consideration of the levels of independence of an action permits us to counter the misconception that informal economic activities are confined to “identifiable sectors.” This is not to say that certain forms of paid informal work are not common to the provision of certain goods and services (e.g., cleaning, childcare, catering, construction, etc.), but that it is not exclusively found among certain people or places (largely differentiated by class, ethnicity, and citizenship status). Our economic lives are variously composed of a mixture of different formal and informal economic activities, and the same holds for different places. The informal economy should not, therefore, be considered a distinct sector occupied by those who are excluded and marginalized. It should be seen instead as a range of different practices and processes closely linked to what goes on within the “formal economy” (Sassen 1997). Indeed, “the informal sector relates to the remainder of the economy very differently in different places, reflecting the socio-economic and, crucially, national and local political circumstances” (Thomas and Thomas 1994). I might also add internationally.

The second point is that there is a distinction (not often made in the literature) between the production of goods and services through informal economic activity and the way in which such goods and services are consumed. I can find no dedicated research on such a distinction and whether, for instance, certain goods and services produced by informal economic activity are mainly produced in one “type” of place for consumption in another place. Anecdotally, for example, we might consider the illegal generation and import of counterfeit consumer products (e.g., alcohol, cigarettes, perfumes, etc.) outside of the OECD for consumption within the OECD countries, usually by poorer sections of society that are unable or unwilling to afford legitimate versions of such products from within the OECD.

The third point concerns the markets for goods and services produced through informal economic activities in the shadow economy. Sander Mateman and Piet Renooy (2001) identify three different sets of market relations in informal economic activity: the market for labor, the market for goods and services, and the market for information. For the purposes of my argument, the market for information is most important. In a “hidden” economy, the sources and dissemination of information become highly valuable in themselves due to the submerged and sometimes illegal nature of the activities concerned. I explore the function of social capital in the informatics of the shadow economy in this paper, but before that I consider the size and extent of the shadow economy in the next section.

### *Dimensions of the Shadow Economy*

When deploying their definition of a shadow economy, Schneider and Williams (2013) utilize a complex procedure involving multiple indicators and multiple causes (MIMIC), and calibration with statistics on the demand for currency within economies (as shadow economic activities prioritize payments in cash) to derive estimates of the percentage of GDP attributable to the shadow economy. Indicators and causes are variously (i) responses to measures of deterrence with respect to tax evasion and benefit fraud, (ii) the burden of tax and social security contributions, (iii) regulatory intensity (e.g., labor market regulations, regulations on migrant labor, trade

barriers), (iv) decent public services, and (v) level of tax morale in terms of willingness to see taxation as fair (which is closely related to perceptions of public service efficiency). It should be noted here that “shadow economy” only refers to what I earlier termed paid informal economic activity, and, for the analysis conducted by Schneider and Williams, paid illegal economic activity, self-provisioning, and mutual aid, are not included for the purposes of measurement. Schneider and Williams (2013) derive estimates of the shadow economy as a percentage contribution to GDP across twenty-one OECD countries from 1989 to 2012 (in most cases). An average is derived across the twenty-one to show that the size of the shadow economy grew across the most developed nations from an average 12.67 percent in 1989/1990 to 16 percent in 2007. This conceals a slight decline in the shadow economy in more recent years, from a peak of 17.03 percent in 1999. It also conceals considerable variation between the OECD countries, For example, in 2012, Austria had a shadow economy of 7.6 percent of GDP, whereas Greece recorded 24 percent and Italy 21.6 percent.

For a more global examination of shadow economies, Schneider and Williams (2013) draw upon the work of Schneider, Büehn, and Montenegro (2010), which is a World Bank sponsored study of 162 economies, varying from developed to transitional to developing, over the period from 1999 to 2007. This work indicates a general gradation of a shadow economy scale from an average of 13.5 percent of GDP in high-income OECD countries, to 38.5 percent in Sub-Saharan Africa, to 36.5 percent in the Eastern Europe and Central Asia. The authors draw three main conclusions:

The first conclusion from these results is that *for all countries investigated the shadow economy has reached a remarkably large size with a weighted (unweighted) average value of 17.2 (33.1) % of official GDP ...*

