

## **Serious Business: Diminishing The Size Of The Informal Sector In Medellin, Colombia**

### **Study Questions**

- 1) What is the informal economy? List the benefits and the costs associated with operating in an informal and formal context?
- 2) What are the causes of having a large informal economy? Is it really a problem to have one? Defend your answer.
- 3) What were the causes of violence and poverty that occurred in Medellin in the 1980s? How is this related to the increasing size of the informal economy during this time?
- 4) Why does Restrepo want to decrease informality in Medellin? How does Restrepo's task of reducing the size of the informal sector relate to the mayor's overall political goals?
- 5) What are the major challenges to getting Medellin businesses to formalize? How does Restrepo go about thinking about this problem?
- 6) What are the constraints placed on Restrepo in terms of reducing the informal sector? What tools does he have at his disposal?
- 7) There are several policy options implicit in the text. These include:
  - a. Increase penalties for informal businesses
  - b. Create business service centers in marginalized areas that serve as a one stop shop
  - c. Work to increase the access to markets for small businesses via trade fairs and other government assistance programs
  - d. Reduce the number of procedures for opening a business or locate all of the registration process in one central location
  - e. Provide a tax holiday for registering businesses

Identify the advantages and disadvantage of each option. Which stakeholders would you have to collaborate with in order to execute each option? Which policy option would you choose?