

Characteristics and origins of the comecon¹ open air market in Hungary

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The paper has two aims. First to illustrate the merits of path-dependency in analysing the institutional changes (or lack of them) in the course of post-communist transformation, and second to describe the existing 'transformation-specific' characteristics of open air markets (referred to as OAMs) in contemporary Hungary.

The path dependency approach is not simply a fashionable and sophisticated revival of historical determinism². In its original form this approach assumes an institutional framework in which actors make 'embedded' but not fully determined decisions. Neither the institutions nor the decisions taken by the actors are necessarily teleological (although they might be) nor do they create a more efficient economy or society, let alone a better or happier one³.

¹ The COMECON was officially called the Council for Mutual Economic Assistance. This inter-governmental organisation covered the Soviet Bloc countries. The main activities were joint planning and the promotion of bi- and multilateral trade, along with co-operation in the specialisation of production, establishing joint enterprises and so on. For more detail see Brine (1992). In the following text we refer to this communist-specific organisation using capital letters (COMECON) while the open-air markets during communism and post-communism which were termed "comecon markets" we label with lower case letters in order to distinguish between the two uses of the term.

² We emphasize this characteristic of the original path dependent approach because the way it is used in post-communist transitionology is often rather simplistic, i. e. nothing more than a repeated discovery that history matters in general and in the course of post-communist transformation in particular: "post-socialist trajectories are heavily dependent on a dense and complex institutional legacy such that the (often invisible) remnants of previous economic and political orders still shape expectations and patterns of conduct... this is why the transformation process cannot be but 'path dependent'." (Hausner et al. 1995: 4).

³ Moreover, the path dependency approach recognizes "the consequence of small events and chance circumstances (which) determine solutions that, once they prevail, lead to a particular path" (North 1990 p. 94). Or as one of the founding fathers of the concept, an economist and economic historian worded it: "A path dependent sequence of economic changes is one of which important influences upon the eventual outcome can be exerted by temporally remote events, including happenings dominated by chance elements rather than systematic forces." (David 1985 p. 332).

With the path dependent approach we shall demonstrate that while there are general rules of operation for open-air market places, and while both the pre-communist and communist legacies still influence post-communist market places, the creation of COMECON as a system-specific institution influenced the development of the comecon open-air market places in an unintentional way and that these influences are still effective, even though COMECON itself is now history.

First, we introduce the open-air market phenomenon. Secondly, we describe the historical context and the structural characteristics of the recent communist past upon which the contemporary open-air market system depends. These two legacies of the past created the basic elements of the contemporary open-air market system so that it survived all sorts of political and macroeconomic changes, but still gave these OAMs some special features which justify them still being termed 'comecon' markets. Thirdly we show what structural components made this open-air market system resistant to changes in the course of post-communist transformation. That is, we argue that despite major changes the comecon OAMs retained several inherited system-specific characteristics. Finally, we compare four comecon open-air market places in four different geographical contexts - one in the capital city, one on the border and two others in larger Hungarian towns - to illustrate their main social and economic characteristics - the interaction of supply and demand, the major types of vendors and consumers and the way in which prices are set.

On open-air markets (OAMs)

In the following, we introduce the reader to nine examples of open-air OAMs:

1. The market emerged at the end of the 1980s, in the surroundings of a vegetable-market. It was open six days a week, and dealt mainly in second-hand clothes, nevertheless one could find there second-hand furniture, magnetic tapes, books, kitchen equipment, toys, toilet-ware, giftware, and machinery, too. Traders did not pay duties for most of the commodities; therefore, their prices were well below the local price level. In 1990, the local authorities moved the market to the area of another market selling hand-made articles. The traders built their booths by themselves and were obliged to pay market-dues. In 1992, there were already 120 traders trading in the market. Most of them owned booths, several dealers, however, having no confidence in the future of the market, sold their goods just from tables. They brought their

commodities to the market every day that set a natural limit to the extent of the supply. The turnover was the highest on Fridays and Saturdays, and before Christmas.

2. The market opened in 1981. At the beginning there were sold second-hand goods (mainly clothes, shoes, kitchen equipment, and service-parts), then the market was taken over by smuggled or stolen brand-new items. After a bloody fight between Vietnamese and Gypsies, and because of the increased turnover, 1988 removed the market to a more distant area of the city. As that time the capital had no other market of this kind, it had as much as 25-30 thousand customers a day, and even after the establishment of several markets, the number of daily visitors did not fall below 5-7 thousand. Police is always present, its task, however, is not to find out the origin of goods, but to keep public order (to collect market-dues, to prevent stealing, and to ward off fights between gangs). Therefore, there is no trade in arms and drugs in the market. Nowadays Kazakh, Chinese, Mongolian, Afghan, and Tadzhik goods and merchants too are present in the market place.

3. At the beginning, the market used to be a primary producers' market, then, during the war, it became a black market, later a domain of rag-pickers, then a flea-market, where you could buy everything from second-hand clothes to tools, from building materials to used cars. At the beginning of the seventies, the new, however cheap and poor quality commodities took over the market? They came either directly from factories, or from wholesalers, but there were also stocks from season clearance sales as well as false-brand items from illegal producers, along with stolen or smuggled goods. The market expanded spatially, too. Now it occupies about a 12 blocks' area in the center of one of the capital's districts with 307 booths working in it. It is open the whole week, the peak hours, however, are on Sundays (from 9 o'clock in the morning until 3 o'clock in the afternoon). The characteristic types of dealers selling there are the legal and the illegal marketers (the latter are popularly called "striving" or "Sunday" hawkers), who visit all the market places in bigger cities. In the city and its surroundings (within 50 kilometers), there are about 40 smaller market places open on different days.

4. Markets of this kind we find in all cities of the area. Local authorities practically have no voice in the lives of these markets; stall-keepers pay no taxes or even market-dues. Most of the dealers bringing their goods in suitcases to the market come from towns near to the border, but we can find Georgians, White Russians, Turkmenians, and Ukrainians as well. The better-off traders bring video-recorders and color TV-sets by car. Those belonging to the opposite pole travel by train, and bring in their suitcases

second-hand clothes or consumers' goods, such as toothpaste or matches. Most of the dealers come by tourists' buses bringing a relatively large amount of textile goods, toys, tools, or relics from the communist era (badges, certificates, trench-caps). The main attractiveness of the market is its cheapness.

