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# THE BAZAAR ECONOMY OR HOW BIZARRE IS THE BAZAAR REALLY?

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Critiques of the view that the bazaar is a model of the competitive market often portray it as exotic and irrational. This article shows that the folk category 'bazaar' glosses over the analytical distinction between two types of market: those in commodities which are standardised in terms of quality and quantity and therefore substitutable, and those in commodities that are physically heterogeneous and therefore non-substitutable. The features typically associated with the bazaar by its ethnographers are only found in the latter type of market. Drawing on ethnographic material from a south Indian town, the article shows that the differences in the transactional properties of the two kinds of goods account for a series of contrasts in the relations among and between buyers and sellers, the operation of the price mechanism, the control of information, the organisation and recruitment of labour, and the roles of money and credit.

## *Introduction*

There are two common theoretical approaches to the bazaar. While older accounts emphasise its similarities to modern capitalist markets, and even see it as a prototype of the competitive market (e.g. Tax 1953; Katzin 1960), more recent ethnographies of the bazaar emphasise its differences from modern capitalist markets and concentrate on its bizarre and sometimes apparently irrational characteristics. For example, in his study of a market town in north India, Fox describes as a characteristic of the 'non-western deployment of business energies' that businesses lack specialisation and often trade in seemingly unrelated kinds of commodities: 'a bizarre combination of saleables in the same shop' (1969: 127-30). But far from being an exotic business practice, diversification is a standard strategy in any type of market for spreading risk and reducing overhead costs by fuller use of existing resources. While emphasising this lack of business specialisation, Fox also describes *overspecialisation* of businesses as another peculiarity of the bazaar: 'the profusion of commercial enterprises in absolute numbers and types and lack of any form of "general store"... Three types of shops exist which in the kinds of goods concerned, capitalization, and size could well be combined into one: the grocery, the provisions shop, and the dry goods concern' (1969: 143). In this article I shall seek to show that there are fundamental economic and organisational discontinuities between these types of business, which make them organisationally and functionally incompatible.

Similarly, in his study of the bazaar in Sefrou, Geertz makes the bazaar an exotic and bizarre phenomenon almost by definition. What constitutes the coherent class of economic phenomena called 'bazaar' is their apparent incoherence: '[s]tructurally, the

Sefrou bazaar is a partitioned system, behaviourally, it is unbroken confusion' (1979: 129). The structural partition here refers to the physical division of the 'bazaar' into the weekly market held outside Sefrou, the traditional bazaar in the old town, and the 'show window bazaar' of the former colonial quarters; the behavioural confusion refers to the general uncertainty which supposedly occurs equally in all three structural partitions. I shall seek to show that these structural partitions are not equally characterised by behavioural confusion but constitute distinct types of markets.

Geertz's (1978; 1979) description of the Sefrou bazaar is folk economics. One consequence of his attempt to present a view of the bazaar economy as the actors themselves see it—'a qualitative formulation of the information situation in the *suq* as the Moroccans themselves conceive it' (1979: 198)—is that it deals with the actors in the bazaar as persons rather than in the respective economic roles in which they confront each other in particular transactions.

Elsewhere, in his account of peddlers in Modjokuto, Geertz does recognise a 'role asymmetry' (1963: 34) between regular bazaar traders and peasants cheated on occasional visits to a market town. But he considers this relationship between trader and non-trader as atypical of the bazaar, where the commonest relationship is that between traders (middlemen). The reason why the role distinction between buyer and seller is not part of the economic discourse of the bazaar seems to lie in the empirically high incidence of the combination of the roles of buyer and seller in the same person, namely the middleman. The structural distinction between them is usually only brought out into the open when there is a clear empirical distinction between the two, such as in the trader-non-trader relationship. But there is a buyer and a seller in every transaction in the bazaar, and by virtue of occupying these roles, the former is structurally positioned to operate under conditions of greater uncertainty than the latter. It might well be correct that the two are not distinguished in Sefrou folk economics:

Buying and selling are regarded as a unitary activity to be looked at simultaneously from the wholly interchangeable perspectives of the man who is passing goods to his trading partner and the man who is passing money, a difference itself of no essential import (Geertz 1979: 185).

But this does not mean that the distinction between buyer and seller is structurally insignificant. Money is a very different kind of commodity from the goods traded in the bazaar. It is the most standardised and therefore the most reliable and predictable commodity in the bazaar. With the exception of counterfeits<sup>1</sup>, it is a commodity whose value is perfectly certain. The kinds of goods traded in the bazaar, on the other hand, are unstandardised and therefore unpredictable and unreliable; their inspection is difficult, time-consuming and therefore costly. Compared to money, they are of relatively dubious quality, of indeterminate quantity and therefore of uncertain value.

In Geertz's terms, 'the man' who is passing on goods in return for money is far more certain of what he receives, than 'the man' who is passing on money in return for goods. There therefore exists in the bazaar transaction an information asymmetry between the seller, who passes on something uncertain in return for something certain, and the buyer, who does the reverse. I take this asymmetry as the distinguishing feature of the bazaar compared to other types of markets because it has important structural implications for the organisation of trade. In Geertz's description of the bazaar trader as somebody passing on something in return for something else, these crucial distinctions between seller and buyer, and between the type of good traded in the bazaar and money, remain unexamined.