The second conclusion is that *shadow economies are a complex phenomenon present to a large extent in all types of economies (developing, transition, and highly developed). People engage in shadow economic activities for a variety of reasons – especially in response to government actions, most notably, taxation and regulation ...*

The third conclusion is that there are *regional disparities in the level of informality, but obvious regional clusters. At the top level of informality we find Sub-Saharan Africa, and at the lowest level of informality we find the OECD countries. (Schneider, Büehn and Montenegro 2010, 34)*

Clearly, as noted by Schneider, Büehn, and Montenegro (2010), the shadow economy is a growing, but complex and globally variable phenomenon. To understand its manifestation and the kind of social and political action necessary to regulate it, it must be appreciated in relation to the wider informal and formal economy. In this regard the function of social capital is of particular interest.

### *Social Capital and the Shadow Economy*

The shadow economy and its various manifestations in the wider informal economy share a main characteristic regardless of whether the economic activities described are positive/negative or paid/unpaid. In other words, they are economic activities that are either due to the intention or obligation of the actor (paid) or due to the biased judgement of wider society (unpaid), generally



hidden from view. The very informality of the activities involved puts a premium on what Mateman and Renooy (2001) view as the market for information. When activities are largely covert or obscured, the sharing of information – often face to face – requires the building of trust to enable sustained faith in the veracity of the information regularly shared. This is social capital. However, the characteristics of social capital vary in terms of appropriateness to the context of the informal economic activity.

In this section, I examine the character and variations of social capital present in each context. In doing so, I am mainly concerned with the notion of social capital attributed to Bourdieu (Bourdieu 1986; Bourdieu and Wacquant 1992). His conceptualization focuses on the capital aspect and how social capital is one of a number of different forms of capital resource (e.g., physical, financial, human, and cultural).

Pierre Bourdieu (1986, 248) defines social capital as “the sum of resources, actual or virtual, that accrue to an individual or group by virtue of possessing a durable network of more or less institutionalised relationships of mutual acquaintance and recognition.” A further feature of Bourdieu’s notion of social capital as a resource is that it is “fungible,” or it can be converted to other forms of capital. In addition, Bourdieu’s perspective enables the distinctions of power between different groups, including (but not exclusively) social classes, based on their access to such durable resources. In terms of social capital, networks, and valuable information, the general rule is that the more powerful the group, the more “useful” the connections in it. This is clearly pertinent to any analysis of illegal economic activity and, to some degree, to any paid informal economic activity, which makes it more appropriate for my purposes here as compared to the viewpoints taken by Robert Putnam (2000) or James W. Coleman (1990) (or their respective followers). Loïc Wacquant (1998) makes the distinction (appropriate with respect to illegal economic activity and the form of social capital present) between positive and negative (or perverse) social capital. Allied to a recognition of power distinctions between groups, this perspective places a premium on the value of social capital to different groups in this exercise of power to gain advantage and further resources. Wacquant quotes Bourdieu as referring to all capital as accumulated labor or reified labor where “capital is any resource effective in a structured arena of social action” (1998, 26). The conception of social capital as “reified” is interesting in that it enables recognition that social capital becomes amenable to commodification. Being able to “purchase” (often literally) access to contacts, networks, and information provides fresh insight into the potential of social capital in political economy. This also moves the concept from a positively regarded and favored panacea of social policymakers to being viewed as a neutral but utilizable heuristic device. I consider this conceptualization of social capital in terms of each of the categories of informal economic activity that have been constructed.

### *Paid Informal Economic Activity and Social Capital*

Working cash in hand and off the books usually requires information from close connections, either of existing family and friends, or acquaintances met and nurtured in meeting places, such as bars and cafes, in order to access similar work. The form of social capital that is most prevalent in such a context is thus close bonding social capital among those already trusted and sharing common features of identity. Ethnic bonds, especially among recently arrived migrants to a labor force, are a typical case in point. Paid informal work is often a means to integrate lower skilled immigrant labor, which connects to the likelihood of the presence of migrants of similar ethnicity in specific urban neighborhoods, some of which have long served as reception areas for new migrants. It is usually the case that we identify such bonding social capital as serving a negative