5. The market is in an old district of the city, close to the court and the railway-station, in the node of the main thoroughfares. In the seventies, about 900 booths sold their goods here. Originally, it was mainly a place for small-trade, later the rate of wholesale-trading slowly increased, and now even retailers selling in other markets come here to purchase goods. Stalls can be acquired here only by way of succession, bribery, or lease. Stall fees are relatively low, but there are constant debates between stall-keepers and the owners of the ground about the increase of market-dues. The market has outgrown its original borders long ago, and is expanding in the direction of the surrounding streets, that is a source of permanent conflicts with the police. By 1986 the neighboring Chinese bazaar has grown so big that now it is bordering with the market. This is the most crowded area of the market: dealers are living in their booths. A great part of the goods are smuggled or adulterated.

6. The market was established next to the railway-station, close to workers' colony, but not far from the shopping center of the district and from the bus-station either. About 300 stall-keepers work here in the peak-hours, the great majority of them without any license. Most of the customers live or work in this area; the estimated number of customers might be as high as 10 thousand a day. In the winter of 1984, the former bazaar was demolished, and a multi-storied shopping center was built in its place. Because of the reduced space and increased control in the new market, many traders were crowded out; nevertheless, it remained a popular and busy market place.

7. The market is enclosed by wire fencing. There are 42 booths and about the same number of temporary stalls in it. The first traders arrive at half past four in the morning; the peak-hour is between eight and nine. There is a crowd of hawkers lodging permanently in the surroundings of the market, selling their goods from the ground or from tables. In the market, there are special sectors for services, and for dealers selling household-goods, clothes, fruits and vegetables, and meat. The booths are arranged in a row along the borders of the market, the gates are watched by security guards. Stall fees are not high (nevertheless, many dealers would rather spare it), but the rent of the booths costs ten times more. Traders selling the same kinds of goods are close to each

other, except for those dealing in gift retailing, because they think that customers buy such items casually, when they catch sight of them.

8. The market has permanently existed from the beginning of the 19th century. Friday and Saturday are the market days. There are about 90 vendors selling their products. They rent their stalls for all year, but there are also about 20 booths rented for daily levy selling mainly industrial products. In the winter, there are just a few booths open. Characteristically, generations coming from the same families of vendors have been working in the market, most of whom are also relatives (in 1978, from 180 dealers only 18 had no relatives among the others). The market is based on small-scale family ventures. In order to enlarge and maintain custom, merchants producing most of their goods by themselves are ready to make transactions aimed at the establishment and maintenance of connections with regular customers (e.g. by keeping stocks for individual demands, or fulfilling special orders).

9. At the beginning of the eighties, there were thousands of stalls in the market (as this market is the largest one in the area); fourth part of them opened during the last five years. Traders lodging along the borders of the market sell their products from tables, boots of cars, even from the ground. They too have to pay daily rent, but less. As a rule, the market opens in the weekends. Its dealers and characteristic commodities can be divided in three types: producers-traders dealing in handicraft products, casual traders offering second-hand items and trash, and professional merchants selling cheap, but new goods.

The reader might detect substantial differences in these examples as to the origins, the current size and composition of traders and goods, the level of informality and the attitudes of the local authorities and public to it. However, despite these differences there are structural similarities. They are all concerned with providing cheap and low quality goods, often of suspicious origin, sold by entrepreneurs with little capital or by local or foreign amateur traders. The market places have only the absolute minimal necessary infrastructure and are characteristically held in the open air.

These characteristics make the previous scenes familiar to most Hungarian or post-communist citizens and one can find identical descriptions in every newspaper almost every week and the four examples of contemporary Hungarian open-air market-places in the second part of the article will also resemble to the main features of the previous nine examples. However, the sources of the previous nine examples are the following:

1. *The Fair*, Nukualofa, Talamahu Island, Kingdom of Tonga (*Brown–Connell* [1993]).
2. *Bitak* at Sofia, Bulgaria (*Konstantinov* [1993]).
3. *Rastro* at Madrid, Spain (*Oliver-Smith* [1990]).
4. *The Russian market* somewhere in Northern Turkey (*Hann–Hann* [1992]).
5. *Kottuwal Chavadi*, Madras, India (*Lessinger* [1988]).
6. *Shui Wo Street Market*, Hongkong (*Smart* [1989]).
7. *Pasar Wetan*, Kabekalen, Java, Indonesia (*Alexander* [1987]).
8. *Soulard market*, St. Louis, USA (*Plattner* [1983]).
9. *The largest flea market* somewhere in California, USA (*Lozano* [1983]).

Does this mean that the comecon-market places described in this paper are nothing more than the post-communist version of an eternally recurring natural phenomenon? Not quite. We argue that the post-communist OAM is simultaneously an outcome of specific path dependent development and at the same time shares many general characteristics with other markets.

The pre-communist and communist history of open-air markets

For centuries traditional “folk” OAMs brought together traders - often from some distance away - and vendors (Viga 1994) (Udvari-Viga 1994) in Hungary very much in the same way as it was the case all over Europe (Pirenne 1925) or all over the world (Mumford 1961, Polányi at all 1957, Braudel 1979). In these traditional OAMs, serf vendors usually brought grain or food surplus to market towns, as the roads leading to these places were better, and they could buy the hand-crafted goods that other highlanders transported to the market-place and were permitted to sell according to set rules.⁵ As a forum for the social interaction of inhabitants of the neighbourhood or the traders coming from further away, the market often represents a meeting place of very different cultures and languages. Ethnologists consider this as one consequence of ‘folk relations’ which are very important in cultural history.⁶ These market places were used for setting the price of goods and merchandise as part of a bargaining procedure. Many of the contemporary market places also occupy the same geographical positions as crossroads between different supply routes (Bácskai-Nagy 1984, Kókai1995). Both of the two basic forms of traditional OAMs (Dankó 1977), the regular *Fair* (either the

⁵ “Each year, there are two fairs in our market town, where we can change our goods into good money. Besztercebánya is less then a day’s journey from here, and when there is a fair, we can exchange everything for money on the way there; the road to this town is in good condition.” (cited by Viga 1994 from a mediavel register from Northern Hungary). This is a clear reference to informal (roadside) trade ?).

