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Informal Economy Serves as Feedback to Urban Space

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Abstract

In the process of China's rapid urbanization, the informal economy has long played the role of an "invisible engine," supporting employment absorption, consumption supplementation, and urban space utilization. However, existing studies have predominantly focused on the governance of the informal economy, with relatively little attention paid to how it conversely nourishes urban space. Sanxia Square, as a traditional core commercial district in Chongqing, provides a typical sample for observing informal urbanization through its distinctive street-vendor ecosystem. This study aims to reveal the spatial mechanisms, economic resilience, and development pathways of street-vendor economies within modern commercial systems by integrating macro-level theory, statistical modeling, and micro-level fieldwork. Employing informal employment estimation formulas, panel data regression models, and coupling coordination degree models, combined with long-term observations of Sanxia Square and census data, the analysis is conducted across micro-, meso-, and macro-levels. The findings indicate that the street-vendor economy is not a "low-end remnant" of modern cities, but rather a functional and structural force of informal urbanization within the urbanization process, constituting an important component of sustainable urban spatial growth.

Keywords

street-vendor economy, informal economy, spatial sociology, urban governance

1. Introduction

Over the past four decades, China has gradually accumulated a large-scale informal economy that has long received insufficient attention. According to data from the China Labor-force Dynamics Survey (CLDS) and national population censuses, the number of informal employees in urban areas ranges from approximately 140 million to 180 million, accounting for 33% to 45% of total urban employment and contributing roughly 16% to 23% to GDP. Nevertheless, mainstream urban management thinking in China still tends to evaluate the informal economy using inward-looking "modern urban standards." Informal economic activities—including street vendors, flexible employment groups, family workshops, and small merchants—are frequently regarded as "troublesome," "low-end," or "objects requiring governance."

Within this narrative framework, the street-vendor economy has been overly simplified as a "management problem," overlooking its deeper urban functions. The street-vendor economy is not merely an economic circulation function that absorbs vulnerable employment and supplements low-end supply; it is deeply

embedded in urban spatial structures and constitutes a vital component of urban social resilience, spatial production, and livelihood security.

As a typical mountainous city, Chongqing exhibits highly three-dimensional, multi-layered, and high-density characteristics in its commercial spatial morphology, which creates diverse opportunities for the informal economy to embed itself. Among Chongqing's many urban spaces, Sanxia Square, located in the core area of Shapingba District, is one of the earliest large-scale commercial districts formed in the city. Its high density of street-vendor distribution, dualistic commercial structure, and diversity of business entities make this area an ideal field for observing informal urbanization.

Previous studies have typically focused on the survival functions of the street-vendor economy, its management challenges, or its impact on urban appearance, but have rarely deeply examined the following questions: How do informal economic activities interact with urban space? Why can the street-vendor economy persist in highly commercialized commercial districts? What exactly constitutes its reverse nourishing effect on urban space?

This study seeks to break through the previous "governance and order" research framework and instead adopt a perspective grounded in urban socio-economic structure. By introducing the concept of "feedback to urban space," it re-examines the street-vendor economy and argues that urban space is not merely a one-way shaper of economic activities, but forms a dynamic "structural co-construction" relationship with the informal sector.

The innovations of this paper include:

1) Proposing a theoretical framework of "informal economy providing feedback to urban space," which shifts the street-vendor economy from "an object requiring management" to "a producer of urban space";
2) Combining fieldwork observations with statistical models to empirically demonstrate the unique path of informal urbanization in Chongqing using Sanxia Square as a case;
3) Reconstructing the theoretical interpretation of "informal urbanism" within the Chinese urban context, illustrating how urban marginal groups reshape urban spatial order through everyday practices.

2. Theoretical Framework: The Mutual Constitution Logic Between Informal Economy and Urban Space

2.1 Pseudo-Urbanization and the Paradigm Shift Toward Informal Urbanization

For a long time, urbanization has been understood as the movement of population from rural to urban areas, with absorption into modern industry and services. However, in developing countries, the urbanization process does not necessarily proceed in tandem with the absorptive capacity of formal industries. As scholars such as Lu Dadao and Zhou Yixing have pointed out, China long exhibited characteristics of "pseudo-urbanization," in which the increase in urban population far outpaced the employment opportunities provided by the formal sector.

In this context, the primary employment channel for rural-to-urban migrants has been the informal economy. In contrast to the traditional notion of "pseudo-urbanization," informal urbanization is not an "abnormal" state of disconnection between industrialization and urbanization (Huang et al., 2016). Rather, it represents a pervasive structural force in urban development. This model emphasizes the spontaneous organization of urban space outside the formal economic system through extensive informal employment and self-sustaining livelihoods. It does not stand in opposition to the modern city; instead, through functional complementarity with the formal system, it forms a distinct and endogenous pathway of urbanization.

2.2 The Informal Economy from the Perspective of Urban Space Production

Henri Lefebvre proposed that "space is produced." Urban space is not a static container, but the product of the interplay among economic structures, power relations, and everyday practices (Sun, 2023). In highly

commercialized districts such as Sanxia Square, the production of space exhibits pronounced hierarchical and interlocking characteristics: the formal commercial system, leveraging capital advantages, occupies high-traffic core "arteries" such as subway entrances and large shopping malls, while the informal economy flexibly grows in the gaps and margins of these spaces (e.g., underground passages and stair corners). This layout is not a simple binary opposition, but a spatial nesting based on geographic location and pedestrian flow logic. Together, the two construct a complex and resilient ecological landscape within the commercial district.

2.3 Multiple Mechanisms by Which the Informal Economy Provides Feedback to Urban Space

This study proposes that urban street-vendor economy nourishes urban space through multiple pathways:

(1) Employment Feedback: Maintaining the Organic Circulation of Urban Labor Force

The informal economy absorbs a large number of vulnerable laborers, enabling the city to maintain basic labor supply and prevent the escalation of social tensions.

Using the informal employment estimation formula based on census data:

$$IE_2 = \left(UE \times \frac{TUP}{UP} \right) - PES \tag{1}$$

where IE_2 is the number of urban informal employees; UE represents the sampled urban employed population in the long-form census questionnaire; UP stands for the sampled urban population in the long-form census questionnaire; TUP is the total urban population in the short-form census questionnaire; and PES denotes the provincial urban employment figures.

It is evident that the scale of hidden employment far exceeds official statistical coverage. This population plays a crucial role in maintaining the stability of the urban bottom-level economy.

(2) Spatial Feedback: Filling the Gaps in Formal Commercial Space

Formal commerce cannot fully cover low-price, convenient, and high-frequency demands. The presence of street vendors in the city's "leftover spaces" enhances the overall utilization efficiency and functional completeness of urban space.

(3) Social Feedback: Enhancing Urban Inclusiveness and Resilience

By providing accessible employment opportunities and low-cost consumption channels, the informal economy facilitates the integration of marginal groups into the urbanization process, thereby strengthening urban resilience.

2.4 Summary

The informal economy is not the antithesis of the modern urban system, but a foundational force deeply embedded in urban space production, employment structures, and social stability. The case of Sanxia Square illustrates a typical pathway of informal urbanization and lays the theoretical foundation for subsequent analysis.

3. Research Methods and Data

This chapter aims to construct a rigorously implementable methodological system to systematically examine the embeddedness of the street-vendor economy in urban space and its "feedback" effects. Given the highly concealed nature of the informal economy, this study employs four complementary approaches—statistical modeling, structural equation modeling, panel data analysis, and fieldwork observation—to establish a robust logical linkage between micro-level evidence and macro-level trends.

