

THE POINT OF PAYMENT

A Comparison of Commercial Behaviors Across Regions

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A NATION-STATE'S POLITICAL STRUCTURE DETERMINES THE LEVELS OF TRUST AND SECURITY INDIVIDUALS HAVE IN THE ECONOMIC SYSTEM AS A WHOLE. HOTBEDS OF COMMERCIAL ACTIVITIES AND CONVINCED MANY PEOPLE TO MIGRATE TO URBAN AREAS IN SEARCH OF OBTAINING A SLICE OF THAT ECONOMIC GROWTH. HOW THESE INDIVIDUALS CONDUCT BUSINESS TRANSACTIONS REFLECT THEIR LEVELS OF TRUST AND SECURITY IN A NATION-STATE'S POLITICAL SYSTEM. THROUGH ANALYZING FORMAL AND INFORMAL COMMERCIAL TRANSACTIONS AT THE POINT OF PAYMENT, THIS PAPER WILL EXPLORE HOW SMALL MERCHANTS AND CONSUMERS REPLACE GAPS IN FORMAL REGULATIONS AND DISTRUST IN GOVERNANCE WITH THEIR OWN SYSTEMS OF TRUST AND SECURITY. RESEARCH IN BUENOS AIRES, HANOI, AND CAPE TOWN SHOWS HOW UNIQUE FEATURES OF EACH NATION-STATE'S POLITICAL ECONOMY SIGNIFICANTLY IMPACT COMMERCIAL BEHAVIOR AT THE POINT OF PAYMENT, BUT RAISE CONCERNS ABOUT UNEQUAL WEALTH DISTRIBUTION IN CITIES INTEGRATED WITHIN THE GLOBAL MARKET ECONOMY.

INTRODUCTION

Small-scale economic behavior in Buenos Aires, Hanoi, and Cape Town is a byproduct of economic, political, and cultural variables at both the micro and macro level. This paper analyzes how non-quantifiable aspects of individual decision-making affect commercial transactions at the point of payment. Unquantifiable notions of security and trust have a critical impact on how people exchange goods and therefore a significant impact on the political economy of a nation-state as a whole. In essence, macro-level political and economic features of state governance control notions of trust and security among consumers, which in turn determine circumstances at a point of payment. Where the government is either unwilling or unable to instill safety and confidence in micro-level commercial activity, individuals and communities create alternate payment systems to compensate.

The mechanism of this relationship between macro and micro variables operates differently in each city studied. Decades of political upheaval and a financial crisis in Argentina are directly related to the fragmented payment system within Buenos Aires. Economic instability has made it difficult for individuals to build networks of trust and develop security in the Argentine peso, which has resulted in inconvenient payment methods and a widespread distrust of government. A painful national history plagued by recurrent war and resource shortage has allowed the Communist Party of Vietnam to build legitimacy and tremendous faith in its ability to provide security and trust in the



A QUIET STREET IN THE SHOPPING DISTRICT OF HANOI
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economy. However, the government's centralization of power has rendered it unable or unwilling to release most microeconomic activity from a confined payment system of straight cash, as a high percentage of commercial transactions remain informal and unregulated. South Africa's young, dysfunctional democracy has largely avoided economic instability but has been unable to provide essential services needed for stability on the microeconomic level; Cape Town's inability to distribute security forces evenly across the population has had a disproportionate impact on poor, informal business as police protect capital rather than people.

RESEARCH QUESTION AND METHODOLOGY

The purpose of this project is to analyze the similarities and differences of small-scale commercial transactions within and between each city. All research gathered centers on one central question: how do the relationships between micro-level variables at the point of payment and the nation-state's macro-level political economy manipulate notions of trust and security among individuals?

To gather data in each city, I had in-depth conversations with locals, conducted field observations at various types of storefronts, and interviewed small business owners and managers. The relationship between merchant and customer, specifically analyzed regarding security and trust, will be used as the two central themes in which to measure macro and micro-level variables. Macro-level variables include historical legacies, political system, and degree of market intervention. Micro-level variables include technology, information access, currency, brand, regulations, and degree of formality.