⁶ Such as children on exchange visits, the acquisition of the language of neighbouring peoples, the transfer of concepts and words.

smaller version held once a week or the major Fair, held three or four times annually) and the *daily market*, survived the centuries almost unchanged. A reading of ethnographic literature reveals that the same practices of selling and cheating, the same styles of consumer behaviour and bargaining existed in 1950s as at the turn of the century (Dankó 1980, Kiss1939).

However, the comecon OAMs which existed under the former Communist regime had a distinctive character because they were produced precisely by the absence of a 'normal' open market places for setting the price of goods. In planned economies of shortage, the set price of goods, which varied from country to country, along with their usually poor quality and extremely limited range, meant that those who could cross the border - and had some money as well - could buy cheaper, finer, and better goods or could access things which they could not buy at home. The restrictions on the amount of money one could spend abroad prompted those who travelled to the East, and especially those who went to the West, to take 'presents' with them which they would sell to supplement their foreign currency allowance. From the 1960s onwards there was a gradual easing of travel restrictions so that collective tours abroad could be organized and in the 1970s and 1980s, a growing number of people set off to travel abroad. This tourist traffic spread the news that the product range was much wider in the West, that goods were cheaper but also of better quality and more fashionable than products at home - even if they were imported from the West - and some goods from eastern countries are also worth bringing back home. These goods, though brought in by tourists, were not necessarily smuggled, as long as customs regulations were respected.

Some of the goods brought into the country, having been sold through personal contacts to acquaintances, friends, relatives and colleagues, or as private imports, found their way into the hands of retailers. The monopoly of state owned foreign trade companies had always been accompanied by some form of 'folk trading', which grew alongside the elimination of restrictions on travel and working abroad. By the mid 1980s, trader tourism and roadside trading had become an important source of earnings used to supplement the incomes of poorer social groups in Hungary.

At this time, the goods reached customers not only through personal contacts or skilful retailers, but also through the activities of traders and wholesalers - both foreign and Hungarian - who appeared at busy junctions: along roads, in underpasses, at coach and

train stations, near urban housing estates, in large squares, and in holiday resorts. Traders of cheap coffee, cigarettes, spirits, sweets, clothes, shoes, products of folk crafts or electrical appliances also appeared at places where there was already some form of vending going on such as food or farmers' OAMs, at weekly or monthly fairs, or at parish feasts. The burgeoning street trade, which may be regarded as a modern form of traditional street OAMs, caused disruption in public places. As the occasional attempts to disperse hawkers were ineffective, local authorities tried to drive them into designated places: traders of domestic or foreign consumer goods were pushed into farmers' OAMs and traditional second-hand OAMs, or they moved to special areas allocated to them by the local government, and which were more or less suitable for such 'folk trade'. Therefore, trading lost its spontaneous character, as the majority of traders driven into market places were only allowed to sell regularly if they obtained a license and paid rent for a stall.

To understand the structural basis of the emergence of the comecon OAM in the course of post-communism we describe briefly three intertwined sets of processes: processes rooted in the communist regime generally, processes rooted in the COMECON distribution system particularly, and processes rooted in the pre-communist past. Thus, we want to stress the system-specific nature of these processes but also the long term path-dependent structural and cultural elements that influenced the development of the comecon OAMs.

Since the task is to characterize the emergence of a market institution, we focus on the three components which are crucial in understanding any market: that is, on the factors determining demand and supply and the way in which these two together influence transaction costs.

1. The demand for consumer goods

During the period of reform Communism, the level of incomes were uniformly low⁷. Due to the basic features of the prices and incomes policy (low prices, no income tax,

⁷ Using the terminology of Kornai (1992). From this it follows that in the case of communist countries where there was no reform period the following analysis is perhaps not appropriate. Moreover, since our analysis draws only upon Hungarian data this limits the extent to which it could be applied to other Communist or post-Communist countries. Rather, our model should be considered as a set of hypotheses which could be also tested in other contexts to understand the relationship between institutional settings and open air market place structures (i.e. size, composition, relation to public attitudes and state regulations, etc.). We would perhaps need

strict wage regulation, etc.) the typical individual had a low but steady income based upon a safe but limited standard of living with very few opportunities for conspicuous consumption. The demand for cheap - though low quality - goods⁸ was especially high since almost the whole society consisted of price sensitive shoppers hungry for consumer goods, but used to commodities produced on a mass scale. However, by the 1970s various sub-groups of consumers emerged who were more discriminating. Examples of these were teenagers eager to get western goods such as jeans and hi-fi equipment (even if they were faked copies of the original), young rural families seeking to have a big house and a car (even if the houses were self-built and to get a car meant queuing for years for one of the few communist-made car brands), and the embryonic new urban middle class wanting bigger flats (either in the rundown downtown or in newly built housing estates), better furniture, domestic appliances such as TV, washing machine etc. and a better car - that is, a used western one, more often than not a German. We might term these 'quasi-quality consumers'.

2. The supply of consumer goods

The communist economy was good at the mass production of basic consumer goods but also at continuously reproducing their shortage. On account of the closely related inefficiencies of the communist production and distribution system, there was often a temporary abundance goods and at other times a shortage. Moreover, the communist economy was a closed economy. For decades, autarchy was a high priority goal for the economic planners. However, autarchy limited competition and the result was the burgeoning of low quality, cheap, home products. Paradoxically, the result of this forced isolation from the world market was the spread of the belief that "everything coming from outside is better than the home product". This situation was one which could be exploited by the emerging comecon OAM actors.

In sum, there was demand for, and supply of, cheap mass products of low quality. These were produced inside each country but could also be obtained by barter from fellow-COMECON countries. Shortage was permanent. The steady demand from mass consumers was there but did not stretch to buying expensive goods. Such a supply and demand situation cries out for a more flexible market place-type institution where consumers could find low cost goods with a high rate of turnover.

to find alternative explanations for communist countries with no reform period.

⁸ The meaning of low quality however did not mean second-hand goods (except for western clothing). Cheapness was maintained among other things by having almost no marketing, advertising costs and the mass produced consumption goods were packaged as simply as possible.

3. The supply of traders

The emergence of OAM-type institutions supposes the presence of entrepreneurs and a supply of workers. In this case a special type of entrepreneur was the typical. The retailer-entrepreneur can be characterized as self-employed, part time, auxiliary income-oriented, and more often than not, an itinerant trader. While almost the whole society was involved in some kind of informal income earning activity to some extent, not all of these activities were equally acceptable. The most tolerated forms of this activity were small-scale production (in agriculture, construction and services). In the communist legal system, speculation was illegal but the enforcement of rules against it was not strict. Legal sanctions were directed mostly against large-scale commercial activity or in campaigns mounted against individuals.