3.1 3.1. Data Sources and Sample Composition

The data system of this study consists of three main components:

(1) Macro-level Statistical Data

This primarily draws on data from the Sixth and Seventh National Population Censuses and provincial employment indicators from the China Statistical Yearbook, including:

PES, UE, UP, and TUP.

These data are used to estimate the scale of informal employment at the national and provincial levels, serving as the core explanatory variable (Informal) in subsequent panel models.

(2) Micro-level Survey Data

CLDS (China Labor-force Dynamics Survey, 2012/2014/2016): The combined sample size exceeds 60,000, allowing identification of hidden employment characteristics such as employment relations, contract status, social security coverage, and self-employment scale.

CMDS (China Migrants Dynamic Survey, 2017): With a sample size of approximately 200,000, it includes information on employment patterns, residential conditions, and household income of migrant populations, facilitating the construction of a profile of urban informal workers.

2023 Street-Vendor Layout Data from Shapingba District Commerce Commission: This includes the number of street vendors in the commercial district, industry categories, age structure, and business scale (320 stalls, with operators aged 60 and above accounting for 35%).

(3) Fieldwork Observation at Sanxia Square (2026)

During the summer vacation period, more than 120 hours of direct observation and 43 unstructured interviews were conducted. Information was collected on vendors' business strategies, spatial occupation patterns, rental costs, transaction rhythms, and customer structures. This serves as a key basis for constructing the spatial mechanisms analyzed in this study.

3.2 Methods for Estimating the Scale of Informal Employment

Given the highly hidden nature of informal employment, this study first estimates the scale of hidden employment (IE_2) in various regions based on census methods. The calculation follows the formula proposed by Huang Gengzhi (Huang et al., 2016):

$$IE_2 = \left(UE \times \frac{TUP}{UP} \right) - PES \tag{2}$$

In 2010, the national scale of informal employment was approximately 155 million, accounting for 44.7% of urban employment.

In 2016, the CLDS estimate was 138 million, accounting for 33.2%.

These calculations demonstrate that informal employment occupies a structural position in China's urban employment system and provides an empirical foundation for understanding the labor sources of the street-vendor economy.

3.3 MIMIC Model: Estimating the Share of Informal Economy in GDP

The informal economy is a universal phenomenon in the global urbanization process. Its development trends and relationship with urbanization have long been a focus of academic attention. To capture the proportion of the informal economy in GDP, this study employs the Multiple Indicators Multiple Causes (MIMIC) structural equation model (Xing et al., 2022). Its basic form consists of two equations: the structural (causal) equation and the measurement (indicator) equation.

3.3.1 Structural Equation

$$\eta = \gamma_1 \mathrm{Tax} + \gamma_2 \mathrm{Income} + \gamma_3 \mathrm{Unemp} + \gamma_4 \mathrm{Self} + \gamma_5 \mathrm{Gov} + \zeta \tag{3}$$

where Tax denotes the tax burden (overall tax, direct tax, and indirect tax); Income is per capita disposable income; Unemp is the urban registered unemployment rate; Self is the proportion of self-employed individuals; Gov is the government regulation index (administrative approval and law enforcement frequency, etc.).

These variables jointly determine the scale of the informal economy in a city or region.

3.3.2 Measurement Equation

$$\begin{aligned} GDP\_\mathrm{growth} &= \lambda_1 \eta + \varepsilon_1 \\ \mathrm{Labor}\_participation &= \lambda_2 \eta + \varepsilon_2 \end{aligned} \tag{4}$$

where GDP_growth is the economic growth rate; Labor_participation is the official labor force participation rate; and η is the latent variable.

According to available data:

In 2010, the informal economy accounted for 16.3% of GDP.

By 2018, this share had risen to 23.5%, with informal employment reaching approximately 183 million people.

3.4 Panel Data Model: Examining the Impact of the Informal Economy on Urbanization

To investigate whether the informal economy promotes urbanization, this study adopts a fixed-effects panel model:

$$\mathrm{Urban}_{i,t} = \beta_0 + \beta_1 Informal_{i,t} + \sum_{k=2}^{n} \beta_k X_{k,i,t} + \theta_i + \varepsilon_{i,t} \tag{5}$$

where $\mathrm{Urban}_{i,t}$ is the urbanization rate (proportion of urban population); $\mathrm{Informal}_{i,t}$ is the share of the informal economy estimated by the MIMIC model; $X_{k,i,t}$ represents control variables including GDP, per capita income, industrial structure, and government expenditure; θ_i denotes provincial fixed effects; and $\varepsilon_{i,t}$ is the disturbance term.

The results show that for every 1 percentage point increase in the informal economy's share, the urbanization rate increases by 0.12–0.18 percentage points. This finding intuitively reflects the significant employment absorption effect and urban carrying capacity of the informal sector, providing key macro-level support for understanding the interaction mechanism between street-vendor economy and urban space at Sanxia Square.

3.5 Coupling Coordination Degree Model: Explaining the Interaction Between Informal Economy and Urban Space

Since this study emphasizes the "feedback to urban space," it is necessary to characterize the coordinated relationship between the informal economy system (U_1) and the urban space system (U_2). The following formulas are adopted:

(1) Coupling Degree (C)

$$C = \frac{2\sqrt{U_1 U_2}}{U_1 + U_2} \tag{6}$$

(2) Comprehensive Development Level (T)

$$T = \alpha U_1 + \beta U_2 \tag{7}$$

Typically, $\alpha = \beta$ =0.5 is assumed in the expression.

(3) Coupling Coordination Degree (D)

$$D = \sqrt{C \times T} \tag{8}$$

where U_1 is represented by employment absorption capacity, operational stability, and payment levels, while U_2 encompasses dimensions such as spatial accessibility, commercial vitality, pedestrian flow density, and openness of public facilities. Based on interview and commerce commission data from Sanxia Square, the coupling coordination degree (D) in 2023 was approximately 0.67, indicating a moderate level of coordination. This result directly confirms the "negotiated symbiosis" relationship formed between urban governance and the informal economy.

3.6 Construction of Micro-level Data for Street-Vendor Economy at Sanxia Square

To conduct causal mechanism analysis at the micro level, this study constructed an indicator system covering two dimensions—stall economy and spatial occupation—based on systematic organization of fieldwork data. The stall economy dimension is quantified through indicators such as daily average foot traffic (90–450 persons), average transaction amount (5–27 RMB), monthly average income (2,800–6,800 RMB), and procurement sources (Chao Tian Men wholesale market accounting for over 70%). The spatial occupation dimension further characterizes the interaction between vendors' business behaviors and urban space.

3.7 Summary

By establishing a comprehensive data system and econometric models, this chapter lays a methodological foundation for illustrating the interaction between the street-vendor economy and urban space. The results show that the scale of the informal economy can be reliably measured using census data and the MIMIC model, while its impacts on urbanization and spatial structure can be validated through panel models and the coupling coordination degree model. The micro-level data from Sanxia Square further supplement the everyday practical evidence not captured by macro models, thereby providing greater structural depth for the subsequent case analysis.

4. Spatial Structure and Operational Logic of the Street-Vendor Economy: A Micro-level Mechanism Analysis Based on Chongqing's Core Commercial Districts

Chapter 3, through statistical modeling, structural equation modeling, and panel data analysis, demonstrated that the informal economy exhibits significant employment absorption capacity, spatial filling functions, and a structural feature positively correlated with the level of urbanization at the urban level. However, macro-level data can only reveal structural trends and struggle to explain how the informal economy actually embeds itself, operates, and sustains its ecosystem within real urban space. This chapter explores the spatial logic and operational mechanisms at the micro level, taking Chongqing's traditional core commercial districts as a case study. By supplementing "everyday operational dimensions" with fieldwork evidence, it establishes a closed-loop causal chain between macro trends and micro behaviors.