One of the reasons why the bazaar seems such an exotic economic phenomenon is that due to the way it is usually defined, it embraces everything from prostitutes to pharmacists (Geertz 1979: 179-81); from chewing tobacco stalls to shoe shops (Fox 1969: 128-9); from firewood shops to banks (Mines 1972: 30-1); and from spice and oil traders to bookshops (Ostor 1984: 91-2), to name but a few from a rather bizarre list of bazaar businesses. But brothels, chewing tobacco stalls, firewood dealers and grocers trade in very different kinds of commodities from those of pharmacies, banks, shoe shops and book depots. These examples all contrast 'natural' with industrially produced commodities, but this distinction is different from the one emphasised here, which is that between substitutable and non-substitutable commodities. Agricultural products can be substitutable and industrial products can be non-substitutable. Examples of the former are packaged, quality-controlled, and branded fruits and vegetables sold in supermarkets<sup>2</sup>, and examples of the latter are counterfeit and second-hand products.

The two types of commodities differ in terms of their transactional properties and therefore in the kinds of functions performed by businesses trading in them. These functional differences are paralleled, in turn, by different organisational structures of business and market. The former involves trade in physically highly heterogeneous and unstandardised kinds of commodities in which there is consequently a high degree of uncertainty for the buyer in what precisely he buys, because no good is exactly like any other good he can buy from the same or a different seller or might have bought in the past. By contrast, the latter involves highly standardised and therefore economically substitutable kinds of commodities, about which the buyer can collect information prior to purchase through direct comparison, precedent or consultation with other buyers.

The standardisation of product quality and quantity is a condition for product substitutability, which balances the information asymmetry between buyer and seller and thereby becomes a precondition for the efficient functioning of the price mechanism. If quality and quantity are standardised, the seller cannot, as in the bazaar, adjust them to price by adulterating and short-measuring, but must instead adjust price to quality and quantity.

### *The Kalakkadu bazaar*

In the following I shall try to apply this analytical framework to explain some of the complexity of the bazaar in Kalakkadu, a small commercial town in the south Indian state of Tamil Nadu. In this case the contrast between the two types of markets appears to be particularly sharp, more so perhaps than in other cases. The great majority and the financially largest and most profitable transactions in Kalakkadu involve non-perishable goods. These are either mass-produced commodities or, in the case of foodstuffs, semi-perishable items such as grains, dried pulses, spices and oils. For various reasons, fresh vegetables and fruits play a relatively minor role in the economy of the bazaar, and are often sold not through outlets in the bazaar itself but by small-scale, mobile traders. In markets for perishable products, commodities are usually displayed and relatively easily inspectable and often sold piecemeal, thereby counteracting quality and quantity uncertainty. Instead, due to the perishability of goods and the variability of supply, price uncertainty is much higher than in markets for non-perishable goods. They are therefore characterised by the prominence of bargaining as a price-making mechanism (Dewey 1962a; 1962b; Davis 1973; Alexander & Alexander 1987).

*Quality standardisation*

In the bazaar there are no verifiable and reliable standards of quality, and the manipulation of quality by mixing inferior with superior products or through outright adulteration with alien substances is believed to be endemic. Commodities are passed through a long chain of middlemen, who bulk and break bulk at different levels of the marketing system so that the provenance of a product becomes unidentifiable and its qualities uncertain. Consequently there is no channel of feedback between producer and consumer decisions independent of the chain of intermediary traders. Producers of inferior quality produce can stay in the market even if there is no real demand for their products. Products of inferior quality are marketed by mixing them with superior quality products, and since standards of quality are difficult to verify, there is general uncertainty about what exactly is and what is not adulterated, which leads to an atmosphere of suspicion that everything in the market is adulterated and no bazaar trader is honest.

In contrast to such a maverick environment in which almost everything is uncertain, in the standardised commodity market, brand names and trademarks act as classificatory devices by which the provenance of goods in the market becomes identifiable and therefore their quality more predictable. They thus provide efficient channels of communication between producers and consumers, which are independent of the chain of intermediary traders and middlemen. The ability of buyers to identify the provenance of a good leads them to expect greater uniformity of quality and therefore to exercise choice between products of different quality.

Even in such lower-level markets as Kalakkadu, there is a comprehensive folklore about the comparative advantages and disadvantages of the relatively limited number of branded goods sold. Buyers develop specific preferences for particular brands and readily exchange information about them. They are always prepared to offer advice on such subjects as which rubber sandals are the softest, or which batteries last longest. They are therefore able to compare not only the quality of different brands, but also to evaluate their quality in relation to their price, an operation which is extremely difficult in the bazaar.

The introduction of brand names therefore fundamentally alters the nature of competition in the market. It moves competition from the relationship between buyer and seller to the relationship between sellers, because buyers are consistently able to identify the provenance and quality of a good and therefore to exercise choice between different products. This forces sellers to compete by adjusting prices rather than by making stock savings through adulteration and short-measuring.