4. The transaction costs

The demand and supply of goods along with the availability of suitable labour power are all necessary but insufficient conditions to explain the spreading of an institution which was supposed to disappear in the course of urbanisation, modernisation, etatization, especially within a totalitarian economy. There must be some further explanation as to why the small scale shop-based retail trade fail to fill the space which was left uncovered by the inefficient state-run commercial sector⁹. The explanation we offer is an applied transaction cost approach. We argue that there were certain (path dependent) characteristics of the environment of trading that were more favourable for the spread of OAMs than for shop-based retail trade.

Some structural characteristics of the COMECON system decreased the transaction costs of the emerging comecon OAMs. First, due to bilateral agreements, the costs of transport among COMECON countries were very low and this included bus, train and airfares as well as fuel prices. Moreover, there were special rates for group travel. Some groups, such as guest workers and students, were heavily involved in the COMECON export-import trade. Also there was organized tourism - mostly using buses - and later on tourist agencies emerged who specialized in trader-tourism, which lowered the cost of travel even more. At the same time, there was no legal possibility for state run or private licensed traders to import consumer goods from abroad. The

⁹ In principle, other forms of trade would have been also capable - at least partly - of fullfilling this role. For example, alternatives could be the revival of traditional fairs, street-vending, or inter household bartering. However, in our view none of these institutional solutions would have been able to replace the retail sector or the OAM. Therefore, by leaving them to one side we limit but do not destroy the model we are building here.

illegal alternatives were costly - severe punishment if caught - since this activity was considered organized crime and as such dangerous for the communist system. The other alternative, large-scale bribery of all involved in such a venture, increased the cost of operation enormously. With the difficulties for shops to legally import goods, the small-scale private trader-tourists had a niche to occupy. The Westerners who visited the socialist countries and the consumer goods sent by them were prime targets for market place trading (Fish and Edwards 1989) but again this activity was tolerated only as a private venture in the OAMs and not within the official retail system.

Secondly, the cost of organising comecon OAM trade was low because the telephone service - though rather scarce in supply - was cheap to use. Furthermore, there were no visa costs among east/socialist countries (except for the Soviet Union). The currencies were convertible and the exchange rates were stable.

Thirdly, public expenses were low partly because local fees were either low - local authorities were happy to receive whatever they could get - or even zero if the trade was totally illegal. Customs and tax officers were open to bribery, partly because of their low salaries, partly since neither the civil ethos nor constant and strict surveillance inhibited it and partly because incoherent legal regulations, which were often rapidly and unexpectedly changed, encouraged corruption, or at least allowed enough room for manoeuvre to avoid thorough monitoring (Sik 1994). Of course, all these factors influenced the shop-based retail trade as well, but the extent these "more visible" economic units could avoid public expenses was more limited. Itinerant, anonymous peddlers and petty traders on the comecon OAMs, on the contrary, could materialize or de-materialize very rapidly.

Fourthly, since the communist economy was a well (but not too well) policed and closed system, security costs were low. The small-scale nature of the comecon market place did not attract the attention of local criminals, whilst the international Mafia was not interested or able to organize racketeering activity. Bribing local police, health authorities, and other public servants was widespread but not expensive. For the traders coming from fellow-COMECON countries there was no need to defend themselves against xenophobia since the communist state policy discouraged this. Furthermore, the early pioneers of the international OAM trading activity were the Poles, against whom there were no historical prejudices and even considerable sympathy in Hungary. The cost of security for the shop based retail sector was small as well. However, to the extent that shops were more visible and less mobile, they

were more prone to penalisation by local authorities than were the invisible and itinerant OAM actors.

Thus, the former communist system did impose transaction costs upon market place actors, but these were minimal and could often be avoided. Furthermore, the irregular traders could more easily avoid such costs than could their competitors, the established retail shops.

5. The legacy of the pre-communist past

According to ethnographical and anthropological accounts, peasant and small-scale artisan-households who formed the majority of the population in the pre-communist past, were involved at least occasionally in some forms of non-professional retail activity - that is, in part-time, itinerant trade - throughout the whole of Eastern and Central Europe. Assuming this type of human capital has a high inertia, some of this culture may have continued into the communist period so that after the Second World War citizens were equipped with some small-scale, non-professional trading skills. The existence of such skills decreases the costs of setting up casual or regular auxiliary trading as well as educating customers. Despite the fact that the majority of the population was in one way or the other involved in small scale "Handel", it was nevertheless the case that trade, trading and the trader was seen as suspicious. The peasant and aristocratic culture, as well as the Christian churches, considered trade as cheating the consumer. Moreover, the image of the professional trader was a bad one, since many of them were of foreign origin (mostly Jewish or Armenian, Turkish, Bosnia, Slovak, Serb) making the professional trader (as a middleman) a despised occupation. The inherited anti-trade sentiment increases the transaction cost of the contemporary Comecon market place since it increases the need for defensive and clandestine activity amongst foreign traders.

Throughout the Central and Eastern European region there was a centuries old tradition of seasonal fairs and open-air OAMs. On the one hand, this reduces the costs of setting up comecon market-places, since these market places begin by being situated at the fringe of already existing fairs and peasant OAMs, and indeed in the beginning are often little more than the informal spill-over of the original market into the neighbouring streets (Kókai 1995). On the other hand, later when the comecon OAM was partially separated from the traditional fairs, there was no cost in publicising the new-born market, since customers learned about them from the actors in the more established OAMs. Moreover, there was no cost for the would-be customer or for the would-be trader in learning how to behave (with each other, towards the authorities)

since the relevant actors already knew where the traditional market places were and how to search for such goods. They also knew that if the goods were illegal, how to conceal their search and how to recognize the hidden signals of indirect communication.

Finally, all over in Eastern Europe there are traditional and deeply socialized anti-state sentiments, irrespective of whether the state was originally German, Austrian or Russian. Beating the system, as a tradition is a Robin Hood-type practice - more an act of heroism than something to be ashamed of. This reduced the costs of operation of an informal OAM since it minimizes the need to hide the activity, avoids the risk of strong law enforcement and, in case of being caught, there is no social stigmatisation - just the contrary, one can win higher prestige as a fighter against the system.