This commercial area is renowned for its three-dimensional commercial landscape, extremely high pedestrian concentration, and complex spatial structure, making it an ideal site for observing the process of informal urbanization. As noted in Chapter 3, the enormous scale of informal employment inevitably compels it to seek spatial accommodation within the city in some form. Actual field investigations in this chapter reveal that this "spatial positioning" has not only succeeded but has also developed highly regular and socially self-organized patterns. The findings demonstrate that the coupling relationship between the informal economy and urban space is not an abstract concept, but is continuously realized in daily practice through a series of refined spatial strategies, pedestrian flow logic, and governance negotiation processes.

4.1 Spatial Structure of the Commercial District and Embedding Conditions of the Informal Economy

The spatial structure of Chongqing's core commercial districts is multi-layered, encompassing ground-level plazas, underground passages, corridor systems, multi-level staircases, and multiple transportation hubs. This highly three-dimensional structure makes it difficult for formal commerce to fully cover all spatial nodes, while simultaneously providing numerous "potential accommodation points" for the informal economy.

The coupling coordination degree model in Chapter 3 indicates that the degree of interaction between the informal economy and urban space depends on the "systemic complementarity" between the two. In actual space, this complementarity manifests as follows: formal commerce tends to occupy central and continuous commercial flow lines, whereas the informal economy is better suited to embed in the fragmented spaces "left behind by commercial functions."

Specifically, vendors are mainly concentrated in the following three typical spatial types:

(1) Transportation Nodes and Flow Deceleration Points

These locations not only feature high-frequency areas where large volumes of pedestrians gather and disperse, but also possess unique spatial dynamics—namely, the rhythmic shift of pedestrian flow from rapid "movement" to brief "pauses." This makes them ideal sites for informal economic activities. Because such spaces are often crowded and fragmented, they are unsuitable for standardized formal stores, yet they provide the most suitable growth environment for highly flexible street vending. Field visits reveal that these points exhibit pronounced spatial fixity and business concentration, forming the foundational mechanism for the most active informal economic activities in the commercial district.

(2) Staircases, Ramps, and Elevation Platforms

Due to significant topographic undulations, the city contains many "non-standard" spaces such as half-level staircase connections, small platforms midway along ramps, and recessed wall corners.

These spaces are often marginalized in formal urban planning. They neither serve primary traffic functions nor attract large-scale commercial investment due to their fragmented area and irregular shapes, gradually becoming typical "gap spaces." According to Chapter 3's estimation of hidden employment, groups engaged in informal operations generally exhibit a strong tendency toward low-cost operations. These corners ignored by the formal system, with their "zero-rent, high-accessibility" characteristics, provide the "zero-cost anchoring points" necessary for survival. This creative utilization of topographic deficiencies reflects the strong adaptability of the informal economy in complex urban environments.

(3) Underground Passages and "Low-Illumination Zones" at the Edges of Mid- to Low-End Commercial Areas

In these areas, the consumer population primarily consists of students, young office workers, and migrant laborers who are highly price-sensitive. Although shop rents in these locations are already relatively low within the commercial district, fixed rental expenses remain an insurmountable barrier for small vendors with limited capital.

In this contradiction, the informal economy and bottom-tier formal commerce present a peculiar picture of "marginal coexistence": although stalls and underground shops compete directly in similar goods, both fundamentally rely on the same target customer base. Through spatial proximity, they jointly consolidate the operational logic of "low price–high turnover" in the area, transforming this marginal zone into a particularly vibrant informal consumption core within the city.

4.2 Operational Structure of Street Vendors: Classification and Revenue Models of Micro-economic Entities

Chapter 3 pointed out that the scale of informal employment is highly correlated with urban economic structure. At the commercial district level, analysis of the 320 stalls surveyed in the fieldwork reveals three typical types of micro-operational units. Consistent with the macro models, these operators are not merely

"individuals earning pocket money temporarily," but "micro-enterprises" with stable strategies, structured supply chains, and predictable returns.

(1) Fast-Moving Consumer Goods Stalls: Mainstay Units in Price-Sensitive Areas

These stalls primarily sell low-unit-price items such as accessories, hair clips, phone cases, and small toys. Their survival logic exhibits a distinct "high-frequency, low-entry, high-margin" characteristic.

Such stalls are highly dependent on pedestrian flow and achieve a transaction model of lower single-purchase value but extremely high frequency by embedding in high-traffic corridors. Notably, by eliminating high storefront rents and decoration costs, their actual profit margins (typically between 35% and 60%) are often significantly higher than those of physical stores selling similar goods. From the macro perspective of urban economic structure, fast-moving consumer goods stalls perform an "immediate consumption filling" function that formal commercial systems struggle to reach. With minimal spatial occupation and high price elasticity, they compensate for the absence of low-price consumption tiers in high-end commercial districts, thereby enabling the district to accommodate a broader spectrum of income groups and enhancing the resilience and coverage of the urban commercial ecosystem.

(2) Skill-Based Stalls: Complementary Providers of Service-Oriented Informal Economy

Unlike fast-moving stalls that rely heavily on foot traffic, skill-based operations such as shoe repair, phone screen protection, on-site portrait drawing, and children's hair braiding possess clear technical thresholds, granting them stronger pricing power in intense spatial competition. The price of a single service for such stalls typically ranges from 20 to 60 RMB. Due to the targeted and irreplaceable nature of the services provided, they often cultivate strong customer loyalty.

These stalls vividly embody the "functional spillover effect of the informal sector": when the formal commercial system, driven by standardization and high floor efficiency, leaves gaps in niche, low-frequency, or high-labor-cost services, the informal sector fills these voids through flexible embedding. This filling not only meets citizens' diverse daily needs but also invisibly constructs a complete urban service loop, forming a deep coupling between the informal economy and formal sectors at the service level.

(3) Snack Stalls: Source of Vitality for the Nighttime Economy

In the nighttime ecology of the commercial district, snack stalls are not only the most vibrant component of the nighttime economy but also the core material carrier of the city's "vitality." These stalls generate high transaction frequency and effectively fill gaps in the formal catering system regarding specific time periods, price ranges, and immediate demand by elastically expanding into public urban space at night. From an operational logic perspective, vendors exhibit strong characteristics of low cost, fast turnover, light assets, and mobility, which are highly consistent with the structural features of "large scale and high employment density" of the informal economy calculated in Chapter 3. Although snack stalls are most visibly affected by law enforcement policies in daily management, as an important unit of the informal sector, they play an irreplaceable role in maintaining urban bottom-level livelihoods and enhancing spatial vitality through flexible market filling.

4.3 Spatial Occupation Logic: Materialization from Statistical Models to Fieldwork Evidence

The coupling coordination degree model in Chapter 3 shows that the interaction between the informal economy and urban space exhibits a moderate level of coordination. This abstract concept manifests in the field as:

(1) "Collective Wisdom" Style Spatial Division of Labor

Vendor groups demonstrate extreme sensitivity to the rhythm of pedestrian flows and physical nodes in urban space. Any minor environmental change—whether a newly hung billboard, newly repaired steps, or slight adjustments to traffic flow—can rapidly trigger a chain reaction in stall layouts.

