

# Informal Economic Activities and Fabrication of Inflation

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Pakistan is an agrarian state. For ages, farmers' knowledge is inherited from father to son, and their practices are very rigid that leads to the unacceptability of new technology as well as the transformation of the economy into a system. The structure of economic activities is more informal than formal. Agricultural production is dealt with through words instead of documentation. There are many reasons behind this practice. During the colonized era, an attempt was made to induce the systemized culture of economic dealings, but it occurred only at the higher official buildings. The root cause of this ill-structured practice was not addressed which is inherited in our societies and persists even today. It is draining society's potential in a very dangerous way. Inflation is considered an inevitable phenomenon of ongoing society. We are living in a society where blame game is among the essentials of daily routine. The public is blaming authorities while authorities are unable to stop this blame game at their end. Society is failed to highlight the main causes of this rapidly increasing inflation.

While examining the whole dealing process at the local level, a presence of many complex economic structures is identified that are working under the flag tag of an open market. This web cycle running under the fixation process of retailer price is faulty in its practical nature. For example, wheat is a cash crop for Pakistan, especially considering Punjab as the field for observation; a wheat producer is having a standard rate of its product. He will provide only 20 percent of its total product for sale at its pre-determined standard rate. The

remaining 80 percent of the product is handed over to such market dealers who artificially increase the rate of wheat by using different tricks. Those tricks include temporary shortage of product in the market, overcoming competition by cooperation and underground linkage between local dealers and actual dealers, etc.

The relationship between supply and demand depends on the strategy of a temporary shortage of products in the mainstream market. When supply increases, the prices stay at a stagnant position, but if supply limits and demand increases, the supplier can increase the price according to their own will. This situation of lawlessness and chaos divides the society into two parts; one is the elite part of society who can easily afford this high-priced product at the desired rate of the supplier but on the other hand, some working-class people cannot afford that product on those hyped rates including people from farming community. In this scenario, the main producer is the actual victim of this strategy. This inflation factor is not included in the formal setup of economic activities in a state.

Secondly, the idea of an open market is considered as the place where competitors can enhance the quality of selling products by having a competitive relationship with other producers. This competition is healthy in its natural form, but in some third world countries, this competition is seen as an opportunity for cooperation, as the state has no interference in the market and producers can grow according to the free and open market. Shifting this concept from its theoretical framework to its practical

implication especially in the case study of some third world country- it alters its meanings. Multiple high producers collude to set a price rate that is much higher than the actual price of the product. That price is in monopoly and whoever goes against this settled decision will be marginalized from the market. This monopoly is questionable on moral grounds as the state has no intervention in the market affairs, and uncontrollable in the domain of causing inflation through an informal way.

The market is filled with different actors, which includes local producers, mill owners, and agents working in the market for cracking deals with customers. The relationship between owner and agent is complex. These agents are having their commission on the sale of a particular product, being partners of the owners behind the curtains. Such manipulative relationships affect the quality of the product, market-running rules, moral duties of those market runners, the role of producers, and the significance of customers. Even though markets are open, such measures need to be considered and strict action needs to be taken to convert such manipulative informal actions into a well-organized formal system of economy. This formal system will automatically control inflation.