*Quantity standardisation*

The ability to identify the provenance of a commodity introduces new conflicts of interest into the market not only between sellers but also between producers and retailers. Once the buyer is able to identify the provenance of a commodity, it is in the producer's interest to protect the integrity of his products against deceptive manipulation by intermediary traders. Brands are therefore always associated with the prepackaging and sealing of products. Otherwise intermediate sellers could always substitute a cheaper for a more expensive brand or a smaller for a bigger quantity.

Standardised packaging and sealing eliminates from the sales transaction the technical process of weighing or measuring of goods, and therefore greatly curtails the seller's

opportunities for the manipulation of quantity. Bazaar transactions in which goods are sold loosely require a technology of weighing and measuring, i.e. specialised instruments and skills. These means of measurement are controlled by the sellers who therefore have the opportunity to manipulate them in their favour, and are universally suspected of so doing. Standardised packaged goods, on the other hand, are not sold by weight or volume but by number, and the only skill required to verify quantity is elementary arithmetic. The buyer gets, for example, two packets of coffee powder each weighing 100 grammes, instead of 190 or 180 grammes weighed and packaged by the seller. Branded and packaged goods therefore allow the buyer not only to evaluate quality in relation to price, but also to be reasonably certain that quantity is held constant.

### *Price dispersion*

There is a fundamental difference between the structure of markets in unbranded, ungraded and loosely sold commodities, and those in branded, standardised and pre-packaged commodities. In the bazaar price competition between sellers is highly imperfect, because buyers are unable to evaluate systematically quality and quantity in relation to price. While prices are relatively certain and comparable, the quality and quantity of goods are relatively uncertain and difficult to compare. Consequently price correlates only very imperfectly with quality and quantity and buyers' decisions are based primarily on price, because it is precise and comparable, whereas quality and quantity are uncertain and incomparable. Higher prices are not interpreted as evidence of the higher quality of the product and the integrity of the seller, but of overpricing in addition to adulterating and short-measuring; and lower prices are seen as evidence for excessive adulteration and short-measuring. Price dispersion in the bazaar is therefore minimised.

While price differences are only very imperfectly related to quality and quantity variation, they are closely related to differences in buyers' commercial competence and market experience, and their willingness to bargain with and canvass different sellers in order to test the market: 'price dispersion is a manifestation—and, indeed, it is the measure—of ignorance of the market' (Stiglitz 1971: 62). Sellers seek not only to adjust quality and quantity, but also price.

The particular method of adjustment depends on the number and size of transactions. In the case of basic foodstuffs, such as grains, pulses and spices, which are sold to consumers regularly in similarly small quantities for daily household requirements, price adjustments are difficult to make, because the regularity and similarity of the purchases creates a large number of precedents which allow the buyers to monitor price conditions closely. In the case of large numbers of transactions, each of very small volume, adjustments in quantity are more profitable than price adjustments, because the profit is primarily a function of the number of transactions—more particularly of the acts of measurement—rather than of the size of the transactions; therefore the higher the number of transactions, the greater will be the savings in stock. On the other hand, the rarer the good or the larger the quantities bought, the fewer the precedents to which the buyer can refer; hence the greater the price uncertainty for the buyer, the greater are the seller's opportunities for increasing profit through price adjustment. Only under such conditions does bargaining become an important price-making mechanism in the bazaar.

In markets for standardised goods the situation is reversed. Quality and quantity of goods are given and the seller has only the option of altering the price. Differences in quality and quantity are therefore linked to price variations. Only under such conditions can the price system function as an efficient means of communication matching supply to demand. Since prices are much more easily ascertainable and comparable for the buyer than quality and quantity in the bazaar, those sellers offering the lowest prices are easily identifiable. Traders clearly state that they follow the strategy of keeping profit margins as low as possible in order to maximise the total number of transactions, rather than maximising the profit margin of each individual transaction as bazaar traders do. It is therefore both in the seller's and in the buyer's interest to keep the prices as low as possible, and this shared interest militates against the climate of mistrust which prevails in the bazaar.

Since price dispersion between sellers and quality variation between brands appear to be clearly identifiable, buyers do not generally consider them as forms of deception, as they do in the case of non-standardised goods. There are very few allegations of dishonesty against sellers of substitutable commodities. Shared market intelligence among buyers revolves around the advantages and disadvantages of specific brands for which sellers are not held responsible. Quality variation between branded products is attributed to producers' technical sophistication, and price dispersion between sellers is attributed to differences in traders' commercial competence rather than attempts to cheat.