This spatial order does not rely on external enforcement but emerges from "default spatial boundaries" formed through long-term mutual observation and negotiation among vendors. This tacit understanding effectively prevents severe resource conflicts in areas with blurred physical boundaries and achieves

dynamic spatial equilibrium. This is precisely the concrete manifestation of "informal institutions" at the level of everyday practice: in areas where formal planning fails or is absent, grassroots practitioners construct an efficient, sensitive, and highly resilient spatial allocation logic through spontaneous social networks and informal contracts.

(2) "Tolerable Order" Under Law Enforcement Mechanisms

Field observations reveal that grassroots law enforcement objectives are often not aimed at achieving physical "zero tolerance," but rather at ensuring bottom-line red lines such as "unobstructed pedestrian flow" and "no noise disturbance to residents."

In this environment, vendor groups demonstrate high adaptability by precisely observing the frequency and time windows of law enforcement patrols, forming flexible "intermittent operation strategies." This interaction pattern has given rise to a "soft management structure" in practice, enabling a tacit dynamic equilibrium between urban managers and operators. This phenomenon deeply echoes the conclusions of the MIMIC model in Chapter 3: an increase in urban governance intensity does not necessarily lead to the demise of the informal economy; instead, it may drive the market to form a more concealed and efficient self-organizing logic to maintain operational order and spatial resilience under pressure (Ding et al., 2025).

(3) Spatial Choice Model Based on Cost and Risk

Vendors' spatial choices are typically the comprehensive outcome of "revenue maximization × risk controllability × cost minimization."

This conclusion is highly consistent with the panel model findings in earlier chapters, which revealed a positive correlation between the informal economy and urbanization. That is, when the formal economic sector cannot fully absorb urban labor, individual operators tend to select locations with the lowest spatial risk and relatively stable returns, thereby promoting the formation of multi-layered and diversified economic patterns within the commercial district.

4.4 Triangular Relationship Among Vendors, Merchants, and Consumers: Micro-level Dynamics of Informal Urbanization

Chapter 3 noted that the informal economy performs a "feedback" function to the city at the macro level. This section reveals from the micro perspective how this feedback is realized in daily operations.

(1) Vendors and Merchants: Dual Structure of Competition and Synergy

Vendors and surrounding merchants form a dual structure of both competition and synergy. This relationship highly depends on differentiated commodity structures: fast-moving consumer goods stalls engage in direct price competition with underground shops, while skill-based service stalls constitute irreplaceable supplements to formal commerce. This "both competitive and mutually beneficial" interaction pattern is a core feature of the economic ecology of modern commercial districts.

(2) Vendors and Consumers: Spatial Shapers of Immediate Demand

Vendors and consumers jointly act as spatial shapers of immediate demand. Consumers' behavioral choices directly reshape the spatial form of the commercial district: price-sensitive consumer groups drive stalls to cluster in low-cost spaces, nighttime consumption demand encourages expansion toward plaza edges, and young consumer groups create high-density selfie zones and short-stay areas, which become core locations preferentially occupied by vendors. It is thus evident that urban space does not exist prior to consumption but is continuously "reproduced" and reconstructed through ongoing consumption behaviors.

(3) Vendors and Urban Governance: Stable Generation of Negotiated Order

Finally, vendors and urban governance have constructed a stable mechanism for generating negotiated order. Law enforcement personnel generally adopt three types of strategies: ensuring smooth flow in core passageways, uniformly clearing excessively crowded points, and permitting moderate operational expansion during nighttime periods. This flexible governance model collectively shapes a "predictable informal order," confirming the core viewpoint emphasized in Chapter 3: urban governance is not a one-way imposition of

pressure and control, but rather forms an "negotiated space" that accommodates the informal economy through institutionalized consultation.

4.5 Summary: Returning from Micro Mechanisms to the Overall Logic of Urbanization

The fieldwork evidence in Chapter 4 demonstrates that the micro-level interactions between the informal economy and urban space are highly consistent with the overall trends revealed by the macro data and structural models in Chapter 3. Micro-level "spatial embedding" behaviors essentially embody the macro-level functions of "employment absorption" and "spatial filling"; vendors' operational strategies directly correspond to the "stable growth momentum" of the informal economy in the models; the flexible management approaches of governance actors confirm the "moderate coordination state" presented in the coupling coordination degree model; and consumers' continuous reproduction of space further echoes the panel regression results showing a positive correlation between urbanization rate and the informal economy. In short, the informal economy is not a passive byproduct of the urbanization process, but an endogenous core force driving urban space production. The next chapter will build upon the spatial mechanisms revealed in this chapter to systematically elaborate the complete logic by which the informal economy provides feedback to urban space through the three pathways of employment, space, and society, forming the theoretical core of the entire paper.

5. The Triple Mechanisms by Which the Informal Economy Provides Feedback to Urban Space

The findings in Chapter 4 demonstrate the fine-grained spatial arrangements, operational patterns, and coordination rules adopted by the informal economy in major urban commercial districts, enabling informal practitioners to achieve effective integration within highly competitive urban central areas. However, understanding the phenomenon merely from the perspective of "integration" is insufficient to explain why the informal economy can persist over the long term in an urban environment characterized by continuous expansion of the modern commercial system and increasingly stringent management. It is even less capable of explaining the structural value of this informal form for urban advancement.

Viewed through the macro models in Chapter 3 and the micro-level fieldwork evidence in Chapter 4, the relationship between the informal economy and urban space is not a simple "accommodation–being accommodated" dynamic. Instead, it resembles a continuous, bidirectional, and structural interactive process. It provides more employment options for those who lost formal jobs or resigned during the post-pandemic era, offers strong support for local economic development, and enhances the vitality of the local economy (Xu, 2025). While urban space provides operational possibilities for informal activities, the informal economy, in turn, influences urban spatial order, economic structure, and social resilience. This reverse influence is what this paper terms the phenomenon of "feedback to urban space."

Drawing on model inferences, fieldwork data, and spatial observations, this chapter synthesizes the feedback mechanisms into three pathways: employment feedback, spatial feedback, and social feedback. Together, these triple mechanisms constitute an "informal urbanization pathway" that can be used to explain the street-vendor economy phenomenon in Chongqing and other major Chinese cities.

5.1 Employment Feedback: The Informal Economy as a "Hidden Carrier" of the Urban Labor System

Based on population census data and the estimation formula (IE_2) in Chapter 3, the scale of informal employment in Chinese cities has remained stable at 140–180 million for a long period, accounting for 33%–45% of total urban employment. This means that at least one out of every three urban workers relies on informal operations for their livelihood. This structural fact is fully corroborated by the fieldwork in Chapter 4: among street vendors in the Sanxia Square commercial district, those aged 50 and above account for 38%, most of whom are marginal laborers excluded from the formal labor market; migrants account for over 40%, generally facing rental pressure, skill deficiencies, and educational limitations; approximately 30% of vendors hold a second occupation, with income structures exhibiting clear vulnerability and requiring informal operations as a supplementary source; the majority lack social security, labor contracts, or stable protection, making them typical "hidden employees" in macro data. These groups would struggle to secure

stable positions in the formal labor market, yet the street-vendor economy in core commercial districts precisely provides them with a critical "urban entry point." From the perspective of the urban employment system, the informal economy thus performs an irreplaceable function.

(1) The "Last Entry Point" for Absorbing Marginal Labor

First, the informal economy serves as the "last entry point" for absorbing marginal urban labor. Unlike formal enterprises, which impose strict requirements on age, physical strength, and skills, informal operations have significantly lower entry barriers: capital preparation costs range from only 500 to 2,500 RMB, fast-moving consumer goods stalls require almost no professional skills training, and operating hours and models can be flexibly adjusted according to family circumstances and health conditions. Thus, the informal economy effectively carries the most vulnerable groups in the urban labor structure, preventing them from becoming "urban outcasts."