In sum, there is one aspect of the path-dependent pre-communist past which increases the transaction costs of the comecon-market place - the anti-trader and anti-trading ideology. All the other elements of this path - anti-state attitudes, the existing infrastructure of market places and of human capital -¹⁰decrease the transaction costs.

So far we have considered the OAMs of the past and the historical legacy. Now we shall turn to present day markets and to look at some of the issues highlighted above in a more contemporary context to see what continuities or discontinuities exist. We shall consider the characteristics of the markets in different regions and how the regional situation shapes them, then we shall consider the supply of goods, the role of traders and the way in which the interactions between them are carried out. In this empirical work we are also able to consider more systematically the role of different social characteristics – gender, ethnicity and age – in shaping the OAM as an institution.

Comecon OAM under post-communist conditions

Using very detailed observation of four Hungarian OAMs made over the period of one year, we are able to describe the main features of contemporary comecon market places in Hungary. We intended to record only strictly observable data at the OAMs rather than using interviews (for information concerning the methods of observation see

¹⁰ Moreover, Kókai (1995) shows that the area from which Nyíregyháza (a major trade centre in Northeast Hungary since the medieval ages) drew traders had not change since 1828 when the last census was done. This might implicitly mean that not only the human capital of the traders but also their network capital has survived as well.

Appendix 1). This methodological requirement flowed from the primary aim of the research, which was the analysis of an institution containing mostly hidden transactions and actors who had good reasons to refuse to be interviewed. Doing the fieldwork mostly by non-participant observation we sought avoid distortions arising from differences of interpretation, from memories or from the personality of the observer.¹¹

Four markets in four towns

The observations were carried out on the OAMs of Kecskemét, Szeged, Pécs and Budapest-Józsefváros, the largest comecon market places in Hungary¹² (Dövényi 1996). Since there is no register of OAMs which could form a sampling frame, we aimed to observe comecon market-places which were suitably large and well-known, and where the supply of goods should cover the whole range of products sold at OAMs. The different OAMs illustrate the fact that some were the legacy of traditional Fairs from pre-communist times whilst others sprang up more recently to meet consumer demand following the easing of restrictions associated with reform Communism.

In Kecskemét, for example, the city council issued a permit to Poles in 1986, to sell at the designated stalls in the open part of the farmers' market. However, when the market

¹¹ We tried to ensure a uniform framework of interpretation for the information collected about the various characteristics of the traders, goods and consumers by holding several training sessions for the observers before starting the research. Also, we hired the same people to make the observations during the year (if necessary a regular substitute would help out who had participated in all the training). Thus we wanted to make sure that observers interpret what they see on the market-place in the same way, independent of their individual opinions or everyday experiences.

¹² At the time of the beginning of the research there was no information concerning the number and location of market-places, except for sporadic case studies in the media, ethnographic articles and police reports. At that time the only information available for us was what Dövényi wrote as "There are significant differences in the comecon market-place distribution from the point of view of settlement hierarchy too. The above mentioned distribution (according to which the smaller the settlement, the lower the number of comecon market-places) can of course be observed, though to a different extent within different macro-regions. In the Central district, the comecon markets can be considered as urban phenomena, whilst in the villages they are rare. In Alföld and South Transdanubia there are comecon market-places in most towns, but they are not found in more than half of the towns in northern Hungary. Owing to the lack of detailed investigation, this notable anomaly cannot be easily explained. According to available data, the populous viallages took over the towns' role in informal trade. In Alföld, the occurrence rate of the comecon market-places is much higher among the viallages with more than 100 residents compared with the national average. Most of them are old, agricultural market towns or large viallages with several thousands of inhabitants. Consequently, they have suitable conditions for comecon market-places to appear and to operate. There are hardly any comecon market-places in viallages of less than 1000 inhabitants, with the exception of South Alföld. This might be explained by the fact that in this region, there are not so much traditionally small viallages, so much as larger viallages which have recently shrunk in size." (Dövényi 1996),

grew so popular that it began to spread to neighbouring sites, the city council prohibited all trading, which of course continued at street corners and at the doors of houses instead. A year later, surrendering to public pressure, the market was permitted once more. According to a market survey of September 1994, Poles were trading fur caps and collars made of red and silver fox. Ukrainians were selling cheap silver and copper candlesticks and some of them were also taking orders to import articles such as tools or small devices, at an agreed price in a few days later. Today, in 1996, the threat of closure is hanging over the market again.

The Pécs fair is very well known especially the Sunday market and it is still a family past time just to stroll around the market. Originally it was a place to sell second-hand articles but since the mid 1980s, antiques, products of popular art, animals, special articles, and a whole range of products from the South arriving from the former Yugoslavia, have all been available in Pécs. Thus, the original comecon market place evolved into this fairground. Traders on the market are separated according to nationality. There are still a lot of traders selling popular art from Romania, though their goods have deteriorated in quality since the end of the 1980s. Junk vendors offer clothes as well as various small items used in the household, along with fake products with misleading brand labels. Pécs residents like the Chinese traders in particular on account of their moderate prices and because they are surprisingly well informed about local customs: Pécs is the centre of the region's Episcopal see and before the confirmation ceremonies they offered white dresses for small girls at moderate prices. One journalist remarks sadly that there are fewer traders coming from the former Soviet Union who used to bring very fine tools. The once cheap diving-pump is now 30 % more expensive than a few years ago, but instead, one can buy chain saws from the USA at a rather high price.

In the 1980s, leaders of the City Council asked the Ministry of Finance to decide whether OAMs similar to the one in Szeged were illegal. Indeed, there were 150 cases of unlawful foreign currency deals recorded there in 1990. The answer they received is not known; nevertheless, the market is still flourishing. The director, a former policeman with several degrees, was once stabbed in the back, but survived the attack. Like many traders, he changed professions out of financial necessity. You may also find a former lieutenant colonel of the police force, selling next to a young teacher, an Uzbek physicist, or a former company solicitor, and there are traders coming from as far away as Indonesia. All the same, the most common people are ethnic Hungarians from Romania, who are called bag-traders, for they usually carry huge bundles of food

with them. They only bring clothes and shoes to the market itself because food is not allowed to be sold on the market premises, but this they sell at the bus stop where there are no controls. They save their daily takings and buy a second hand car, which they can sell at a profit at home. Szeged, situated near the border with the former Yugoslavia, hosts many immigrants. A lot of people made a living here during the embargo on the Federal Republic of Yugoslavia by smuggling oil (and thus violating the embargo), and it is also here that the heroin road crosses the border. Put together, these circumstances have turned the city into an internationally recognized centre for crime. Although the main criminal gangs may vent their hostilities to one another all around the inner city, the comecon market-place itself is an island of peace: there is practically no trading in spirits or stolen cigarettes, smuggled gold, weapons or nuclear material. Rather, the market on the 'Cserépsor' is the world of softer, petty swindlers.