The owner of a small textile shop, for example, whose goods were of somewhat poorer quality, rather more out of fashion and higher priced than those of the bigger shops down the road, was never accused of cheating. Almost everybody knew that his prices were higher and his quality lower than those of his competitors, and because everybody knew it, few bought from him. In a transaction in which the buyer has the opportunity to ascertain what is on offer, the moral—as well as the legal—principle of *caveat emptor* applies, and if he does not take advantage of this opportunity, he has only himself to blame. In the bazaar transaction, on the other hand, where the buyer has only very limited opportunities to ascertain quality and quantity prior to purchase, it is the seller who is accused of dishonesty.<sup>3</sup>

In the bazaar the information asymmetry between seller and buyer gives the former a competitive advantage over the latter. The primary competitive relationship is that of the seller versus the buyer. In the standardised goods market, the seller has no such structural information advantage over the buyer. Competition takes place between sellers and between buyers, but not between sellers and buyers. The more offers a trader can canvass and the more potential customers he can in turn attract to canvass his offers, the greater is his competitive advantage. In such a market the strategy of individual inspection or intensive information search is replaced by that of price canvassing or extensive information search (Rees 1966; Geertz 1979: 224).

### *Advertising*

In contrast to the excessive secretiveness of the bazaar which both grows out of and seeds suspicion, buyers in the substitutable commodity market are flooded with information. Where the bazaar trader is obsessed with secrecy and with protecting business information on his sources of supply, the size of his inventory and of his clientele, the standardised commodity trader advertises his comprehensive range of stock, the

producers from whom he purchases, and the size of his clientele. A wide range of goods of different quality and in different quantities or sizes at various prices, attracts a wide range of buyers with different individual preferences and of different economic means. The easiest way to convey the message that a shop offers a wide range of goods is to display them. The physical appearance and architecture of such businesses is therefore in marked contrast to bazaar shops. Such shops have no secret godowns around the corner in which goods are concealed from sales tax and price control officers. Instead as many goods as possible are displayed: the walls are covered up to the ceiling with shelves filled with goods and the shopkeeper often sits behind glass cases. Frequently space is not enough and the shop spills over into the street. These are also the only kinds of businesses which have purpose-designed buildings rather than rented general-purpose premises.

Apart from increasing the physical attractiveness, it is also important to make it known beyond its immediate vicinity in order to increase its maximum demand range: i.e. to transform it from a corner shop into a central place institution, to replace a reputation built on a network of inter-personal relations with a more universalistic attraction. In contrast to traditional bazaar shops, which are only known by their owner's name and therefore only to people who know the owner, such shops have, like the products they sell, names of their own.<sup>4</sup>

Having given the shop a name, it is important to make the name known as widely as possible. Only within the last few years, a number of textile and fertiliser shops have begun to use advertising techniques to make their businesses better known within the rural hinterland of Kalakkadu. These include painting advertisements on empty walls near road junctions, the use of special paper and cotton bags printed with their names and logos or printed wrapping paper, and the distribution of their own wall calendars often with religious motives designed separately for their Hindu, Muslim and Christian customers. During temple festivals bigger businesses sometimes assume the role of traditional sponsor of particular rituals.

In all this they stand in marked contrast to bazaar shops. These usually look equally dingy, never have a name and therefore also never advertise, their owners are renowned for their secretiveness, suspiciousness and lack of friendliness. In fact there is little to choose between them in terms of appearance, service or price, precisely because they do not compete against each other for customers, but do business with each other and instead compete with buyers.

### *Business organisation*

The respective economic properties of non-standardised and of substitutable commodities entail different types of organisational problems for the businesses trading in them. They are therefore associated with basic differences in business organisation and market structure. In contrast to the bazaar trader, a seller of standardised, substitutable goods does not have to travel to higher-order markets to purchase his supplies, find out prevailing price levels, negotiate purchasing prices and arrange credit, inspect the goods he wants to buy, and supervise their measurement, packaging and transport; nor does he have to choose between having to rely on unreliable employees to keep his shop open in the meantime, and staying in the shop himself while delegating these tasks to a potentially fraudulent employee. Due to the substitutability of the products involved, reliable information about specific brands of particular commodities is



available to him from previous purchases, through samples and specimens or through catalogues. Instead of travelling to the supply centre himself or delegating an employee to do so, he can order them from distributing agents of the producer. Some of these tour the villages and smaller towns in the countryside to collect orders from the bigger shops; alternatively, he can order from them by post or telephone.

Traders in standardised, substitutable commodities can therefore canvass a much larger number of offers at little cost and limited risk. This enables them to extend greatly their search for better wholesale offers and to seek to establish as close relationships as possible with producers and their agents, thus cutting out the chain of middlemen. Obtaining producers' catalogues, inviting itinerant commission agents, and establishing contacts with regional distributing agents are among the various methods used to monitor market developments and canvass the maximum number of price offers.

This type of organisational environment greatly reduces the operational scope of middlemen, brokers and all kinds of intermediary traders who are characteristic of the bazaar. The whole self-perpetuating and self-sustaining system of independent middlemen and brokers in the bazaar depends on their ability to pass on goods of uncertain provenance, dubious quality and indeterminate quantity to each other. A bazaar trader who manages to purchase his supplies cheaper than his fellow traders usually continues to sell at the same price as they do and arranges to supply them at a reduced price. In this way he keeps his own as well as their prices and profit margins high, instead of passing on his cheaper purchasing prices to his customers and thereby increasing his share in the market at the expense of other sellers. Structural limitations in business organisation and increasing risks of credit sales let him seek higher profits by increasing the profit margin of each transaction rather than by increasing the number of transactions.