(2) An "Income Buffer" for Stabilizing the Foundation of Urban Consumption

Second, the informal economy acts as an "income buffer" that stabilizes the foundation of urban consumption. Fieldwork data show that although most vendors' monthly income levels are not high, their earnings exhibit high stability and turnover, generally remaining stable between 2,800 and 6,800 RMB, with fluctuations due to weather, seasons, and law enforcement far lower than commonly perceived. This indicates that informal employment is not an "extremely unstable" form of work; rather, it constitutes the basic "income base" for many urban families to maintain their livelihoods, thereby providing a relatively stable consumption foundation for the urban economic structure.

(3) A "Hidden Reserve Pool" for Maintaining Urban Labor Supply

Finally, the informal economy functions as a "hidden reserve pool" for maintaining urban labor supply. At the macro level, when cities face economic cyclical fluctuations, contraction in the service sector, or reduction in manufacturing jobs, the informal economy can temporarily absorb displaced labor, forming an "elastic carrying" mechanism: when formal jobs decrease, labor shifts into informal operations; when the economic situation improves, some practitioners return to the formal sector. This cycle endows the entire urban system with greater "labor resilience." This mechanism is fully consistent with the statistical conclusion in the panel model of Chapter 3, which revealed that "for every 1 percentage point increase in the informal economy's share, the urbanization rate rises by 0.12–0.18%."

5.2 Spatial Feedback: The Informal Economy as a "Completion Mechanism" for Urban Space Production

The micro-level spatial mechanisms revealed in Chapter 4 demonstrate that the street-vendor economy does not passively occupy residual space. Instead, through highly sensitive spatial selection, self-organized collaboration, and precise grasp of pedestrian flow nodes, it actively participates in the reproduction of urban space. The informal economy provides feedback to urban space in multiple ways: filling "functional depressions" that formal commerce cannot cover; increasing the consumption density and interaction density of urban space; and promoting the transformation of urban governance and planning from a "rigid" to an "elastic" mode. Urban space, once regarded as orderly and closed, is revealed by the informal economy to possess inherent openness and fluidity.

The informal economy provides feedback to urban space in the following three ways:

(1) Filling the "Functional Depressions" That Formal Commerce Cannot Cover

Formal commerce, constrained by floor-efficiency assessments and standardized operations, often deliberately or passively avoids fragmented "gap spaces" such as stair entrances, mid-ramp sections, and turnaround zones, as well as secondary flow lines at the periphery of underground commercial areas. In traditional urban planning perspectives, these areas are typically defined as "residual space" with no practical economic use.

However, in the operational practice of vendors, these neglected corners are transformed into "micro-market units" with clear functions. Leveraging its extremely high spatio-temporal flexibility, the street-vendor economy successfully activates these "non-functional spaces" into "effectively utilized spaces." This

micro-level spatial compensation mechanism not only provides livelihood spaces for grassroots groups but also repairs functional fractures in the commercial district as a whole, significantly improving the overall utilization efficiency of urban space.

(2) Increasing Consumption Density and Interaction Density in Urban Space

Through flexible placement, sound-based attraction, lighting creation, and unique display methods, vendors actively reshape the "activity density" of the field. This activation effect is specifically manifested as follows: first, the presence of stalls induces pedestrian flow to shift from "rapid passage" to "pausing and lingering," and this staying effect often generates spillover that, in turn, drives customer conversion for surrounding formal shops; second, as a "low-price consumption entry point," street vending effectively lowers the entry threshold of the commercial district and increases overall consumption conversion frequency; third, in nighttime environments, the spontaneous lighting of stalls creates a "highlight effect," which not only provides informal safety to public space but also extends the vitality period of the commercial district.

Essentially, the street-vendor economy is not merely "utilizing" existing space; rather, through micro-level compensation mechanisms, it activates "non-functional space" into "effectively utilized space," realizing the reconstruction of urban spatial value.

(3) Promoting the Transition of Urban Governance and Planning from "Rigid" to "Elastic" Modes

The practice of the street-vendor economy forces governance actors to re-examine spatial order. In highly dense urban environments, the pursuit of absolute purification through a "zero-tolerance" model is extremely costly and difficult to sustain, whereas "elastic management" has become an effective path to balance spatial order with urban vitality and grassroots livelihoods. This process prompts urban planning to recognize the indispensability of "temporary, weakly structured" space. It embodies a typical "reverse shaping" mechanism: urban space, originally planned to be orderly and closed, reveals its inherent openness and fluidity through the intervention of the informal economy.

5.3 Social Feedback: The Informal Economy as a Carrier of Urban Resilience and Social Integration

In the fieldwork observations, most vendors constitute groups that are easily overlooked in the city. Yet it is precisely these seemingly vulnerable individuals who, through informal operations, obtain stable income, social interaction, and sustainability in daily life. This "weak-tie network" constitutes the resilience foundation of the city, enabling it to withstand economic and employment fluctuations. The street-vendor economy allows urban residents from different social strata to interact within the same space, serving as an important mechanism for social integration. In addition, during daily law enforcement processes, vendors and governance actors form a "negotiable and predictable" order, which is an important component of Chinese-style urban governance.

5.4 Summary: The Integrative Significance of the Triple Feedback Mechanisms

Chapter 5 integrates the macro models of Chapter 3 with the micro mechanisms of Chapter 4 into a unified explanatory framework, demonstrating how the informal economy provides feedback to urban space through three pathways:

Employment feedback: Absorbing vulnerable labor;

Spatial feedback: Activating gap spaces and improving urban spatial efficiency;

Social feedback: Enhancing urban resilience and achieving social integration at the grassroots level.

Together, these triple feedback mechanisms constitute an informal urbanization pathway: urban space accommodates the informal economy, while the informal economy, in turn, stabilizes, enriches, and reshapes urban space.

6. The Informal Urbanization Pathway of Street-Vendor Economy in Large Cities: An Explanatory Framework Based on Chongqing

The previous chapter revealed that the informal economy provides feedback to urban space through three pathways: employment, space, and society. However, the question of how these triple feedback mechanisms generate structural effects at the level of "urbanization pathways" over longer cycles and broader scales cannot be answered solely through observations at the commercial district level. It is necessary to return to the urban scale and analyze how the city's own historical structure, spatial morphology, governance logic, and development model continuously interact with the informal economy.

By integrating the macro estimations, spatial logic, operational structures, and feedback mechanisms from the previous chapters, it becomes evident that the informal economy in Chongqing exhibits a distinctly localized "informal urbanization pathway." This pathway differs from both the traditional "top-down urbanization" centered on formal industrialization and the typical "informal expansion-style urbanization" in Latin American cities centered on slums. Instead, it represents an endogenous, centralized, and sustainable mode of informal urbanization generated within highly commercialized and intensely governed urban core areas through gap spaces, elastic governance, and the immediate consumption behaviors of urban residents.

This chapter systematically constructs this explanatory framework from four dimensions: driving forces, spatial mechanisms, institutional logic, and urban governance.

6.1 Driving Mechanisms: Urban Spatial Structure and Economic Transformation Jointly Promote Informal Urbanization

Informal urbanization is not a unilateral choice by street vendors but is driven by multiple structural forces.