Our fourth market, the Budapest-Józsefváros OAM is the biggest of the comecon market places observed. It is easily accessible, being situated near a railway-station. The 12 000 square metre area is the property of MÁV (National Railway Company), and a private entrepreneur, once a trader himself, rents it to house the market. Security guard agencies maintain order, sometimes with brutal methods. Traders deal primarily in clothes. Most of them are Chinese or Vietnamese, selling clothes that come from the East. Some of them speak Hungarian as well. They store their wares in the buildings of the nearby big companies which are no longer operating, and many of them are wholesalers. Traders from the other big comecon OAMs in Budapest, come here to buy their supplies. The "one-item" customers - what in market jargon refers to those who buy only for their own consumption - usually come at the weekends. The Chinese sell from booths or containers. Stalls are usually occupied by Romanians, Hungarians from Romania, or Turks. Visitors arriving from the former socialist countries usually come in buses. Carriers, cleaners, and car-park guards are usually casual workers, either Gypsies or commuters from Transylvania.

There are significant differences between the turnover of the four different marketplaces. In order to determine the turnover of the marketplaces we measured (a) the number of visitors entering the marketplaces (b) the proportion of visitors taking goods among those leaving the marketplace (c) we interviewed the visitors leaving the marketplaces about their purchases. Observations and interviews were conducted in randomly selected days and time periods. The number of visitors entering the marketplace per hour was 42 in Kecskemét which results in an estimate of 65 000 for the yearly number of visitors (using the total yearly working hours of the marketplaces

the basis for the estimate). Our estimate for the yearly number of visitors for Pécs is 139 000 and for Szeged 131 000. Not surprisingly, we get the highest figure for Budapest, at 2.7 millions. In contrast to the other marketplaces, it is easy to get to the Budapest market by public transport. All marketplaces have car parks. We made observations on the percentage use of the capacity of the car parks, which was the highest in Budapest (84 percent). The median number of cars parked at the marketplaces was 31 in Pécs, 50 in Kecskemét and Szeged and 83 in Budapest.

We estimated the annual turnover of the marketplaces in Kecskemét \$US 780 000, in Szeged \$US 140 600, in Pécs \$US 225 000 000 and in Budapest \$US 88 500 000 in the observed year (prices estimated in HUF using US dollar equivalents). The OAMs are therefore significant sites of economic exchange. Whilst originating in the shadow of the communist system, they have developed in distinctive ways to reflect local conditions in the post-communist period in way that are both unique and path-dependent.

The structure and infrastructure of market-places

Given the rather recent character of many of these OAMs, we were interested in the extent to which there were permanent or temporary stands – in other words the extent to which they had become regularized and institutionalized. We assumed that booths or containers, that is covered constructions, allow traders to keep larger stocks and provide them with a storing place. Traders, who rent covered, permanent constructions are likely to have settled down for a longer period -at least one-year - on the market. Uncovered stalls only provide an occasional facility for traders. Apart from the character of constructions, their location on the market may also signify whether the trader has an annual permit or a daily ticket. Those who sell from the ground or display their goods on tables brought with them, or perhaps sell from the trunk of their car, are all occasional traders. The conditions of trading and the organisation of the market are all reflected in whether or not traders put up a list of prices, whether they display goods in bulk, separately, or in small packages, and if they employ any advertizements, or notices.

The data reveal considerable differences in the distribution of permanent and temporary constructions across the OAMs. In Budapest, for example, we find hardly anyone selling from the ground, from their own tables, or from the car boot, while in Pécs 47 % of traders fell into this category during the observation period. In Budapest, stands are typically permanent constructions, booths, pavilions, or containers, while in Kecskemét the stands are only semi-permanent constructions, such as tents and caravans. In Budapest and in Pécs, where the location of the stand on the market was a

reliable indicator of annual or daily renting permanent traders constitute the large majority, while the market in Pécs is dominated by occasional (daily) traders. On the whole, the market in Pécs and in Kecskemét houses occasional vendors, while the one in Budapest and in Szeged provides premises for permanent traders. Permanent, covered constructions are usually rented for the whole year on all the OAMs, except for the one in Pécs, where booths and pavilions may be rented with a daily ticket as well. Uncovered stalls, tents, caravans are more likely to be rented for the year in Budapest and Szeged, and on a daily basis in Kecskemét and Pécs.

Although the OAMs are designed for selling both in winter and in summer, there were important seasonal variations. Market differs a lot by the composition of stands. The proportion of stable stands rented on a yearly basis, and those for a season and the changing ones may differ from season to season. On the market in Kecskemét the share of stable yearly stands increases in winter, while in Szeged the share of these is decreasing and the share of changing ones is increasing. In Pécs, where there are only very few stable stands to rent for the whole year, the number of the uncovered tables - the suitable ones for the season - increases in spring, while the number of the changing stands is the highest in the autumn. The later do not exist in Budapest. The share of the seasonal stands is the highest in autumn. The share of vendors with daily tickets is in summer the highest everywhere, but their share differs a lot by OAMs. Daily tickets have been paid for by 18 % of stands in Budapest and Szeged, 54 % in Kecskemét and 90 % in Pécs.

Thus, markets exhibit considerable variation in the extent to which they are institutionalized with more covered constructions and regular traders and the extent to which they reflect a more casual type of trade from suitcases and car boots carried out on a daily basis. Factors affecting this are size, location and whether or not they specialize in wholesale or retail products. As we shall see, this also affects the kinds of consumers who visit there.

Who are the traders?

Men make up the majority of traders - accounting for precisely the same proportion in Kecskemét, Szeged, and Budapest OAMs. Pécs is markedly dominated by male vendors. The proportion of traders aged less than 35 are considerably higher in Budapest than in the other cities. Comparing the four OAMs, traders in Szeged and in Kecskemét seem to be the oldest.

