

# **Informality and Violence: Evidence from South Africa**

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***Abstract :***

This paper studies the emergence of violence in legal markets, with a particular focus on the informal commuter transport sector in South Africa, where minibus taxis are integral to urban mobility. Despite being a legal sector, the taxi industry is plagued by significant and persistent violence, imposing substantial social costs. Using novel administrative data from the government's operating license system, route-level pricing information, and a unique dataset of taxi-related violence compiled from print and online media, I examine the interplay between competition, firm growth, and violence. I leverage variation from a sudden decline in rail service quality to estimate the effect of local demand shocks on taxi-related violence in a difference-in-differences framework. The taxi associations most positively affected by this demand shock experience both a large growth in their membership and substantial increases in violence. The results are interpreted through the lens of contest theory, highlighting that even legal but informal markets can suffer from violence due to failures in contract enforcement, akin to those observed in illegal markets.