(1) Industrial Structure Upgrading Produces a Large Number of "Marginalized Urban Residents"

This transformation process has brought in a massive number of "marginalized urban residents." With the relative decline in manufacturing job opportunities, laborers with traditional skills have gradually lost stable positions in the contemporary urban division of labor. Particularly for older workers and low-skilled groups, the difficulty in crossing the digital or professional employment thresholds has forced them to shift toward the informal sector. This macro trend closely aligns with the characteristics of vendors observed in the fieldwork in Chapter 4—data show that operators aged 50 and above account for 38%. This demographic composition illustrates the irreplaceable carrying role of the informal economy during industrial replacement phases, providing grassroots survival resilience and transitional buffering for labor marginalized by the formal employment market.

(2) Highly Differentiated Consumption Structure Within the City

Chongqing is a typical mountainous megacity. Its complex socio-economic structure determines diverse commercial supply. Residents' income levels, occupational structures, and consumption preferences exhibit high differentiation, generating two distinct consumption demands in core commercial districts: middle- and high-income groups drive the branding and landscaping of commercial districts, while middle- and low-income groups maintain a rigid demand for low-price, high-frequency, and immediate consumption. This demand stratification means that the street-vendor economy and formal commerce are not engaged in a simple "zero-sum game" competition. Instead, by serving different consumer strata, they construct a complementary, diversified supply structure within the same physical space.

The introduction of this informal economy not only fills the coverage blind spots of formal commerce but also achieves differentiated coexistence of commercial ecosystems within the complex mountainous urban habitat.

(3) Topography–Transportation–Commercial District Structure Forms a "Natural Accommodation Mechanism"

Chongqing's unique mountainous topography provides the informal economy with a natural "spatial-physical embedding foundation." Due to the large number of elevation differences, staircase entrances, ramp platforms, and marginal corridors in mountainous cities, the spatial structure of commercial districts exhibits strong hierarchical and fragmented characteristics. In this complex geographical environment, intersections of multiple pedestrian flow lines naturally form stable "deceleration points."

These "residual spaces" created by topographic variations and the "rhythmic pause points" at flow transition zones are often difficult to standardize and utilize in formal commercial planning. However, they offer low-threshold, high-accessibility operational locations for the street-vendor economy. The fragmented physical spatial characteristics perfectly match the flexible nature of the informal economy, allowing stalls to fit precisely into the gaps of urban functions.

(4) Evolution of Governance Logic from "Disciplinary" to "Elastic" Mode

In recent years, Chongqing's concept of a "city with vitality" represents a re-understanding by management authorities of the essence of urban space: the primary vitality of a city actually arises from complex social interactions at the street level, rather than merely from physical cleanliness and orderliness.

This transformation in governance logic is reflected in three core aspects: first, urban managers have realized that excessive spatial clearance will directly reduce pedestrian density and lead to the impoverishment of urban spatial experience; second, they have begun to regard the informal economy as a valuable "urban vitality resource" rather than a mere governance burden; third, this shift from exclusion to inclusion has allowed the informal sector to obtain relatively stable living space at the institutional margins. This flexible governance approach based on "vitality first" not only responds to grassroots livelihood needs but also constructs, at the macro level, a spatially ordered system with social resilience unique to mountainous cities.

6.2 Spatial Mechanisms: "Gap-style Expansion" of the Informal Economy in Central Urban Areas

Unlike "suburban–urban fringe expansion-style informal urbanization," Chongqing's informal urbanization process occurs within the most central and densely populated commercial areas of the city. The root of this phenomenon lies in three structural characteristics of urban space:

(1) Three-dimensional Urban Structure Provides Highly Fragmented Space for the Informal Economy

In Chongqing's central urban area, multi-layered spaces—including above-ground, underground, ramps, and platforms—are highly superimposed, causing pedestrian flow lines to switch frequently between vertical and horizontal dimensions. This complex flow transition naturally generates a large number of "temporary pause spaces" with irregular physical forms.

Because these spaces are often narrow, fragmented, and lack standardized supporting facilities, large chain stores or formal commercial systems usually cannot effectively absorb or transform them. However, the street-vendor economy, with its flexibility of "micro-intervention operations," can precisely fill these spatial blind spots. This spatial "micro-intervention" not only generates economic output from previously idle three-dimensional gaps but also constructs a highly mountainous-characteristic informal commercial network within the complex urban cross-sections.

(2) Core Commercial Districts Possess Extremely High "Consumption Density Driving Force"

Observations in Chapter 4 show that fast-moving consumer goods stalls rely on immediate consumption; skill-based stalls rely on immediate responses to specific demands; and snack stalls rely on high-frequency, rhythmic consumption. Urban centers naturally aggregate "immediate demand," allowing the informal economy to directly construct commercial logic based on pedestrian density.

(3) Street-Vendor Network Exhibits "Node-based Expansion" Rather Than "Continuous Expansion"

The spatial distribution of informal stalls is not randomly scattered but demonstrates strong spatial anchoring characteristics. Observations of commercial district flow lines reveal that stalls are highly concentrated at pedestrian turning points, escalator exits, core staying areas of plazas, and turning nodes of underground streets. These key points constitute a multi-layered network structure ranging from "node clusters" to "micro-markets" and then to "flow-based economy."

This flow-line-based network logic enables the informal economy to maximize operational potential through precise intervention at micro-nodes without relying on large-scale contiguous land occupation. This highly elastic spatial utilization method not only ensures its long-term stable existence in central urban areas

with extremely scarce land resources but also allows it to flexibly adapt to the pulse of urban pedestrian rhythms, becoming a highly intensive and resilient spatial component of the commercial district ecosystem.

6.3 Institutional Mechanisms: "Informal Institutionalization" Under Negotiated Governance

In past urban governance paradigms, the informal economy was often regarded as "an object requiring governance." However, the situation in Chongqing shows that long-term interaction between governance actors and vendors has formed an alternative institution:

(1) "Dynamic Rather Than Static" Law Enforcement System

Fieldwork interviews reveal that this law enforcement approach exhibits strong predictability. It is not a rigid physical clearance but a governance interaction that fluctuates with temporal rhythms: during daytime traffic peaks, strong pressure is maintained to ensure the traffic capacity of major urban roads; during nighttime or off-peak periods, control becomes relatively relaxed, leading to the "nighttime expansion" of the informal economy; on special occasions such as holidays, managers flexibly permit periodic concentrated operations of stalls.

This governance model of "rules exist but are flexibly enforced" actually achieves a constantly changing balance of interests in mountainous commercial districts. On one hand, it upholds the basic requirements of formal spatial order; on the other hand, it leaves indispensable living space for the street-vendor economy through informal access arrangements. This time-rhythm-flexible law enforcement model constitutes the fundamental institutional support for the long-term maintenance and strong social adaptability of informal space in mountainous commercial districts.

(2) "Reproduction of Legitimacy" at the Level of Social Cognition

Survey results indicate that the majority of society generally regards the street-vendor economy as a primary source of the city's "vitality" and believes it greatly enhances the operational convenience of commercial areas. This widespread recognition from ordinary citizens has transcended pure economic transactions and become a shared social perception. It not only psychologically eliminates the "marginal feeling" associated with informal operations but also establishes a solid "de facto legitimacy" for the street-vendor economy through continuous consumer support. This cognitive reinforcement, together with the moderate transformation of formal institutions, has transformed informal space in urban functional structures from a "repelled foreign body" in the past to a "necessary component."

(3) Governance Actors Utilize the Informal Economy to Stabilize Urban Operations

Within the macro framework of social security and urban development, the informal sector demonstrates strong functional compensation. Interviews and news materials jointly confirm that the street-vendor economy not only undertakes employment placement for a large number of vulnerable groups but also effectively fills service gaps of formal commerce in "vacuum zones" not yet covered by urban renewal. Especially during periods of urban economic fluctuation, the street-vendor economy acts as an indispensable "employment buffer" due to its extremely low entry barriers and high operational flexibility.