EVIDENCE AND ANALYSIS

Small-scale commercial activity in Buenos Aires is intricately linked to individual attitudes towards the government's management of the economy. These attitudes are the product of a recent traumatic history plagued by political and financial instability; as a result, markets in Argentina show a high distrust in the national currency, the peso, as well as animosity towards foreign multinational corporations. Much of the negative popular sentiment stems from the financial crisis in 2001 and its aftermath. Corrupt political leadership and failed neoliberal policies were the primary culprits of the economic disaster, which vaporized personal savings and destroyed the peso's value while mass protests propelled the populist Néstor Kirch-

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ner into power. Because the blame fell on free markets, deregulated capital flows, and aggressive foreign multinationals, popular sentiment developed a strong distaste in the tightly integrated international political economy. However, the most recent national elections signaled a change in power as the conservative, market-oriented Mauricio Macri assumed the presidency.

Despite its tumultuous colonial history, Vietnam has seen extraordinary economic success and political stability since the Doi Moi reforms in 1989; individuals have responded with trust in the state-capitalist economy and security in the legitimacy of the Communist Party. Because there is no change of power in government, commercial activity enjoys the absence of whimsical economic policy and the benefit of constant pro-growth regulations. Vietnam has been steadily advancing free market policies and tighter integration with the global economy from the top down.

Since its movement towards democracy, South Africa has experienced a tumultuous political atmosphere but maintained a relatively stable macroeconomic system; negative sentiment regarding trust and security among citizens largely hinges on government legitimacy and policy implementation, not direct economic policy. Governance failures in Cape Town do not stem from a lack of ambition – South Africa has a very progressive constitution – but rather the feasibility of providing services to a population that suffers from blatant wealth disparity and spatial segregation. As a result, commercial activity differs drastically in former townships compared to the Central Business District.

In Buenos Aires, the majority of small business transactions observed used cash payments in Argentine pesos rather than digital payments or plastic debit and credit cards. However, the percentage of digital and card payments was even lower just two years ago; since taking office, the Macri administration has sought to restore confidence in digital credit and debit systems by encouraging small-businesses to accept MasterCard, Visa, and other Western financial services linked to the global economic

system.¹ This trend is clearly apparent in Palermo, an area of the city with many small businesses and bustling with tourists. Storefronts in this neighborhood were extremely aggressive in marketing the types of payments accepted at their location, placing signs in windows denoting their willingness and ability to conduct transactions with particular financial services brands, cards, and even high-tech options like Apple Pay. These signs always specified whether stores accept debit or credit cards, or both; although the government has pushed for a more formalized economic system, many Argentines still lack access to credit and banking services.

In Hanoi’s sparkling commercial development, Royal City, a point of payment systems are also formal and highly integrated with the international economy. Retail outlets in the mall are predominantly Western brands and foreigners own most of the residential complexes. However, local consumers rarely visit the vast commercial complexes to shop; instead they use the space during the summer to enjoy the air conditioning and admire products without making purchases.² The majority of microeconomic activity in Hanoi does not take place in great, formal commercial centers like Royal City but rather in informal shops and markets.

Commercial transactions in the Central Business District of Cape Town are highly formalized. Most small businesses are integrated with Western financial services companies and accept almost all types of credit and debit cards. Many accept Zapper, a mobile payment app that uses a QR code scanning mechanism to instantly charge a credit or debit card digitally. Double swiping and card fraud are the primary security concerns for small businesses in the area, but Zapper is already siphoning 5-10% of total payments in some bars and stores.³ The minor security problems reflect trust in government’s management of the city’s economy and a healthy business environment.

The Macri administration has taken initiatives to build safety and transparency through improved, high-tech regulations. Every formal storefront in Palermo, where the majority of research was gathered, had a “Data Fiscal” sign

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hanging in the entrance window. This sign consisted of the title of the enterprise and a large QR code intended for potential customers to scan with their smartphone to get instant official data on the establishment’s finances. The information is supposedly for the public as a whole, but it remains to be seen whether these new regulations are intended to increase consumer confidence or attract foreign direct investment—or both. Regardless of intention, the Data Fiscal initiative reflects the Macri administration’s determination to formalize small businesses, at least in the cosmopolitan Palermo neighborhood.

To maintain control of the population, the Vietnamese political structure remains top-down in nature and is either unable or unwilling to formalize commerce at the micro-level. This has led to juxtaposition; a high percentage of the microeconomic activity in Hanoi is informal and unregulated because the state’s centralized political structure is incapable of providing regular commercial services, and as a result, a high percentage of business activity evades state control. Overall, Hanoi residents do not trust banks and credit cards because they do not understand how financial services operate. They elect to use cash because it is consistent and perceived as more secure.⁴ The Communist Party has kept the circle of trust between the consumer, the merchant, and the government, represented as the paper currency: Vietnamese dong.

