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## **Entrepreneurship in Bolivia: an ethnographic enquiry**

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**Abstract:** While entrepreneurship takes place around the world, its expression reflects the specific nature of the market in which it takes place. This paper reports the findings of an exploratory study conducted in Bolivia, using ethnographic methods. In this market, much entrepreneurship activity takes place outside the firm-type formal economy. This paper compares the firm-type sector of the formal economy with the Bazaar and the Parallel Economy, which consists of informal, internal or covert economic activities. The findings suggest that in Bolivia, Kirznerian entrepreneurship takes place in the Bazaar, while Cantillonian entrepreneurial activities occur in the Parallel Economy.

**Keywords:** business; emerging markets; Bolivia; entrepreneurship; Bazaar; parallel economy.

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### **1 Introduction**

Bolivia is a land rich in resources. The silver and tin ore deposits discovered in Bolivia are among the richest in the world. Yet, like a beggar on a golden throne, the paradox of this country is that its population has been living at the limits of poverty. To create an environment conducive to entrepreneurial activity, the state has been innovative in introducing a unique privatisation programme responsible for improving infrastructure. Urbanisation is taking place, and people are moving to urban areas with dreams of grandeur. Unsuccessful in their search for employment, most migrants end up being self-employed; they may be considered entrepreneurs in the Cantillonian sense, in that Cantillon (1755) described the entrepreneur as being the bearer of uncertainties, dealing with unknown returns in a market where prices and quantities were unknown. Cantillon's entrepreneurs never knew the extent of expenses, demand, or competition facing them

in the market. In Bolivia, the extent of expenses, demand, and competition are in constant change and, therefore, difficult to predict with any certainty.

The objective of this paper is to explain the nature of entrepreneurship in Bolivia where (as is the case in many developing economies) entrepreneurial activities take place largely in the form of micro-enterprises, operating in the Parallel Economy. With the mandate to be inductive and contextually sensitive, the methodology for this exploratory study involved ethnographic fieldwork in Bolivia, using qualitative methods as discussed by Dana and Dana (2005).

An emic research design was deemed most appropriate, in order to understand the underlying structures of culture from within (Harris, 1976). It was helpful to observe and interview simultaneously. The major techniques used for data collection included in-depth interviews with respondents from diverse backgrounds, and participant observation (Patton, 1982, 1987, 1990). This was validated by triangulation, i.e., the obtaining of identical data from several independent sources, such as to test for internal coherence with key informants, as recommended by Denzin (1978).

The interview guide consisted of open-ended questions in order to capture what people wished to say, in their own words. As discussed by Patton (1982, 1987), social integration was a prerequisite to obtaining meaningful responses. As the author became accepted into the community, individuals became increasingly open. Data were verified for consistency and reliability, by recording details and using triangulation for verification. Constraints included poor hygiene, poor sanitation, and a variety of health hazards such as *apunamiento* or *orocho*, resulting from the lack of oxygen at high altitudes. Malaria is common in Bolivia, and yellow fever is endemic. Another challenge is the condition of the roads, most of which are gravel tracks with potholes. Even on the Pan American Highway, it can happen that an alpaca, a donkey or cattle stray across the motorway. Traffic is delayed not only by roadblocks but also by outlaws posing as police.

In this paper, entrepreneurship refers to economic undertaking; this is based on the classical definition of the word, which can be traced to the German *unternehmung* literally translated as undertaking. The agents of entrepreneurship are entrepreneurs, from the French *entrepreneurs*, literally meaning 'between takers'.

The entrepreneur described by Schumpeter (1912, 1928, 1934, 1939, 1942, 1947, 1949) is an innovator who causes disequilibrium in markets, and profits therefrom. In developing countries, however, there is little equilibrium to start off with. The following section will look at archetypes of economic systems: the formal economy that consists of the firm-type sector, the Bazaar, the controlled planned sector and the state-controlled sector; and the Parallel Economy, consisting of

- informal transactions
- internal economic activity, with no transactions
- covert transactions that are illegal.