Based on this functional complementarity, a structural "negotiated institution" has evolved between urban governance actors and the informal economy: managers exchange conditional access and informal acquiescence for livelihood stability at the grassroots level and micro-level vitality in urban space; vendors, in turn, maintain their role as "supplementers" in urban functions through dynamic adaptation to rules. This institutional negotiation is not only a micro-level correction of social exclusion but also achieves, at a deeper logical level, a governance contract that balances spatial efficiency and social equity.

6.4 Urbanization Pathway: A Four-Stage Model of Chongqing-Style Informal Urbanization

Industrialization serves as the exogenous driving force of informal urbanization, rapid urbanization as the endogenous driving force, and social actors' pursuit of economic value on collective land as the direct driving force. The weak governance capacity resulting from contradictions between government governance objectives and means indirectly makes informal urbanization possible. Based on the preceding analysis, this

study distills a four-stage model of informal urbanization in large Chinese cities such as Chongqing (Wang, 2018):

(1) Accommodation Stage: Initial spatial–population embedding. A large number of rural-to-urban migrants rely on the informal sector to enter the urban spatial system, forming the preliminary pattern of the street-vendor network. (2) Coordination Stage: Stabilization of governance–operation relations. Governance actors recognize that "complete eradication is neither feasible nor necessary" and gradually form flexible law enforcement and tacit boundaries. (3) Mutual Constitution Stage: Functional complementarity between the informal economy and urban space. Informal operations complete commercial district functions, while urban space provides "gap containers," forming "bidirectional construction." (4) Institutionalization Stage: Stable operation of informal institutions. Flexible governance, situational recognition, and consumption demand jointly promote the long-term stable existence of the informal economy, thereby forming an institution that is continuously reproduced within the city.

This four-stage model demonstrates that:

Chongqing's informal urbanization is not a failure of urbanization, but an alternative form of urbanization. It is an urbanization pathway centered on the urban core, driven by everyday practices, and possessing a stable structure.

6.5 Summary: The Circular Process from the City to Street Vendors and Back to the City

The informal urbanization pathway framework proposed in Chapter 6 integrates the macro models of Chapter 3 with the feedback mechanisms of Chapter 5 into a full-scale, multi-level explanatory system.

Its core logic can be summarized as follows:

Urban structure → provides embedding conditions for the informal economy

Informal economy → provides feedback to urban space and enhances urban resilience

Governance and social cognition → institutionalize this interactive relationship

Institutionalized interaction → becomes part of the city's own development pathway

This self-consistent cycle explains:

Why the street-vendor economy can stably exist in Chongqing's core commercial districts;

Why the informal economy is not a symbol of decline, but a manifestation of an advanced stage of urbanization;

Why the more highly integrated urban space becomes, the more it needs the informal economy as a complementary force.

7. Policy Recommendations: Toward a Negotiated and Multi-layered Urban Governance Model

The previous chapter indicated that the informal economy is not a marginalized anomaly in Chongqing's urban development process, but an "endogenous force" that evolves together with the city's spatial structure, economic structure, and governance system. Accordingly, the goal of urban governance should no longer remain at "how to manage the street-vendor economy," but should shift toward "how to enable the informal economy to participate in the negotiated production of urban space." The focus of policy recommendations should not be to replace the city's natural evolution, but to acknowledge, leverage, and regulate the feedback functions of the informal economy, thereby transforming it into an institutional tool for enhancing urban spatial resilience.

Building upon the analysis of the informal urbanization pathway in the preceding sections, the policy recommendations in this chapter are advanced primarily along three major dimensions: first, structured responses in spatial governance; second, resilience-building in the economic system; and third, negotiated optimization in the governance institutions. These three dimensions mutually reinforce one another, forming a policy framework that is practically feasible and theoretically coherent.

7.1 Spatial Governance: Planning Strategies Centered on Hybridization and Elasticity

The spatial essence of the street-vendor economy is to fill "functional depressions" within the city. The overall approach to spatial governance needs to shift from simple rectification to a "hybrid utilization orientation."

First, create temporary and convertible informal spatial units. Reserve flexibly usable open areas at commercial district nodes, outer edges of subway station entrances, and platform spaces, providing clearer spatial boundaries for street-vendor activities and reducing conflicts with traffic flow lines.

Second, reshape low-interference flow lines through micro-adjustments. Utilize partial widening, route guidance, and interface arrangements to enable stalls to operate stably without interfering with main passageways, thereby improving management effectiveness.

Third, institutionalize street-vendor operations in nighttime economic zones. In line with the city's nighttime vitality needs, allow certain areas to automatically convert into stall operation zones at night, achieving double hybridization in both time and space.

7.2 Economic Governance: Building a Multi-layered and Low-threshold Urban Economic System

Macro data in Chapter 3 reflect that the informal economy has long served as an employment buffer. Policy should not aim at replacement, but at constructing a diversified economic landscape of "formal–micro–individual" coexistence. It is necessary to establish a multi-layered micro-commercial system by simplifying business licensing and setting up low-rent micro-shop spaces, thereby providing sustainable urban livelihood spaces for middle- and low-skilled groups. At the same time, support mechanisms for skill-based stalls should be strengthened. These business types inherently possess "urban completion functions" and can improve service quality through skills training and tool support. This will also help advance digital management: digital registration and mobile licensing can enhance governance transparency and integrate vendors into the city's data governance system.

7.3 Institutional Governance: Shifting Governance Logic from "Discipline and Eradication" to "Negotiation and Co-governance"

The core of Chongqing-style informal urbanization lies in negotiated institutions. Policy should advance this mechanism from implicit and experiential practices toward institutionalization.

First, establish a negotiation and governance platform involving vendors, urban management officers, and sub-district offices. This platform would address stall layout adjustments, festival operation arrangements, and conflict mediation, providing institutional support for what were previously informal negotiation relationships.

Second, implement context-based law enforcement. Adjust enforcement intensity according to differences in time, pedestrian flow, and seasons, making flexible governance the norm and improving institutional predictability.

Third, provide minimum social security for informal workers. Through flexible social security access and basic public service provision, vulnerability of these groups can be reduced and overall urban resilience enhanced.

7.4 Summary: Role Transformation from "Governance Object" to "Urban Collaborator"

The policy recommendations in Chapter 7, based on the theoretical and fieldwork analysis of the previous six chapters, seek to construct a governance model more aligned with the realities of large Chinese cities. The core of this model is not merely "tolerating the street-vendor economy," but acknowledging its intrinsic value, utilizing its feedback functions, and enhancing the city's spatial and social resilience through institutionalization.

The ultimate goal is not to push urban governance back toward a disciplinary logic, but to promote the city's transition from a "mono-centric, strictly zoned, and exclusively formal-economy-accepting" model toward a multi-nodal, adjustable, coexistent, and negotiable urban spatial structure.

The street-vendor economy should not be viewed as the antithesis of urban modernization, but as one of the markers of urban modernization reaching maturity.

8. Conclusion: The Co-constitutive Logic Between Informal Economy and Urban Space and Its Theoretical Contributions

This study takes the street-vendor economy in core commercial districts as a theoretical entry point. Through macro data analysis, spatial structure observation, vendor operational logic organization, and governance mechanism research, it provides a systematic explanatory framework for the relationship between the informal economy and urban space. In contrast to the traditional view that treats the informal economy as a "governance object" or "low-end urban remnant," this paper argues that, within the spatial system of large Chinese cities, the informal economy does not hinder the process of urban modernization. Instead, it is an endogenous force that is continuously reproduced, constantly strengthened, and possesses structural functions within the city.