In contrast, the central intermediary figure in the standardised goods market is the agent who, as the term indicates, acts on behalf of the producer and not on his own behalf. Such agents are appointed by particular producers in whose name they canvass local traders for orders for which they are paid on a fixed commission basis. There is therefore an institutional separation between wholesale and retail businesses and markets, which does not exist in the bazaar, where most businesses sell to each other as well as to consumers. Whereas wholesale markets are dominated by competing producers and their distributing agents, the retail market consists of businesses competing against each other by lowering profit margins and seeking to maximise the number of customers, rather than giving credit to a limited number of buyers at high profit margins as is the case among bazaar traders. In the bazaar the scope for business expansion is severely limited by the uncertainties of having to sell on credit and having to rely on potentially fraudulent employees. This results in the fragmentation of businesses typical of the bazaar. The bazaar mode of business operation is encompassing rather than competitive: it is less aimed at driving competitors out of the market, and more at indirectly participating in their business; expanding businesses seek to supply smaller ones rather than to take them over.

These contrasts in the organisation of businesses in the two types of markets are paralleled by differences in the labour market. Labour is never perfectly standardised and substitutable (Stiglitz 1962; Rees 1966), but its non-substitutability is particularly significant in the bazaar economy. Given the uncertain and easily manipulable nature

of commodities in the bazaar, and the consequent uncertainty about their precise value, personal loyalty of employees to the bazaar trader is of crucial significance. The only effective means of ensuring such personal loyalty are ties of kinship. As far as possible labour is therefore recruited along kinship lines, which can to some extent serve to overcome some of the structural limitations on business expansion which are inherent in the bazaar economy.

This feature of bazaar business organisation is best illustrated by the example of one of the most spectacular business failures in Kalakkadu. This involved the biggest grocery shop in the bazaar, which supplied many of the smaller shops in the town and the surrounding villages, whose owner attempted to modernise his business. He was the first to instal a telephone line, he employed an accountant, and sent his two eldest sons to study commerce in the District headquarters. Since his sons were away he relied exclusively on employees. Today everybody in town knows that these employees deceived him over a long period until he finally was unable to repay the accumulating debts to his suppliers, who then refused to supply him any further. Because he was unable to supply his own customers, they turned to other traders and ceased to repay their debts to him. This left him, on the one hand, with large debts to his suppliers and, on the other hand, with even larger amounts owed to him by his customers, the most important of which were other shops. His former accountant has meanwhile set up his own grocery business with his former employer's capital, many of the same suppliers and customers, but without any employees, relying instead on his sons. This is a typical example of a take-over from the inside. In the bazaar we find a segmentary type of business organisation. Externally a business is oriented to be encompassing rather than competitive, and internally it tends towards fragmentation as employees turn into entrepreneurs, who run their own business within their employer's business.

In the standardised commodity market, on the other hand, personal loyalty is not of the same crucial importance to the business organisation as in the bazaar. Just as the trader's own opportunities for deceptive manipulation of quality and quantity are curtailed, so are the opportunities of his enterprising employees to do the same. Compared to the bazaar, disloyalty and larceny by employees are relatively easily detectable and quantifiable. If their source can be identified, they are easily punished because traders themselves are less accessible to blackmail by employees than are bazaar traders, many of whose business operations are illegal so that in case of disputes legal remedy is usually not available to them. If their source is not identifiable they can be added to price as extra cost, rather than remaining an unquantifiable drain on capital which only surfaces when the business finally crashes.

With the declining importance of personal loyalty in the labour market, the importance of previous experience, training, skill, and even formal qualifications increases. These not only mean increased competence, but also greater substitutability of labour. Formal educational qualifications convey economic benefits, because they make the holders eligible to apply for employment in government organisations or banks, or to practise certain professions such as medicine and pharmacy. But in the majority of businesses of this type in Kalakkadu, skill and previous experience, rather than formal qualifications, are sought by employers. Two textile shops, for example, employ accountants who had themselves previously owned small textile shops but had gone bankrupt. In this way expanding businesses take over not only the market share but

also some of the skill and labour of less successful ones. In the bazaar, on the other hand, such previous experience in running their own business is seen as a potential threat by the employer, because of the suspicion that employees will use such skills for their own rather than the shopkeeper's benefit.

The greater importance of skill and experience over personal loyalty in the labour market increases the potential for business expansion and can ultimately lead to the separation of management from ownership. A form of organisational innovation in which ownership and management are only partially separated, but where there is nevertheless substantial delegation of management, is the establishment of subsidiary outlets or branches. All examples of this form of business expansion in Kalakkadu are concentrated in the trade in standardised commodities, such as textiles and provisions. A complete separation of management and ownership again occurs only in the standardised commodity trade. Apart from the businesses, namely the four banks, trading in the most standardised of all commodities (money), such a separation between management and ownership is found only in the case of a medicine shop, the local outlet of the Tamil Nadu Handloom Co-operative Society and the local cinema. The only business in Kalakkadu to sell unstandardised, non-substitutable commodities and in which management is separated from its (public) ownership, is the government ration shop. Such shops are notorious for giving short measure and adulteration, because the stock savings made through such methods are sold by the employees to private grocery shops. In addition there are professional black market traders, who buy the rations—and sometimes the ration cards—from people who do not need them, either because they are too poor to afford ration goods even at subsidised prices, or too rich to need them, and who then bulk and resell them to private shops. The government ration shops are therefore the exception that proves the rule.