### *1.1 Society, culture, politics and economy in Bolivia*

Prior to colonisation, indigenous people in this region practiced subsistence agriculture and bred llamas, animals that provided transport, wool, drink and meat. Llamas were also used in religious sacrifices. McIntyre noted, "In Inca days, use of coca – a pain-killer and stimulant – was restricted mainly to the royal family" (McIntyre, 1973, p.764).

During the 17th century, Potosi (with 160,000 people) was the largest city in the Americas and among the most prosperous. After nearly three centuries of Spanish rule, Bolivia declared its independence in 1825, at which time the nation was named after its liberator, a young aristocrat from Venezuela, General Simón y Ponte Bolívar. As noted by Hodgson, “Bolívar declared the equality of all citizens and did away with laws exploiting the country’s largely Indian population” (Hodgson, 1994, p.62).

Rich in natural resources, the new country became the envy of its neighbours. Argentina eyed the rich deposits of guano and nitrates in Bolivia’s Atacama region. This led to the War of the Pacific (1879–1883), during which Bolivia lost its coastal areas to Chile. In 1903, Brazil annexed 100,000 square kilometres of Bolivia, in order to obtain its rubber. During the 1930s, Bolivia lost another 225,000 square kilometres over an oil reserve dispute with Paraguay. Nevertheless, Bolivia continued to be the world’s chief source of silver (Pickles, 1933). Although high copper prices stimulated the economy during World War II, by 1950 per capita income was down to \$82, the lowest in South America. A nationalist revolution took place in 1952, after which women were allowed to vote. In 1953, agrarian land reform led to an exodus of capital.

In 1969, Bolivia was a founding member of the Andean Pact. In time, Bolivian exporters also came to benefit from the Andean Trade Preference Act, allowing a tariff-free access to the USA. As well, the Generalised System of Preferences gave Bolivian goods duty-free status to the European Union.

When the international tin market collapsed in 1985, inflation in Bolivia escalated to 24,000 percent. Chaos in the government prevented the state from collecting taxes amounting to more than 1% of GDP. An economic stabilisation programme was implemented that year, to curb inflation and to open the economy. A tight economic policy resulted in 30,000 government employees losing their jobs; inflation dropped to an annual rate of 17% in 1989; 14.5% in 1991; and 10.5% in 1992.

A privatisation programme was launched in June 1992. While a classic privatisation programme involves selling state-owned enterprises to the highest bidder, Bolivia opted, instead, for an alternative means of divesting itself of state-owned firms. Known as *El Plan de Todos*, this capitalisation model involved Bolivia offering a controlling 50% holding to a strategic partner, i.e., a scrutinised investor who would be committed to injecting cash into a generally inefficient, existing business. This resulted in infrastructure improvements independent of government expenditures. Thus, it was decided to reduce the economy’s dependence on the state-controlled sector. In June 1995, the state electricity company, Ende, was taken over by Constellation Energy, Dominion Energy and Energy Initiatives (US-led consortia) offering advanced technology. In a September bid for Entel (the national telecommunications enterprise), Stet of Italy bid an amount exceeding three times the book value. Entel was granted the monopoly over basic national and international long-distance telephone services, on condition that the corporation undertook a range of expansion and modernisation obligations. One objective was to connect every village with a population exceeding 350 people to the public switched network. The Telecommunications Law passed in July opened up all non-basic services (including cellular) to open competition. In October 1995, Brazil’s VASP took over 49% of Lloyd Aero Boliviano (LAB Airlines), contributing modern airplanes as well as cash. Thus, this concept of divestiture involving a strategic partner is turning out to be much more effective than predicted.

To curb the cultivation of coca, a raw material for the production of cocaine, President Hugo Banzer attempted to eradicate most of Bolivia’s coca crop, but at a cost in

jobs. In 2001, the incoming president, Jorge Fernando Quiroga Ramírez, a former employee of IBM, was faced with increased violence as indigenous people protested. He was succeeded, in 2002, by Gonzalo Sanchez de Lozada, who was overthrown by popular revolt in October 2003, after his troops shot indigenous demonstrators.

In 2006, Juan Evo Morales Ayma became the first indigenous president of Bolivia, since the Spanish conquest; he is also the leader the federation of coca leaf-growers who are resisting the efforts of the USA to eradicate the cultivation of coca.