purpose, since it cloaks tax avoidance and sometimes benefit fraud. However, this again depends on whether the context is one of a structural dependency, such as, for example, unscrupulous employers hiring workers off the books to drive wage rates down and avoid other regulatory requirements associated with hiring labor. But it is also the case that vulnerable, often migrant labor is utilizing such social capital networks of information for reasons of “need not greed” (Katungi 2007). Paid informal work is often a coping strategy for those excluded from the formal labor market for whatever reason or otherwise in circumstances of low income. Additionally, if paid informal work is conducted independently in single-person, own-account trades, the bonding social capital deployed is positively associated with entrepreneurship, business building, and small scale economic growth. Colin C. Williams and Jan Windebank (2002) go one step further and suggest that some paid informal work can also be viewed as “cash mediated reciprocity,” That is, one-to-one mutual aid where cash is reinstated as the currency in circumstances where other life pressures or an absence of mutually demanded goods and services are likely to preclude the possibility of some parties repaying the favor in kind. Such embedded reciprocity is clearly an instance of positive, localized social capital. However, this obviously does not preclude the importance of cash exchange in informal economic activity in itself as an element of coping strategies, as noted earlier.

### *Illegal Economic Activity and Social Capital*

The nature of illegal economic activity and the differential power relationships often evident within groups and gangs means that, while close bonding social capital is evident, it has negative associations and brings exclusion. Moreover, a case might be made that, given the rigid hierarchies often evident in gangs, the form of social capital involved is identifiable as linking social capital where the relationships are more vertical than horizontal (where relationships are between equals). The relationship between “younger” runners and “elder” procurers and suppliers in London drug gangs is a case in point (Lupton et al. 2002). The arguments for the presence of linking social capital, however, are not convincing. Where is the sense of reciprocity and trust in relationships of mutually acknowledged inequalities of power? Terms, such as “honor among thieves” indicate the importance of what is recognizable as social capital. Nonetheless, this is still social capital of a negative or perverse variety. It may not be of benefit to the wider society, but it is still crucial to the survival strategies of those involved. Mauricio Rubio (1997) argues that social capital is not invariably a “productive” (or positive) asset, favoring economic efficiency in a society. He takes on the argument that juvenile delinquency is the result of an absence of social capital, which allows viewing the relationships within gangs of young men (and increasingly young women) as displaying the characteristics of social capital – symbolized identities, tight networks and the requisite displays of trust.

In both paid informal work and illegal economic activities, the presence of tax evasion is a given if only because of the unauthorized and/or outright criminal activities that are going on. The intent or offer to register and pay taxes risks exposing the broad range of illegal and criminal activities present. The damage done both by small scale tax evasion and large scale corporate fraud extends beyond the loss of revenue, to the impact on public service affordability and provisioning, as well as on citizens’ tax morale to keep paying taxes when others get away with not paying them. Joel Slemrod (1998) makes the point that, if we take citizens’ willingness to pay taxes as an indicator of social capital on a national level, then the cost of government operations and services would be reduced, which benefits society as whole. Conversely, tax evasion and its implications destroy social capital at a national level. Dongwood Lee (2013, 252) provides empirical evidence from a sample of 65 countries, concluding that “higher level of social trust

and norms (e.g., tax morale), as well as a comprehensive measure of social capital, are associated with the lower size of the shadow economy.” Johanna D’Hernoncourt and Pierre-Guillaume Méon (2012, 98) consider that, “if the shadow economy is a form of tax evasion, then one should expect its size to be negatively impacted by trust.” Therefore, there are no positive consequences of social capital associated with tax evasion, although networks sharing information as to ways to avoid taxation can generate social capital, regardless of whether cash changes hands to access the information provided by contacts accessible through such networks.

### *Social Capital and Unremunerated Activities in the Shadow Economy*

Including the role of durable networks as social capital assets, which enhance economic advantages within the remunerated sector of the shadow economy, indicates that this activity is an imperative for the support and leverage of disadvantaged groups of the working class. However, it is also an aspect in relationships that is a beneficial though largely hidden element of the activities of powerful groups and organizations in both organized crime and international capital. The activities of global corporations in initiating a chain of serial outsourcing across the globe, involving corrupt collusion with state officials in the exploitation of unregulated labor, is well documented, especially with respect to female labor (Carr and Chen 2001; Goel and Saunoris 2014; Mehrotra and Biggeri 2002). Criminal networks and gangs are dependent upon strong resources of bonding social capital to enable their economic advantage (Lederman, Loayza and Menéndez 2002; Rubio 1997).