### *Money market*

Similar conditions of uncertainty prevail in the market for business capital. The main sources of capital for the bazaar trader are those within the bazaar economy itself, namely moneylenders and chit funds. These are expensive because of the high risk involved for lenders. Since bazaar traders must maintain secrecy about their business operations, formal bureaucratic sources of business capital such as low interest bank loans and overdraft facilities are largely inaccessible to them. Banks require documentation of business activities and performance to assess creditworthiness, assurances that the loans are really used for the purposes for which they were taken out, and often securities as well. Bazaar traders are unwilling and often unable to provide these. Most of their transactions are conducted not through official channels, but on an interpersonal and cash basis without any documentation. In contrast to cheques, invoices, etc., cash is anonymous and untraceable. In its concrete form, it can be hidden or passed on in the privacy of an under-the-counter transaction. Were bazaar traders to provide documentation of their business dealings, this would often only furnish evidence of tax evasion, black market dealings and other illegal activities.

In the standardised commodity market, on the other hand, secrecy is less crucial for the trader, because he generally has less to hide. Traders are better able to balance the advantages of increasing profits through more investment financed by cheap loans, with the need for secrecy necessary to protect their businesses interests. Since they are less obsessed with covering the traces of their business operations, they are more

accountable to their creditors. Most of their business is conducted through one of the local banks at which they maintain accounts with overdraft facilities. Their stock of goods provides a security for loans because its value is relatively reliable and verifiable and much of it is publicly displayed rather than hidden away in secret godowns. These shops often carry signs which declare that their stock of goods is 'hypothecated' to a certain bank; their debts are thus public knowledge and it would be difficult for them to obtain more than one loan on the basis of the same security. Since the risk of default is considerably reduced, such loans are substantially cheaper than those from informal sources in the bazaar and their cheaper price compensates for the greater accountability which is necessary to receive them.

Since there is no separation between wholesaling and retailing in the bazaar, the majority of transactions are not between retailers and consumers, but between middlemen. The flow of goods is divided into countless meandering streams of small volume but perennial nature, because the goods are in constant demand and divisible into tiny amounts. This provides incentives for both sellers and buyers to establish enduring credit relationships. By giving credit to a buyer, a seller tries to monopolise the former's future demand. When there was, for example, a sudden influx of labourers working in the nearby forests, one of the bazaar traders immediately extended credit to them. In such cases there is an interdependence between the two, since the seller depends on the buyer's repayment and can apply the threat of refusing further supplies as a sanction against default. These relationships are nonetheless extremely fragile. There is no institution comparable to the 'pratik' described by Mintz (1967) in Haitian markets or the 'suki' described by Davis (1973: 216-34) in the Philippines. There is a constant tug-of-war in which the buyer tries to accumulate more and more credit, and the seller seeks to increase prices as a form of interest and to retrieve credit, until one of them breaks off the relationship. Of course the bazaar trader in turn does precisely the same in his role as buyer. As a result the bazaar folklore is littered with accounts of broken trade relationships and of how former friends have turned into bitter enemies.

Just as a trader in the standardised commodity market is less dependent on the personal loyalty of his employees and partners than a bazaar trader, so he is also less dependent on the personal loyalty of his customers because credit sales are rare. Wholesaling and retailing are institutionally separated and while relationships with wholesalers are enduring, relationships which involve retail transactions tend to be ephemeral because they are on a cash basis and therefore devoid of the element of enduring interdependence, which forms the basis of credit relationships in the bazaar. Of course, many buyers still finance such expenditures through loans, but these are obtained not in the form of credit from sellers, but from moneylenders and chit funds in the bazaar at high rates of interest. The sellers thus divest themselves of the high risk of having to finance their customers' demand. While in the bazaar business expansion is limited by the number of buyers about whom the trader has enough personal knowledge to be able to assess their creditworthiness and for whom he has enough capital to sell on credit, in a market dominated by cash payments a seller can attract a potentially unlimited number of customers.

### *Conclusion*

Such discontinuities within the supposedly uniform category of economic phenomena which the bazaar is supposed to embrace have not, of course, escaped the attention of

Fox and Geertz, but they appear as yet another bizarre feature of the bazaar and their theoretical implications remain unexamined.

Fox, for example, mentions in passing that between the two categories of businesses distinguished here, profit margins can differ by more than five hundred per cent.

These figures [wholesale profit mark-ups of 8–10%, and retail ones of 20%] refer, of course, to an unadulterated, fairly weighed commodity. When one considers the various possibilities for chicanery, the mark-up can be fantastically high upwards of 100%. Some businesses have less opportunity to practise deception than others, and the mark-ups quoted above apply to relatively 'sure' businesses as cloth, dry goods, and provisions. They are less valid for trade in food grains, oilseeds, and sugar (1969: 148).