Between 2006 and 2009, efforts were focused on a new constitution, reflecting the needs of the poorest and formerly excluded Bolivians, especially indigenous people and small-scale farmers. Government spending was up in 2009, including efforts on infrastructure improvements.

## 2 Economic sectors in the literature

It is useful to distinguish among very distinct sectors of economic activity, which co-exist. The firm-type sector, the Bazaar, and the state-controlled sector are components of the formal economy, some of the features of which are summarised in Table 1. In addition, the Parallel Economy includes informal economic activity; internal economic activity with no transaction; and covert economic activity. Livingstone (1991) suggested that, while the formal economy expands through the growth of individual firms, the informal grows through an increase in the number of players. Discussions of these will follow.

**Table 1** Sectors of the formal economy

<i>Firm-type sector</i>	<i>The Bazaar</i>	<i>State-controlled sector</i>
Focus on impersonal transactions	Focus on personal relations	Focus on bureaucracy
Segmentation refers to the market	Segmentation refers to producers	Segmentation not considered
Competition is an activity which takes place among sellers	Competition refers to tension between buyer and seller	Competition is deemed unnecessary, as the state declares a monopoly
Prices are indicated by the vendor	Prices are negotiated	Prices are dictated by the state
Example: department store in La Paz	Example: market place	Airline sector

### 2.1 *The firm-type sector*

The firm-type sector is central to the formal economy in advanced service-oriented societies and is in the process of developing in places like Bolivia. As discussed by Seglin (1990), market-orientation is linked to the maturity of the industrialisation process. The firm-type sector emerges as a market matures; this is an economic institution, which involves a mode of commercial activity such that industry and trade take place primarily within a set of impersonally defined institutions, grouping people according to organisation and specialisation. It is assumed that profit-maximising

transactions will occur based on rational decision making, rather than the nature of personal relationships. The focus is transactions and these tend to be impersonal. Weber's (1924) thesis applies here.

In this sector of the economy, the decision space is occupied by product attributes; the buyer and seller are secondary, if not trivial, to the transaction decision. The interaction between the buyer and the product is deemed more important than that between the buyer and the seller. Transactions are based on economic rationality and are, therefore, impersonal in nature. Competition is an activity that takes place between sellers who engage in segmentation in order to partition the market into like-groups of predictable consumers. Prices are tagged, reflecting market forces (Gronroos, 1989).

## 2.2 *The Bazaar*

Geertz (1963) described the Bazaar as a social and cultural system, a way of life and a general mode of commercial activity, which has been in existence for millennia. In the Bazaar, economic transactions are *not* the focus of activities; instead, the focus is on personal relationships. In this scenario, consumers do not necessarily seek the lowest price or the best quality. An individual gives business to another with whom a relationship has been established, to ensure that this person will reciprocate. Reciprocal preferential treatment reduces transaction costs (Williamson, 1985, 1996). The multiplicity of small-scale transactions in the Bazaar results in a fractionalisation of risks and, therefore, of profit margins; the complex balance of credit relationships is carefully managed.

Prices in the Bazaar are negotiated, as opposed to being specified by the seller. In contrast to the firm-type sector, in which the primary competitive stress is among sellers, the sliding price system of the Bazaar results in the primary competitive stress being between buyer and seller (Parsons and Smelzer, 1956). The lack of information results in an imperfect market and with few exceptions, such as basic food staples, retail prices are not indicated; rather, these are determined by negotiations. The customer tests price levels informally before bargaining begins. It is often the buyer who proposes a price, which is eventually raised. As discussed by Geertz,

“the relatively high percentage of wholesale transactions (i.e., transactions in which goods are bought with the express intention to resell them) means that in most cases both buyer and seller are professional traders and the contest is one between experts.” (Geertz, 1963, p.33)

Once a mutually satisfactory transaction has taken place, the establishment of a long-term relationship makes future purchases more pleasurable and profitable. As noted by Webster (1992), building long-term relationships can be viewed as a social and economic process. Unlike Western relationship marketing, which is customer-centred, whereby a seller seeks long-term business relationships with clients (Evans and Laskin, 1994; Zineldin, 1998), the focus in the Bazaar is on the relationship itself. In the Bazaar, *both* the buyer and the seller seek a personal relationship. Firms in the Bazaar are not perceived as rivals of one another. There is minimal – if any – brand differentiation among merchants. Vendors do not necessarily seek to optimise monetary gain. Economic rationality is not always obvious.