Informal economic activities in the shadow economy that are not remunerated (characterized here as self-provisioning and mutual aid), and their availability as appropriable and fungible resources, are seemingly benign and beneficial to the economic wellbeing of individuals and groups that can access them. However, the potential for such social capital networks to provide substitute goods and services in lieu of public services can be captured to the advantage of agencies promoting liberalization and deregulation of the economy (Hadiz and Robison 2005; Molyneux 2002). I consider these activities in the next section.

### *Self-Provisioning and Social Capital*

Self-provisioning activities, or providing services for consumption by oneself and one’s family (largely through heavily gendered and unpaid domestic labor) that would otherwise have to be procured on the open market and paid for, relies upon close bonding social capital and generates positive associations almost exclusively for family and immediate kin. The form of social capital produced and relied upon in this case is very insular and exclusive. There are a constellation of policy initiatives, mainly in the advanced economies, which facilitate self-provisioning, thereby generating this kind of social capital. In the UK, policy initiatives since the turn of the millennium, such as the National Childcare Strategy, the Working Families’ and the Children’s Tax Credits and the New Deal for Lone Parents, present significant opportunities for formalization of self-provisioning and for advancing from a family-based social capital to a more communal, mutual-aid-based one. However, there are a range of cultural factors (particularly ethnicity and social class) that tend to perpetuate self-provisioning as unremunerated activities, despite the often heavy burden on female household members in deprived neighborhoods. It is the reification of such familial relationships and the bonds of trust therein that, in this case, generate social capital as a commodity. The importance of such social capital networks in the

informal economy for growth in the formal economy is well-established. Self-provisioning is a significant area of economic activity. Whereas just half of the UK population's work time is spent in formal work, over 46 percent is spent in self-provisioning activities (Ruston 2003). By contrast, only 3.0 percent of people's time was spent on mutual aid activities. Much of the mutual aid activities remains hidden and remains largely unmeasured. This is mainly because mutual aid is largely conceptualized based on a community aid level (i.e., formal aid) as opposed to the one-to-one aid of the familial and "neighborly" variety (Bulmer 1986; Williams and Windebank 1999).

### *Mutual Aid and Social Capital*

The unpaid and largely selfless nature of informal economic activities of mutual aid is the only context in which bridging social capital within and across neighborhoods and communities might emerge in the informal economy with positive associations through development of initiatives, such as Local Exchange Trading Systems (LETs), Timebanks, Credit Unions, etc. (Evans 2007). This is virtuous or positive social capital generated and perpetuated for fungible purposes with both potential and a track record of connecting and building relationships of trust between groups and communities of diverse identities, in addition to building bonding among people of the same identity (Evans 2007; European Commission 2007b). There is ground to suggest that the informal economic activities, promoted through LETs schemes and Timebanks (and their alternative) as well as unconventional and ersatz currencies do promote and constitute tax evasion. On the other hand, however, voluntarily provided goods and services reduce unit costs of production and augment the range of public services, in some cases substituting for them (e.g., public library provision in the UK), but they also crowd out private for-profit provision. The social capital inherent in networks of informal economic activities, conducted in terms of mutual aid, is less commoditized. This is essentially because it is generated in a context of reciprocity of intention and aim, and not characterized by inequalities of power. Thus, mutual aid activities engender potential for resilience of disadvantaged groups that share social capital networks. But it also supports the continuance of existing power relations in the formal economy.

### *Conclusion*

I have outlined and examined the various characterizations of the shadow economy, and the way these complex and diverse manifestations of informal economic activity generate and utilize social capital. Across the different contexts of informal economic activity, it is evident that the shadow economy of both paid and illegal informal economic activity is strong in the production and reliance upon bonding social capital to the extent of insularity. The consequences of social capital in such contexts are largely negative for the wider society, enabling a perspective on the concept that runs counter to that which is dominant in media and policy circles and which reveals its darker side. Regardless of whether social capital is perceived as positive or negative in its consequences for economic development, I hope to have opened a space for further examining the extent to which the concept reflects the reification and commoditization of social relationships in the late capitalist era.

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