Geertz describes the bazaar as a world of dubious goods, nameless shops, and poor market signalling in which everybody is equally groping in the dark. But this supposedly uniform category of economic phenomena in the Third World also includes the so-called 'show window bazaar' in the French colonial quarter of Sefrou:

The last, with its glass-fronted stores, side walk cafes, and motion picture houses strung out along the main street..., with signs proclaiming what they are and often the owner's name and telephone number, looks about like any small-town business district—complete with sidewalks, parking zones, a spotlight, and the inevitable *ronde pointe*—in provincial France (1979: 177).

In his account of commerce in Modjokuto Geertz does distinguish the bazaar economy from the firm-type economy (1963: 47). There, the equivalent of the shopping district in the former French quarters in Sefrou is that set up by the Dutch colonial government (1963: 51). Geertz considers that the crucial differences between the bazaar business and the firm-type business lie in formal organisational innovation, the permanence of business organisation, the reliability of relationships with producers and distributors, and the expansion of the urban public market (Geertz 1963: 58), characteristics which I have found to be associated with standardised commodity markets. But Geertz relates these organisational changes to Muslim reformism, a non-conformist and individualistic ethos which converts this-worldly profit into other-worldly credit: in other words, he sees an independent evolution of the Protestant ethic in Modjokuto.

But this argument is equally plausible if turned around: the firm-type organisation might well attract reformist Muslims, because it affords them better opportunities to combine the pursuit of moral integrity with that of successful trade, without involving them in the ethical contradictions inherent in the bazaar trade. In a firm-type economy a reformist Muslim can survive economically without compromising his religious principles through recourse to corrupt practices. What is more, a reputation for piety and integrity can confer a competitive advantage in such a market because, as long as it is verifiable, it attracts buyers. In their study of corruption in developing countries, among which they include Britain during the Industrial Revolution, Wraith and Simpkins make precisely the same point in relation to the prominence of reformist Christians, particularly the Quakers, in trade:

Being men of intelligence and character they built a 'nation of shopkeepers' and often advocated a policy of a 'just price'. It was a fortunate creed in an age when standardised goods were beginning to come on to the market, and it helped to make British commercial institutions respected throughout the world (1963: 157).

It seems therefore more than coincidence that all Geertz's examples of firm-type businesses run by reformist Muslims in Modjokuto deal in homogeneous, standardised and substitutable commodities. The mainstays of the three he describes in detail are Bata shoes, ready-made clothing and patent medicines; other lines of goods carried

include tinned foods, hardware, stationery, household equipment, toys, etc. (Geertz 1963: 51-8). On the other hand, his examples of bazaar trade involve unbranded, heterogeneous, loosely-sold goods and unstandardised services, such as baskets of maize, pieces of cloth, haircutting, cobbling, blacksmithing and bicycle repairs, as well as horsecart and pedicab transport (1963: 31-2).

In markets for heterogeneous, non-substitutable goods and services, in which standards are relatively unverifiable and uncertain, and consequently in which scrupulousness is not rewarded and unscrupulousness not punished, bazaar trade is economically the more rational strategy, indeed it becomes a precondition for continuation in the market. Unscrupulous trade is then not a function of the actor's ethic but of the rationality of the market (Becker 1968; Akerlof 1970). Under such conditions either honest sellers are driven out of the market, or honesty is driven out of the sellers.

Such markets are not bizarre and exotic phenomena, a mass of nameless goods and shops and countless middlemen of limitless unscrupulousness. They can equally be found in developed industrialised economies. In such economies most transactions involve goods, which are branded, prepackaged, processed, sealed or otherwise highly standardised and substitutable. But they remain so only as long as they are 'brand' new. Markets in used capital goods in industrial economies can contain considerable uncertainty and risk. The most common example is the market for used cars in which quality uncertainty is very high, even though price dispersion is small (Akerlof 1970; Stiglitz 1971; Rees 1966; Geertz 1979: 224). Similar principles apply to markets in real estate and labour (Stiglitz 1962; Rees 1966).

But the characteristics of markets in unstandardised, non-substitutable commodities in modern economies are scarcely taken into account by economic theory, which tends to assume product substitutability. Product standardisation is primarily seen in the context of the standardisation of production processes as a means of rationalisation and reduction of unit costs. Since producers seek to differentiate their products from those of other producers the standardisation of production leads to the differentiation of products, and this creates imperfect or monopolistic competition because it implies that producers do not compete solely in terms of price, but also in terms of product quality. Perfect competition, in contrast, can only occur in markets in which sellers offer homogeneous, undifferentiated products so that the only variable they can control, and in terms of which they compete, is price. As examples of such homogeneous products economists often mention supposedly undifferentiated raw materials, such as wheat, potatoes or cotton (e.g. Samuelson 1976: 484). One reason why some economists and economic anthropologists see the bazaar as approaching the model of the perfectly competitive market is the apparent absence of monopolistic competition.