In contrast to the firm-type sector, where segmentation refers to the market, in the Bazaar sector, segmentation refers to the clustering of producers and retailers;

street-names reflect this. Long gave an account of his observations, “Street names ... are a guide to the shopper. Each bears the name of the product traditionally sold there – silk, tin, scales, spice, brass, paper, jewelry” (Long, 1952, pp.315, 316).

While the Schumpeterian entrepreneur is an innovator who causes disequilibrium to profit therefrom, the entrepreneur of the Bazaar may simply identify an opportunity for profit – rather than create one.

### 2.3 *The state-controlled sector*

Developing countries are often those in which barriers to trade, coupled with an import-substitution policy, traditionally minimised the impact of competition; the role of the state was one of interventionism. Dalgic (1998) reported on an empirical study, which found that state-owned firms had much less of a market orientation, than did private companies. The focus of the state-controlled sector is neither on transactions nor on relationships, but rather on the state bureaucracy. Prices are a function of the state bureaucracy. Where and when demand exceeds supply, marketing is not necessary and segmentation is not considered.

### 2.4 *The parallel economy*

Where there is a lack of developed market institutions, it is common to have a high proportion of underground activities. Bolivia is among the nations that have experienced rapid economic reform in recent years. Yet, educational levels have remained low. Such conditions make the Parallel Economy very popular, avoiding all forms of paperwork and taxation (Feige and Ott, 1999). As illustrated in Table 2, the Parallel Economy may be informal; internal; or covert.

**Table 2** Activities of the parallel economy

<i>The parallel economy</i>		
<i>Category</i>	<i>Nature of transaction</i>	<i>Examples</i>
Informal economic sector	Legal but not necessarily declared	Barter, street vending, unrecorded cash sales
Internal economic sector	No transfer of goods or services	Subsistence agriculture, hunting, fishing
Covert economic sector	Illegal business transaction	Prostitution, smuggling, trade in illegal drugs

Hart (1973) was among the first to study small business operations in the informal sector. Stevenson (1984) suggested that firms in the informal sector eventually develop into formal enterprises. In contrast, Mhone (1990) claimed that informal forms of indigenous business do not formalise; he blamed the underdevelopment of the informal sector for the failure of developing countries to modernise. Informal economic activity can take the form of an impromptu stall or itinerant vending. Unrecorded cash sales circumvent taxation as well as regulation; the law is often bent, but authorities generally tolerate the sector. A relevant discussion is presented concisely by Chamard and Christie (1996). Johnson et al. (1998) elaborates on discretion in the sector. Others to examine

entrepreneurship in the informal sector include De Soto (1989), Morris and Pitt (1995), Peattie (1987), Portes et al. (1989), Rosser et al. (2000), Sanders (1987), and Tokman (1978). At the World Economic Forum in Davos, Somavia (2006) argued that cultural barriers often hinder transition from the informal economy to the formal sector.

Internal economic activity is best described as internal, because *no external business transaction* takes place. Wealth is created, but nothing is sold for profit. That which is created is consumed or saved for personal use. In transitional economies, internal subsistence activity is often necessary, as a means to adapt to rapid reform. Examples of internal economic activity include subsistence agriculture, and subsistence fishing. Both are legal, but involve no market transaction external to the producer. These are, therefore, forms of internal economic activity. While internal economic activity exists, as an activity of choice, even among the most advanced and industrialised backdrop (Dana, 1995; Mason et al., 2009), for some people in developing economies, this is the only strategy for survival.

Covert economic activity involves business transactions, which are illegal, and therefore conducted in a covert way, in order to avoid punitive measures from law-enforcing authorities (Haskell and Yablonsky, 1974; Henry, 1978; Tacconi, 2007). Prostitution, which Cantillon (1755) considered a form of entrepreneurship, often falls in this category. Covert activity promises fast cash. Glinkina (1999) predicted the growth of covert economic activity. Tacconi (2007) focused on the example of illegal logging. As discussed by Carruthers (2008) there remains a serious issue of environmental justice in Bolivia.