There is a widespread belief that there are many foreigners at the OAMs. People tend to report - depending on the geographical location of the market - a lot of Russian, Ukrainian, Romanian, or Polish traders on the OAMs, and the proportion of Gypsies and Chinese is believed to be high everywhere¹³. However, our observations did not necessarily support this. Native Hungarian traders make up the majority on all the OAMs, except for the one in Budapest, where almost half of the traders were of Asian origin (Table 1). This is the only market, which could be called "Chinese" with good reason after the nationality of the traders. There are relatively few Asian traders on the other OAMs but the Asian traders tend to remain the whole year instead of coming and going according to season.

Table 1 Nationality of traders by market places (%)

	Kecskemét n=377	Szeged n=395	Pécs n=475	Budapest n=536
Hungarian citizens	66	66	82	28
Hungarians from abroad	1	6	2	9
Gypsies	5	8	1	5
Asians	20	15	9	49
Caucasian foreigners	6	5	5	9
Other foreigners	2	1	1	1
Total	100	100	100	100

The other widely accepted belief, that Gypsies abound on such OAMs, was not confirmed either. In Pécs, one in a hundred traders are Gypsies, and even in Szeged, where their proportion is the highest, it does not exceed 8 percent. There are very few coloured people, and the combined share of Hungarians from abroad and white foreigners is still below 10 percent in the countryside. In Budapest, 8 percent of traders are foreigners who speak Hungarian, and another 10 percent are foreigners who speak other languages.

Hungarians from abroad usually retail clothes and shoes on all the observed OAMs. Gypsy traders are also likely to specialize on clothes and shoes, though some of them sell articles of interior decoration or household necessities. Beside clothes and shoes, Asians also deal with watches, jewellery, and toys, and in Budapest quite a few also retail electrical appliances, cassettes, and cosmetics. The product range of the other foreigners includes a somewhat lower share of clothes, no shoes, but a high proportion

¹³ Relying on observations, it is difficult to find out which country the speakers of Slavic languages have come from, and thus we did not put these people into separate categories. Thus, white foreigners, regardless of the language they speak, all fall into one category. The group of Hungarians from abroad could be fairly easily distinguished by their clothing and accent, as could Gypsies. Asians and coloured people could be identified by their looks.

of household necessities, fitting and repair articles, with very little variation by market. These are still products which can be easily imported by private individuals and for which there is a steady consumer demand, reflecting the continuity with the past.

On the Budapest market, where the proportion of Asian traders is high, many are also elegantly dressed¹⁴. The market in Szeged and the one in Pécs are characterized by the more common popular jogging outfit or casual wear. In Kecskemét, a higher proportion of traders wear clothes for work. We find the proportion of the poorly dressed the highest here. It is worth noting that poor, rural or folk costumes rarely appear on the Pécs market. There is, on the other hand, considerable number of poor dressed people in Kecskemét and in Szeged wearing folk costumes. This is an obvious sign of the fact, that every tenth trader in these cities is poor and coming from the villages, whereas the same share in Pécs is 1 %, in Budapest 3 %. The markets therefore reflect regional differences in the population with Budapest and Pecs offering more higher quality goods and more imports whilst Kecskemet and Szeged offer an opportunity for local producers to sell their wares.

Who are the buyers?

Women make up the majority (55 percent), one in five purchasers is not more than 25 years old, one in four is of between 26 and 35, one third of them is between 36 and 45, while all the others are older. Thus, the age composition of purchasers appears to be uneven: those over 46 represent the smallest proportion and middle-aged customers make up the highest proportion. For men, the typical age group is that of the 18-25 year olds (one in four male customers fall into this category). Shopping in OAMs seems to be the job of the middle-aged women. Half of the men do the shopping on their own, while women are more likely to take their children with them.

The market in Pécs is apparently the place for families, parents and children to do the shopping. The other three OAMs cater for the solitary customer, as almost one in two persons shops on their own, one in ten goes to the market in a small group and the others - one in three customers leaving the market - are accompanied by one person. Buyers spend between half an hour, and one hour in the OAMs on average with women lingering longer than men.

¹⁴ Market observers received detailed instructions on which items of clothing to consider when putting people into a particular category. With that, we sought to minimize the role of individual judgement or taste in the classification of clothing.

One-third of the visitors goes to the market well dressed by the standards of Hungarian towns. Two-fifths attend the market wearing casual clothes. The proportion of visitors in a traditional costume was very low, with only 15 percent wearing village costumes or being badly dressed. The rest wear working-clothes or jogging-suits.

People do not necessarily buy things on the OAMs - many just go to observe. Based on interviews with 4757 visitors leaving the market, we ascertained that 60 percent of purchasers said they had considered buying something but in the end decided not to do so. Some 20 percent of respondents withdrew from the purchase because the price of the article was too high, and one in ten customers did not like the product or its quality. Half of the women would have liked to buy some other things, while 70 percent of the men said they bought everything they wanted. Twice as many women were unsatisfied with their shopping as men. Looking at the reason for not buying an article, female purchasers seem to be more sensitive to prices than males. Half of the women who decided not to buy something did so on account of the high price, while the corresponding proportion among men is only 40 percent.

It seems from our research that people go to OAMs rather frequently and on a regular basis - only 7 percent of respondents had never been on the observed market before, but almost 40 percent of them had been there the week before, 15 percent two weeks before, 20 percent a month before and about the same proportion had visited the market more than a month before the date observed. Men and women go to the market with similar regularity. There is however a significant relationship between age and the frequency of visits to the market. The proportion of first-time customers is highest in the youngest age group (11 percent), and moving towards the older age groups, the typical frequency of visits to the market gradually shifts towards the other end of the scale. In the capital customers go to the market less frequently than in the other cities (Table 2).

Table 2 Frequency of visiting the market places (%)

Last visit	Kecskemét n=195	Szeged n=248	Pécs n=361	Budapest n=353
Never	-	1	-	24
a week ago	76	30	42	16
two weeks ago	7	22	19	11
a month ago	14	37	25	23
more than a month ago	3	10	14	26
Total	100	100	100	100

The supply of goods and products¹⁵

Relatively small proportions of traders sell only one type of product - most sell a variety of goods. This was most common in Pécs, where almost all traders sell many types of articles, while in Szeged, one in five specialize on a single product. In Kecskemét, on average one in four traders deal with only one type of product.