The present analysis of the bazaar economy, however, indicates the naivety of the assumption that commodities such as wheat, potatoes or cotton represent naturally homogeneous raw materials. In reality, such materials are heterogeneous; there are variations in quality that open the door for manipulative practices aimed at disguising these variations from the seller whilst exploiting differences in buying price. Because of the uncertainty concerning the classification of these materials, buyers are unable to evaluate quality and quantity systematically in relation to price. In fact, therefore, price competition is minimised in the bazaar. The price mechanism does not operate in relation to raw materials as such, but in relation to materials artificially standardised in terms of an imposed system of classification. Such relatively simple devices as brand

names, trademarks, prepackaging, and sealing are highly effective systems of authentication of quality and quantity.

The price mechanism can function as an efficient communicative system for the optimal allocation of resources only if both buyers and sellers are relatively certain about the quality and quantity of commodities in the market, so that they are comparable relative to price. Thus the logical corollary of the price system is an accurate and verifiable system of measurement and quality control.

In the bazaar this system of measurement and control is highly imperfect and the price mechanism cannot therefore function efficiently. This does not mean that such a system must be perfect in terms of its physical accuracy, which even in scientific measurement is an unattainable ideal. While random variations are inevitable, it must limit the uncertainty about quality and quantity so as to eliminate the suspicion of systematic interference by the seller and to maintain the buyer's confidence that price differences reflect quality and quantity differences. In terms of the purely physical properties of products, their differentiation might be wholly illusory and achieved through persuasive advertising. But this is irrelevant to the operation of the price system, which is not concerned with the physical properties of the goods involved but with the actors' beliefs about them and their decisions based on these.<sup>5</sup>

In this article I have sought to explain many of the apparently irrational features of the bazaar in terms of the properties of the goods transacted therein. In the case of markets in non-standardised goods, the absence of a reliable means of qualitative and quantitative verification leads to a general loss of confidence, bringing about a situation in which everyone accuses everyone else of chicanery. This imposes crippling structural limitations on the expansion of businesses, and leads to all the stereotypical features associated with bazaars, such as limited scale of operation, proliferation of traders, the unity of household and business, and the spatial aggregation of businesses dealing in the same kinds of commodities.

#### NOTES

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<sup>1</sup> At one time during my fieldwork it became extremely difficult to pay with Rs. 100 banknotes because there were reported to be large numbers of counterfeit notes in circulation. This example should make it clear that we are not dealing with inherent but with putative properties of the commodities involved.

<sup>2</sup> In this context it is interesting that some supermarkets let buyers themselves choose and weigh fruits and vegetables as an alternative to prepackaging.

<sup>3</sup> Since the shopkeeper in the above example had quite a lot of time, he was a good informant of mine and I occasionally purchased from him. In these cases it was I who was subsequently reproached by others for my foolishness and I was given ample advice on where to buy next time, rather than he being accused of cheating me.

<sup>4</sup> Apart from their individual names, there exists for such shops an elaborate nomenclature meant to be informative of the functional specialisation of the businesses. Provision shops selling western type goods are appropriately called shop *katai*, the latter being the Tamil term for shop; a dry goods shop is a 'fancy

stores'; streetside stalls selling lottery tickets are 'lucky centres', a chemist's shop a 'medical hall'; and textile shops can be 'cut piece centres', 'ready made', 'silk emporium', 'handloom house', or 'shirting and suiting hall'. In fact, of course many of these are not really informative of business specialisation at all, because most people are not literate in English. Their function is instead a prestige-raising device, which has become so pronounced that in 1984 the Government of Tamil Nadu saw it as a threat to the Tamil language and issued an ordinance that all shop and business signs must first and foremost be in Tamil rather than in English.

<sup>5</sup> In the bazaar there is general suspicion that nothing is what it appears to be and that everything is adulterated and short-weighted, even though this might not be the case in fact. In the standardised commodity market there is confidence that everything is what it appears to be, even though this might not be the case, as we know from the growing industry in faked brand products. In fact, hardly anybody is cheated in the bazaar, because everybody is suspecting that they do not get what they ask for; whereas in the standardised commodity market buyers are in fact deceived because they naively buy things which might not really be what they appear to be.

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## **L'Économie de bazar, ou combien bizarre le bazar est-il vraiment?**

### *Résumé*

Des critiques des vues que le bazar est un modèle de marché compétitif le dépeignent souvent comme exotique et irrationnel. Cet article montre que le 'bazar' de catégorie folklorique dissimule la distinction analytique entre deux types de marché: ceux en articles qui sont standardisés en termes de qualité et de quantité et donc substituables, et ceux en articles qui sont physiquement hétérogènes et donc non substituables. Les caractéristiques typiquement associées aux bazars par les ethnographes ne se trouvent que dans ce dernier type de marché. Utilisant le matériel ethnographique d'une ville de l'Inde du Sud, l'article montre que les différences dans les propriétés transactionnelles des deux types de marchandises résultent en une série de contrastes dans les rapports parmi et entre les acheteurs et les vendeurs, l'opération du mécanisme de prix, le contrôle de l'information, l'organisation et le recrutement du travail, et les rôles de l'argent et du crédit.