### **3 Observations and other findings**

Tschopik commented about his observations in Bolivia, "Economic gain, clearly, is not the only motive for commerce" (Tschopik, 1955, p.136). Later, Penrose wrote,

"The fact that businessmen, though interested in profits, have a variety of other ambitions as well, some of which seem to influence (or distort) their judgment about the 'best' way of making money, has often been discussed primarily in connection with the controversial subject of 'profit maximisation'." (Penrose, 1959, p.39)

The same is true in the 21st century.

At a Bazaar, the author asked the price of a banana, and handed the vendor five times that amount, for five bananas. The vendor, with a total inventory of six bananas refused the transaction, explaining that it was too early in the day to be left with only one banana. Monetary profit maximisation was clearly not the merchant's objective. The author found producers and vendors of the Bazaar clustered according to the nature of their wares, supporting existing literature about the Bazaar in Indonesia (Geertz, 1963) and elsewhere. Merchants were largely focused on personal relations, as discussed in the literature of the Bazaar, and different consumers paid different prices, after a period of haggling. Interviews revealed that recent migrants from the countryside were unlikely to have a stall in the Bazaar; recent migrants were more likely to have impromptu stalls in the Parallel Economy.

Analysing the nature of entrepreneurship at the Bazaar, there is no evidence of innovation or Schumpeterian entrepreneurship. Interviewees merely identified

opportunities, but caused no disequilibrium. In this sense, the entrepreneur of the Bazaar in Bolivia may be described as Kirznerian, in that he or she matches the description given by Kirzner (1973), i.e., an individual who identifies opportunities and acts thereon, as opposed to causing disequilibrium.

### 3.1 *Primary producers*

A given village may engage in the cultivation of 100 varieties of potatoes, and an individual family may specialise in 50 varieties of potatoes. Here, too, the purpose is not profit maximisation. The reason different varieties are cultivated is because this serves as insurance should some varieties eventually be wiped out by pests. Bolivians, grow potatoes as part of a six-year rotation: year one, potatoes; years two, three and four, other crops; years five and six, pasture; year one, potatoes, etc. Aware of inherent risks, these farmers seek to reduce uncertainty. An individual *campesino* (as Indian peasant farmers call themselves) may use three dozen plots of land simultaneously; this enables him to have each one at a different stage of growth, thus reducing vulnerability to frost or disease. Other cash crops include cotton, nuts, quinine bark and rubber. While nuts and rubber are native to the jungle, coffee, fruits and grain flourish in the valleys. A problem, however, is that population pressure on land is challenging the survival of viable farming communities.

Some *campesinos* relocate from the central highlands to the valleys and lowlands where they cultivate the coca plant – *Erythroxylum coca*. Seeds are planted in December and in January; this is done in *almacigas*, i.e., seedling nurseries sheltered from the sun. When the plants reach 2 feet in height, they are transferred to weed-free soil. This plant can reach almost 10 feet in height. Its leaves are thin, opaque green in colour, and oval in shape, with somewhat tapered edges. The first harvest is in March. When dried, the leaves are easily preserved, and they travel well.

Coca has symbolic significance and religious meaning to the indigenous people in Bolivia. Among the traditional beliefs here is the divinity of the coca leaf; the love goddess of the Incas was depicted holding coca leaves and according to the legend, the sun god's son brought the coca leaf to Lake Titicaca. Not only is coca used in religious rituals, but the Indians of the Andean altiplano (at an elevation exceeding 12,000 feet) suck on coca leaves, because its alkaloid juice reduces the discomforts of altitude, cold, fatigue, hunger, pain and thirst. It is said that this narcotic also creates indifference toward anxiety and hardship.

Some coca leaves are sold at the Bazaar, and some are commercially packaged in tea-bags and sold in the firm-type sector. The warm drink derived therefrom is referred to as *mate*. Lupi brand of coca, which is packaged by Enproalyva S.R.L., is specifically authorised by the Ministry of Public Health. After drinking the *mate*, it is common to suck on the leaves.