Rather than large, corporate, chain-run firms, many residents of Hanoi purchase most of their goods from small, family-owned businesses. As a result, personal relationships between customer and merchant are often used instead of digital financial services. At one family-owned bar, workers had established an informal system of credit with regular customers whereby payments were made casually or on friendly informal credit systems. Many establishments throughout Hanoi operated in a similar manner, lacking formal structure and standard payment methods but compensating through personal relationships between those involved. Even when commercial transactions be-

tween merchant and customer were anonymous, the exchange still lacked direct oversight from the government or the inclusion of a third party in the circle of trust. One manager interviewed did not see the need to accept cards because the business she operated was so small. She had no formal relationship with the government and paid rent to a larger corporation that handled taxes and other legal matters.⁵ This is a theme common throughout Vietnam’s political economy; interaction between enterprise and government is carried out at a high level as the Communist Party cedes direct control on the micro-level, keeping most small business informal.

Lack of security services is the defining concern among merchants and consumers conducting commercial transactions in the former South African townships. In these poor, racially divided areas, microeconomic activity takes three dominant forms: locally owned “Spaza” stores, highly mobile street traders, and formal chain stores. One corner of Washington Street in Langa Township acts as a dueling center of economic activity as formal and informal businesses compete for consumers.⁶ The corporate general store accepts card payments and employs four private security guards to protect the entrance. To compensate for the lack of labor, the locally owned Spaza store creates a fortress by putting up large metal barriers and accepting cash payments exclusively through a small window. The mobile street trader relies on the community for security, as products are open and especially vulnerable. To compete with the corporate giant’s vast financial resources, the Spaza store and street trader use personal relationships and social capital to attract consumers and create informal security networks, a phenomenon common throughout other townships, like Khayelitsha.⁷ These small, locally owned enterprises provide discounts and informal credit for their regular customers, which form a high percentage of their total business; in return, these consumers remain loyal and provide protection.⁸ Street traders exclusively rely on social capital for security and typically only sell products to customers with whom they have personal relation-

ships. As a whole, merchants in townships and other neglected areas of Cape Town compensate for the lack of formal financial services and public security by using personal relationships and informal networks of trust.

Regardless of the physical form of payments, Buenos Aires is unique in the three cities studied because of consumers' affinity for U.S. dollars. Because of recurrent inflation and deep-seated distrust in the government's ability to back the peso, all expensive commercial transactions, such as houses and cars, are paid for in U.S. dollars.⁹ This feature of Argentine microeconomic activity displays a high level of distrust and insecurity in the national government's ability to ensure transparency and long-term stability on a macroeconomic-level.

The point of payment circumstances in the taxi industry, specifically Uber, vary greatly between the three cities and exemplify how macro-level political economy determines features of micro-level commercial activity. In Argentina, a history of strong labor unions and learned cultural aversion to Western multinationals has protected the domestic taxicab industry and kept Uber from spreading to Buenos Aires. Uber is allowed to operate in Vietnam but still faces cultural hurdles; most residents of Hanoi prefer cash-only motorbike and taxi services, as they have familiarity with this type of exchange and hesitate to extend trust to financial services or a Western company with algorithmically-set rates.¹⁰ In contrast, Uber is popular in Cape Town primarily because it extends trust to a third and fourth party. When ride payments remain between an individual consumer and driver, both have the opportunity to exploit the other. Integrating Uber and a credit or debit card company increases transparency and legitimizes the terms of exchange so that a potential contract violation between consumer and driver is less likely. Some drivers insist on having both Uber and a financial services company involved in the transaction, as many refuse to pick up riders in townships when the payment feature is set as "cash" for fear of exploitation.¹¹ In this case, the government is incapable of providing security in the exchange, so the private sector fills the gap by extending the circle of trust. These varied reactions and attitudes towards Uber reflect thematic sentiments of trust and security in each city and how it is distributed.