From the perspective of the entire paper, the sustained existence and feedback effects of the street-vendor economy in specific commercial districts are not coincidental, nor merely the result of relaxed management. Rather, they result from the combined influence of several structural conditions. This conclusion is not a simple policy evaluation, but a theoretical response to the urbanization process itself.

8.1 The Informal Economy Is an Essential Component of Continuous Urbanization

The multi-model estimations in Chapter 3 show that informal employment has long occupied a substantial share of urban employment and is not a temporary phenomenon, but a relatively stable structural factor in the urbanization process. The combined effects of population, industry, and employment systems have gradually transformed the informal sector into a key mechanism for absorbing marginal labor and coping with economic fluctuations.

In areas where urban development has entered a high-density stage, the formal sector cannot provide sufficient jobs for all workers. The existence of the informal sector precisely ensures the integrity of the urban labor system, allowing the urban economy to maintain resilience across various cycles.

"The informal economy is not the periphery of urbanization, but an internal driving force of urbanization."

8.2 The Informal Economy Participates in Urban Space Production Through "Spatial Completion"

Fieldwork in Chapter 4 demonstrates that the street-vendor economy does not exist by relying on "illegal occupation of roads," but participates in the reproduction of urban space through highly strategic spatial selection, pedestrian flow node judgment, and self-organized networks. Its functions are mainly reflected in three aspects:

(1) Completing spatial and service gaps that formal commerce cannot cover;

(2) Enhancing interaction density and consumption frequency in urban space;

(3) Constructing a "gap-style economic network" in central urban areas.

This spatial participation based on micro-scale operational activities indicates that urban space has never been the exclusive product of planners, but a multi-subject outcome jointly shaped by citizens, consumers, merchants, and governance actors. The street-vendor economy is a typical embodiment of this spatial pluralism.

8.3 The Triple Feedback Mechanisms of the Informal Economy Redefine the Resilience Structure of Cities

The employment feedback, spatial feedback, and social feedback mechanisms summarized in Chapter 5 reveal that the informal economy not only depends on the city but also "shapes the city in return." Its feedback functions include:

At the employment level, providing stable income sources for marginal labor and serving as the city's "hidden carrier";

At the spatial level, maintaining and enhancing the vitality of core commercial districts and keeping urban consumption ecosystems fluid and diverse;

At the social level, building weak-tie networks and strengthening the city's resilience against economic fluctuations.

This finding breaks through the traditional one-way understanding of the informal economy in urban studies and emphasizes its systemic position in urban structure.

8.4 The Chongqing-style Informal Urbanization Pathway Provides a New Analytical Framework for Understanding Large Chinese Cities

The "four-stage informal urbanization pathway" proposed in Chapter 6 holds theoretical innovation significance. Unlike previous studies that emphasized informal housing, fringe expansion, or slum formation, large Chinese cities exhibit a completely different model— the informal economy is highly concentrated in urban cores and forms an institutionalized structure through governance negotiation, spatial embedding, and consumption-driven mechanisms.

The significance of this pathway is mainly reflected in:

1) Challenging the development narrative that takes "formal urbanization" as the sole standard;
2) Providing a necessary perspective for explaining spatial diversity in the era of consumption cities;
3) Demonstrating the critical role of governance flexibility in the formation of modern urban institutions.

The Chongqing experience shows that as urban development enters a mature stage, urban centers do not reject the informal economy; rather, they need it to maintain spatial vitality and economic resilience.

8.5 Urban Governance Needs to Shift from an "Exclusion Logic" to a "Negotiated Co-governance Logic"

Chapter 7 further deepens the theoretical dimension of street-vendor governance. Its core point is not simply choosing between "clearance" and "laissez-faire," but establishing a multi-layered interest negotiation mechanism among the administrative hand, market forces, vendors, and citizens. The ultimate goal of urban governance should not be to eliminate the informal economy under the pretext of spatial cleanliness, but to use institutionalized methods to make it a stable and natural component of the urban spatial system.

Future directions for urban governance transformation should focus on four main aspects: in spatial management, replace one-way disciplinary control with "spatial adjustability" that possesses dynamic adjustment capacity, while acknowledging the fluidity and polysemy of urban space. At the social security level, leverage diversified economic structures to provide urban livelihood support for vulnerable groups, allowing the informal sector to fully play its role as an "employment buffer." In institutional design, replace strong intervention with multi-participatory negotiated governance mechanisms to effectively reduce friction and loss between formal institutions and informal practices. In cultural cognition, strengthen social recognition to consolidate the de facto legitimacy of informal operations. Essentially, the core hallmark of urban modernization is not the comprehensive eradication of the informal economy, but the ability to create

an institutional structure with high inclusiveness and integration capacity, enabling multiple types of economic actors to achieve symbiotic and synergistic development within the same spatial field.

8.6 Theoretical Contributions of This Study and Prospects for Future Research

The theoretical contributions of this study can be summarized in three points:

1) Proposing the overall analytical framework of "informal economy providing feedback to urban space": This breaks through the existing "passive–dependent" model of the informal economy and, for the first time, proposes its active feedback role in urban structure.
2) Establishing a research paradigm of "informal urbanization in central urban areas": While traditional studies mostly focus on urban fringes and poverty zones, this study demonstrates the informal ecology of urban cores, serving as an important supplement to research on large Chinese cities.
3) Revealing the critical position of governance flexibility in the process of institutionalized urbanization: Transforming governance from a control tool into a mechanism of institution formation represents a significant theoretical expansion.

In future research pathways, the discussion of informal urbanization and the street-vendor economy can be further deepened in the following three core directions. First, multi-dimensional cross-city comparative studies should be conducted to systematically compare the evolutionary logic and spatial expressions of informal urbanization pathways across cities with different topographic features, administrative ranks, and industrial structures. Second, with the deepening penetration of digitalization, the accuracy and comprehensiveness of informal economy accounting have become a hotspot of concern for academia and government departments. In-depth analysis should be carried out on the impact of digitalization on the basic connotation, accounting scope, accounting subjects, accounting objects, and accounting methods of the informal economy, while reshaping the negotiated governance structure between traditional administrative forces and vendors, and evaluating the potential of technological intermediaries in enhancing the transparency of spatial order (Jiang et al., 2025). Finally, refined spatial data modeling will become a key means to reveal field mechanisms. By integrating multi-source spatio-temporal behavioral data such as stall distribution trajectories, consumer movement hotspots, and law enforcement frequency, more predictive dynamic relationship models can be constructed, thereby restoring, at the micro level, the spatio-temporal rhythms and symbiotic rules of the informal economy within complex commercial district ecosystems.

8.7 Overall Summary: Informal Urbanization as an Integral Component of Chinese-style Urban Modernity

In summary, this study demonstrates that the informal economy is by no means an accidental exception to modern urban order, but an indispensable component of its internal logic. Informal urbanization is not a product of institutional deficiency or lag, but rather a manifestation of the system's self-evolution and adaptation in the face of complex social demands. The long-term existence of the street-vendor economy in large cities should not be regarded as a backward "remnant of the past," but as an important source for constructing the "everydayness of future cities" and social resilience. In this deeper sense, Chinese-style urban modernity does not reject the informal economy; rather, it is continuously shaped, revised, and ultimately advanced toward a mature form with high inclusiveness and vitality through continuous interaction, negotiation, and integration with the informal economy.

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