Some coca leaves are used by the growers (internal economic activity), some are bartered or sold informally (also in the Parallel Economy), and much is transformed into cocaine (smuggled as covert economic activity). It is estimated that such illegal exports exceed legal agricultural exports, and this causes major distortions, such as an overvalued exchange rate which, in turn, creates uncompetitive conditions for legitimate business; this stunts the development of the local leather and textile industries, as well as numerous small enterprises. Since 2001, when the Andean Counterdrug Initiative was launched to curb drug-production in Colombia, the demand for coca leaves increased in Bolivia.

When the state offered \$2000 to each peasant who was willing to destroy his coca plantation, many collected the money and simply replanted the lucrative crop, the price of which remains high.

According to United Nations statistics, in no country of Latin America does the proceeds of illegal drugs account for a greater percentage of GDP than in Bolivia. A major problem is that this serves as a disincentive for diversification, thus endangering import-substitution and export-oriented firms. Legitimate new ventures are being pushed out of the market.

In despair, *campesinos* make their way to a town, with the hope of finding employment. Instead, they often find themselves at the margins of the economy.

### 3.2 *Ethnographic findings in the parallel economy*

The Parallel Economy in Bolivia absorbs a high rate of migration from rural to urban areas. Mobility from agriculture to informal enterprise is not problematic. There are, however, social barriers inhibiting the transition from the informal to the formal economy.

Although Bolivia has instituted its privatisation programme and infrastructural improvements, these are not cure-alls for the largely uneducated masses, for whom rationalisation translates into unemployment. At Huanuni, which is 150 miles north of La Paz, 50% of the miners have lost their jobs. Some pan in the contaminated water, hoping to find tin. Others try their luck at informal micro-enterprises.

Copacabana attracts people from neighbouring villages. The villagers bring roots and other produce for sale. They carry their cargoes on their backs. Locals and restaurant-owners will buy from them. A dog watches as they pass by a market stall where the butcher is cutting meat with a saw. At the town square, a 10 year-old sells juice. When the electricity is running, he uses an electric mixer. His micro-enterprise has five glasses, which he washes in a bucket. Orange juice sells for exactly double the price of banana or papaya juices. Others sell coca leaves which miners will offer, along with alcohol and cigarettes, to Tio the devil of the underground.

### 3.3 *Ethnographic findings in La Paz*

Downtown La Paz is a bastion of informal, subsistence-level micro-enterprises. Countless migrants from rural areas come here and join the informal economy. Many do not have fixed premises and most do not keep accounts. Illiteracy is common. Vendors were interviewed as to the causal variables prompting them to become self-employed. Of 326 interviewees, none stated that they had entrepreneurial intentions before migrating to the city. The common answer was that in the absence of finding a job, self-employment became a means to survive.

Centrally located, at Plaza San Francisco, is a centre for informal enterprise. Several women squeeze fresh oranges, selling juice. Elderly men sell telephone tokens. Others have scales on which people can weigh themselves for a small fee. Numerous children push their way through the crowd looking for prospective clients with shoes to shine. On impromptu stalls, deceitful vendors display imitation sunglasses to which the name RayBan has been added.

On the sidewalk, along the main street of La Paz, one merchant has a stand from which she sells cosmetics. A few feet away, another sells glasses. On nearby stands are

leather goods and confectionery, beyond which a book dealer displays paperbacks on the pavement, beside a man polishing shoes. Across the street one woman has photographic film baking in the sun. On the same sidewalk is one vendor selling pens and knives, and another displays hats, scarves and slippers.

On one street corner, pens and video-cassettes are being sold next to a display of suitcases on the sidewalk. Meandering along are ambulant peddlers trying to sell ice cream. A woman sits in front of a storefront and sells cheese. Sitting at tables are typists, with dusty typewriters, offering their services. Three individuals stand side by side trying to sell (respectively) ties, telephones and an assortment of cameras and glasses. Others sell audio-cassettes, batteries, cigarettes, nuts, tangerines and napkins. As well, one street vendor sells books out of his duffel-bag.

An old man walks amongst the crowd trying to sell a pair of alpaca gloves which his wife has knit. Women are selling sweaters made from alpaca and others made from llama wool; the asking price is 11 times that of the gloves. Amidst all this activity, there is little space left for pedestrians who wish to use the sidewalk for the purpose of walking rather than shopping. Unsuspecting by-passers purchase a broken alarm clock. A stale Cadbury chocolate imported from the USA has a sticker showing a price; the reason for the sticker is to cover the 'best before' date which has long passed.