Residents of Buenos Aires, Hanoi, and Cape Town engaged in informal commercial transactions have done so out of necessity, not by choice; their plight to make ends meet through personal relationships and informal net-

works is not a sign of empowerment but rather marginalization by globalization's potent market and political forces. Although admirable, informal entrepreneurship at a point of payment is a symptom of economic exclusion and wealth inequality, not a tool to lift people out of poverty. Neoliberal economist Hernando de Soto argues that informal economies are "an epic struggle waged by informals . . . a long march toward private property, subjugating the state and formal society as they go."¹² Roy is correct in dismissing this flawed argument as the "aestheticization of poverty." De Soto's defining case to just formalize informal property and businesses fails to account for the macro-level structural challenges marginalized small-business owners and consumers face. Because Spaza stores in South African townships and street traders in Hanoi rely on face-to-face relationships with customers for security and payment systems, it is physically impossible to utilize economies of scale to expand their operation. In the case of Langa Township, the Spaza stores and street traders are mired in a perpetual state of disadvantage because they have to expend limited social capital for safety while corporate competitors have the financial resources to pay for private security, a service that should be provided by the government. In Cape Town, the public resources needed to create trust and security – unquantifiable but prime ingredients for economic growth – are not distributed evenly across the population but instead coalesce around formal commercial centers and concentrated wealth. This phenomenon is also evident in Hanoi as the Communist Party actively promotes formal development in Royal City; in this case, the government's resistance to bottom-up civil society at the local level leaves most microeconomic activity informal.



CALLE FLORIDA, A BUSY STREET LOCATED IN THE BUENOS AIRES CITY CENTER (COURTESY OF WIKIMEDIA COMMONS)

Globalization exacerbates the disequilibrium in how formality, and the public resources that accompany it, is distributed. As Sassen explains, the profitable fruits of globalization come from “the new growth sectors – specialized services and finance” which “sets in motion a whole series of new dynamics of inequality.”¹³ Political leaders of these three countries envision grand global cities integrated with the international economy; however, the idealized areas in line with this vision such as Palermo, Royal City, and the CBD exclude the majority of the city’s population, which is more active in the informal economy. Until governments eliminate structural systems of oppression, these informal economies will continue to act as a sign of marginalization at the hands of economic inequality and market forces.

CONCLUSION

This research paper has explored how characteristics of a state’s political economy impact commercial activity at the individual, micro level. In all three cities, there is a stark contrast between trust and security at the formal and informal level. The formal payment systems are regulated and encouraged by the government whereas informal economies are created in the absence of official authority. Formal exchange is bolstered by government policy and the liquid capital of the globalized market; informal transactions suffer from the lack of consistent services and accessibility, although individuals have responded by establishing networks of trust and security built on personal relationships. Nevertheless, this disparity poses serious questions about the sustainability of top-down, globalized economic growth in cities. Through unequal distribution of unquantifiable, behavioral precursors to economic growth like trust and security, governments perpetuate wealth inequality by restricting access to the benefits of formal systems of exchange.

ENDNOTES

1. Mirta Rosovsky (host mother, Argentina Ministry of Culture employee) in discussion with the author, September 2016.
2. Son Kieu Thanh (host brother) in discussion with the author, October 2016.
3. Anonymous (restaurant manager) in interview with the author, November 2016.
4. Anonymous (translator/neighborhood day guide) in discussion with the author, October 2016.
5. Anonymous (manager at Hanoi Medical University) in interview with the author, October 2016.
6. The block mentioned has a striking contrast between informal and formal commerce and was teeming with residents during this time, as many people were shopping on their way home from work. Some people were friendly and willing to talk but many were distrustful and surprised to see a white person in the area.
7. Anonymous (tour guide/Khayelitsha community leader) in interview with the author, November 2016.
8. Anonymous (Spaza store owner) in discussion with the author, November 2016.
9. Mirta Rosovsky in discussion with the author, September 2016.
10. Son Kieu Thanh in discussion with the author, October 2016.
11. Anonymous (Uber drivers) in discussion with the author, November 2016.
12. Ananya Roy and Nezar AlSayyad, “Transnational Trespassings: The Geopolitics of Urban Informality,” in *Urban Informality: Transnational Perspectives from the Middle East, Latin America, and South Asia* (Lanham, MD: Lexington Books, 2004), 204.
13. Saskia Sassen, “Whose City Is It? Globalization and the Formation of New Claims,” in *Cities and Citizenship*, ed. James Holston (Durham and London: Duke University Press, 1999), 181.

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