

he talked. It would have increased the value of this book, if there had been some reference to other recent works with similar material (for example: Ron Rote, *A Taste of Bitterness. The political economy of tea plantations in Sri Lanka*, which was published in Heemstede, early 1986). Moreover it would have been helpful if, for extensively studied periods and historical processes, the major works had been mentioned (for example for the historical context: Asoka Bandarage, *Colonialism in Sri Lanka, the political economy of the Kandyan Highlands, 1833-1886*, Berlin; or Dharmapriya Wesumperuma, *Indian Immigrant Plantation Labourers in Sri Lanka*, Kelaniya, Sri Lanka).

The book offers a good number of insights into the economic sphere, but to deal with the Sri Lankan tea policy further research on the non-economic aspects are necessary to round off the picture.

Frank Heidemann

Felix Schmidt, *Der Beitrag des städtischen informellen Sektors zur sozial-ökonomischen Entwicklung Indonesiens. Dargestellt am Beispiel der Stadt Bandung.* (Schriften zu Regional- und Verkehrsproblemen in Industrie- und Entwicklungsländern, Bd. 45). Berlin: Duncker & Humblot, 1988. XIX, 295 pages, DM 68,—

This monograph begins with a comprehensive survey of different concepts of the informal sector found in the literature starting with the ILO study on Kenya which is generally seen as the birth of this concept. This overview shows very clearly that there is still no satisfying definition of the informal sector since relevant characteristics of enterprises differ in a broad continuum and therefore every division into two sectors is arbitrary. Empirical studies on the informal sector usually escape this dilemma by applying a simple quantitative criterion like maximum endowment with capital, sales or the number of employees. Felix Schmidt covers enterprises with up to six employees (including the head of the enterprise) as informal sector units.

To structure the empirical research the author constructs a framework of economic fields relevant to an analysis of the informal sector: government policies, institutional arrangements, interdependences between the informal and formal sector and a list of possible macro- and microeconomic effects of informal sector activities.

He also gives a short overview of the economic situation and the economic

policy in Indonesia at the time he conducted this research (1985) and some data on the economic, administrative and demographic conditions in Bandung, the region where the informal enterprises studied were located. Here and there I disagree with some of the author's statements. It is not at all clear that the import substitution policy adopted in the first half of the eighties, which introduced high non-tariff barriers, was supportive for the informal sector (see page 68). The main beneficiaries of this policy were the producers of basic goods like cement, chemicals, synthetic fibers, and iron and steel, the production of which is quite capital-intensive. High costs of these basic goods and therefore also higher input costs for informal enterprises were the result of this policy. These high costs reduced the employment growth in more labor-intensive downstream industries, and every impediment to employment creation adds to pressure on the informal sector. Furthermore, in my opinion Felix Schmidt overestimates the capability of institutions like the Investment Coordination Board to make a synchronized policy to help the informal sector (see pp. 72-73). Serious delays in the investment process and the problem of red tape might justify a more sceptical view.

Maybe the most interesting part of this book are the results of the author's own empirical research. He selected more than 200 informal enterprises in the manufacturing sector, covering textile- and leather manufacturing, food and beverage production, the metal industry, the wood-working industry and production of building material. The informal manufacturing sector was neglected in the empirical research conducted up to now, since most studies focused on the trade and service sector. The heads of the enterprises were interviewed about their personal situation, the economic performance of their enterprises (kind of ownership, use of capital, use of raw materials, marketing activities, income situation) and relationships with the informal sector.

Some of the most striking results: quite unlike the informal trade and service sector, nearly all of the heads of the enterprises in the informal manufacturing sector are males and also the large majority of their employees. Contrary to general opinion, the informal entrepreneurs are not migrants who had only recently moved to Bandung; the majority have already been running their enterprises for a considerable length of time and have no intention of looking for work in the formal sector. Nor has the circular migration thesis been confirmed for the informal manufacturing sector; most of the entrepreneurs do their business the whole year round and have no second job. Of course, these results should not be generalized for the informal sector as a whole. On average heads of informal manufacturing enterprises are much better off than their

colleagues in other informal subsectors where circular migration seems to be a common phenomenon and where more employees hope to move to better occupations.

The contribution of the informal enterprises to the imparting of occupational skills is remarkable. On average the enterprises studied have already been in operation for nine years, indicating that they can survive economically over a long period. Informal enterprises are not family firms; more than half of the employees are not members of the owner's families. Wages in the manufacturing sector differ remarkably; on average women earn not much more than half the wages of their male colleagues. On average the net income of the heads of enterprises was higher than what most of them can expect to earn in the formal sector. The main sources of capital were savings of the heads of the enterprises and their families and credits from informal sources, whereas the special government programs to support capital formation in small-scale industries seem to have no measurable impact on the informal sector. This conclusion is also supported by the author's interesting overview of the different programs run by government agencies (Ministry of Industry, Ministry of Manpower, Central Bank etc.). The majority of heads of the enterprises are of the opinion that net income and sales have decreased in recent times, which is seen by the author as an indication that under the present macroeconomic conditions the growth of the informal sector is involutory.

To sum up, this book throws light on a subsector of the informal sector which has often been ignored by empirical research and presents helpful background knowledge for discussion on possible starting points of programs to support the informal sector.

Georg Cremer

Helmut Forster-Latsch, Jochen Noth: *Chinas Weg in die Moderne. Anders als Moskau?* Frankfurt am Main: Sandler, 1986. 359 pages, DM 32.—

When the Chinese communist revolution finally succeeded in 1949 the leaders of the new People's Republic faced a very underdeveloped, mainly agrarian country. It was clear at that time that the main task of the communist leadership had to be the economic development of the country. In the 1980s, under the reformist group around Deng Xiaoping, economic development still remains the major concern although the concept for this development has drastically