Along the sidewalk of Avenida Simón Bolívar are numerous booths lined up side by side. Each is a money exchange office manned by one individual. In sharp contrast to the phase of monetary instability, which occurred during the 1980s, during the 1990s the Bolivian boliviano became one of the most stable currencies on the continent. While banks trade the US dollar at official rates, line-ups are long; identifying an opportunity, unofficial money-changers wait outside banks, and offer clients a poorer rate, but more rapid service.

Up the hill, one can buy a dehydrated llama foetus. A cousin of the camel, the llama is important to the economy. In addition to providing milk, transport (up to 100 lbs), wool and meat, the llama is the principal animal used in religious sacrifices.

Meanwhile, in Cochabamba, a dream of prosperity is shattered for a shoe-polisher. Not far away, children weave their way between cars to sell sticks of chewing gum to drivers. At one street corner, an indigenous individual tries to sell watermelons, papayas and pineapples. If unsuccessful he will beg at a local restaurant where he might be given some left over cherry juice. Such persons may be considered entrepreneurs in the Cantillonian sense, in that Cantillon (1755) described the entrepreneur as being the bearer of uncertainties, and dealing with unknown returns in a market where prices and quantities were unknown.

#### **4 Toward the future**

Pressure on the land and false dreams about employment in urban areas have prompted Bolivians to urbanise. This involves parting with relatives and trying to adapt to unknown methods of labour. Urbanisation gives a new meaning to time and space; migrants even experience a radical change of diet and consumption patterns, putting more pressure on the economy. Rather than depending on the land, they become dependent on the consumption patterns of urban markets.

With few formal employment possibilities, informal self-employment is a principal source of income for the poor who identify opportunities in arbitrage and distribution. Inventory is limited; at the Potosi night market, for instance, an old man sits on the sidewalk with a limited inventory – a total of two chains for sale. A peddler boards departing buses to sell chewing gum and chocolates; another sells puffed rice and popped corn. Some passengers are carrying chickens, which may be sold or bartered in the Parallel Economy the next day.

In recent years, the Inter-American Development Bank approved several projects to assist small business in Bolivia. This includes support to small enterprises and to small-scale industry. The bank also approved a separate project for craft development. The author's findings, however, suggest that many potential applicants are unaware of such projects.

The lack of formal employment possibilities in Bolivia has pushed *campesinos* to self-employment outside the formal sector. While their activities correspond to Cantillon's entrepreneurship, this is self-employment as a last resort, rather than entrepreneurship as a dream.

In contrast to literature (Stevenson, 1984) that suggests that informal entrepreneurs will shift their activities from the Parallel Economy to the formal economy, the findings suggest that informal forms of indigenous business in Bolivia do not formalise. This study thus supports Somavia (2006).

In Bolivia, the transition to a modern cash economy will require cognitive innovation. A prerequisite will be for people to internalise new notions of measurability. New elements of formality and impersonal structure will have to be introduced and internalised, before new institutions can function effectively.

## **5 Toward future research**

It would be a fallacy to attempt to understand entrepreneurship in isolation; it is important to examine the broader picture. Classic theories cannot simply be taken and injected into developing markets, while neglecting the environment in which they are to be placed. Historical, socio-cultural and economic contexts appear to be important factors affecting the environment for business. While economic growth has been prescribed as the remedy for poverty, this study in Bolivia suggests that it is useful to look not only at the creation of wealth, but also at its distribution. Class mobility, in such an environment, is often a function of access to bribes rather than productive creativity or economic innovation.

In each economy, the nature of entrepreneurship will evolve over time, but one should *not* expect entrepreneurship to converge across societies. There is no one formula for a 'best' policy. Culture is embedded in society, and this affects the nature of entrepreneurship.

To understand the global nature of entrepreneurship, we must move beyond a universal model or a Western model. In Bolivia, entrepreneurship must be understood in the context of national development and, importantly, policy makers should take note that to be relevant, policies must be culturally sensitive.

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