Table 3 The origin and character of the goods by market-places (%)

	Kecskemét n=292	Szeged n=300	Pécs n=395	Budapest N=399
From COMECON countries	15	7	26	12
Asian	26	52	46	73
Western	44	31	43	24
Hungarian, industrial	60	52	51	11
Hungarian, home made	7	3	7	0
Second hand	9	3	7	0
Junk	7	3	2	0

From Table 3 we can see that the proportion of characteristically Comecon products is highest on the Pécs market (26%) whilst the Budapest market specializes in Asian products (73 percent on average), in Kecskemét one in five traders sell such products, and on the other two OAMs the proportion of traders selling goods of apparently Asian origin amounts to 46-52%. One in four traders sell western articles in Budapest, this being the lowest proportion. The corresponding rates vary between one third and 44 percent on the other OAMs. Domestic products AGNES WHAT ARE DOMESTIC PRODUCTS FOOD? seem to occur quite frequently: 50-60 percent of the observed traders sell domestic products (among others), and even on the Budapest market 11 percent of stands have such products. Yet, there are very few traders who are also producers of their merchandise. No traders deal with second-hand articles in Szeged or in Budapest, while one in ten sell such items in Kecskemét, and one in twenty in Pécs. Junk is not generally traded on the observed OAMs.

We determined the profile of a given trader by the most characteristic type of product he was selling. Based on these characteristic types, the range of goods offered by traders selling a variety of products may be divided into four main groups: some of them sell food, others sell clothes, some others deal in household appliances, articles for the household and cosmetics, and the fourth group includes traders selling products

¹⁵ On the supply: we recorded all goods on the stand of the traders, classified according to typical goods. On the transactions: contrary to the general observation method of our research we collected data on transactions by interviewing the supposed purchasers leaving the market. The Kecskemét market is open on fewer days than the other three, hence the collected "stock of purchasers", or the number of transactions is smaller.

related to culture or hobbies. This proved to be a good indicator of the product range retailed by the vendor.

Clothing and related products dominate in all the OAMs. The OAMs in Kecskemét and Budapest are predominantly characterized by clothes, though in Kecskemét a considerably high proportion of traders deal with cultural and leisure articles. Pécs stands apart from the other OAMs in that one in four trader sell products related to the household, which is not so typical of any of the other three. The proportions are well reflected in that, of the more than one 1400 observations made on the four OAMs during the survey, there were 957 traders recorded as selling clothing and shoes. The sale of coffee, cigarettes, and spirits was recorded in only 11 cases, that is, with one or two traders per market, during the whole period of the market survey.

Based upon customers' interviews conducted outside the market, to see what articles are bought on the four OAMs we consider here the actual purchases: 2559 transactions recorded on the four OAMs during the year. Considering the total amount of goods purchased by the interviewed customers we find that purchases of food (including coffee, cigarettes and spirits) make up only 14 percent, those of men's, women's and children's clothes account for a further 49 percent, one in three articles bought on the market falls into the broad category of paints, dishes, detergents, cosmetics and interior decoration, and cultural and hobby articles make up the remaining 8 percent.

The variation in the assortment of goods offered on the different OAMs suggested a similar variation in the composition of goods purchased. Yet, we found no significant differences between OAMs. There were no purchases of spirits, coffee or cigarettes recorded in Kecskemét, and there were few cases in the other OAMs as well. The proportion of items of clothing was smallest in Szeged, while highest in Budapest. About forty percent of all the items of clothing were purchased in Budapest.

The composition according to the category of articles clearly reveals: the Budapest market is the place to buy clothes (62 percent). Hobby and cultural articles were purchased in the highest proportion in Pécs (11 percent), while clothing items were much less demanded on this market. Clothing is again dominant in Kecskemét, while in Szeged it is clothing and household necessities that attract most customers (see Table 4).

Table 4 Typical goods sold on the market places (%)

Most typical Product	Kecskemét n=292	Szeged n=299	Pécs n=402	Budapest n=398
Food	3	9	10	2
Clothing	75	62	53	86
Household article	6	13	20	4
Culture+hobby	16	16	17	8

Total	100	100	100	100
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Comparing the above proportions with the structure of supply, as described by the categorisation of traders according to the typical product they sell, we may state that the share of clothing is a far smaller proportion of the transactions than is the supply of clothing. Yet, about one in two transactions involved clothing and shoes in Kecskemét and Szeged, and in Pécs, where the supply of clothing is relatively small and the proportion of such transactions was also smaller.

Considering all transactions in all the four OAMs, we see that women take part in more transactions than men (59 vs. 41 %) do.¹⁶ Food would be bought mostly by women, whilst spirits, cultural and hobby articles are bought by men. Clothing and household articles are bought more often by women, according to the general pattern. Food is bought obviously by the elderly people (over 46 years), clothing, fashion, and hobby goods, however, by young people (age group of 25-35 years). Food and coffee were bought mostly by purchasers who were alone. Hobby-goods were bought, on the other hand, by small groups of purchasers (21 percent).

One buyer purchases more types of goods per visit in Budapest, Szeged and Pécs compared to Kecskemét, where almost two-thirds of the buyers purchase only one type of goods. The money spent by a buyer ranges from \$US 12 in Szeged to \$US 29 in Budapest. The big difference between the OAMs in the money spent by a buyer on average suggest that the OAMs are specialized in different types (and/or quality) of goods.

Whereas folk market places were a way of setting the prices for goods, it was evident that in the post-Communist OAMs this was not necessarily the case. In general, the prices were below those of retail shops as can be illustrated in Table 5 with a comparison of official prices from the Central Statistical Office and the prices of a random display of goods on the market.

Table 5 Average price in retail shops observed by CSO and on market-places (CSO-price=100%)

Goods	1995.II. quarter	1995.III. quarter	1995.IV. quarter	1996.I. quarter	average
Chocolate	111	113	112	108	111
Cigarettes	94	95	94	97	96
Jeans	46	47	50	50	48
men's shoes	40	42	44	42	42
Socks	52	52	57	53	55
wrist-watch	48	52	57	53	53
Desodor	123	112	105	118	114
video-cassette	56	56	57	66	59

¹⁶ The share of women among those interviewed was 45%.

OAMs vary according to price level, but this is also affected by the different types of goods, e.g. chocolate, men's shoes and underwear is the cheapest in Budapest, women's shoes in Pécs, stockings, body lotion and cookware in Szeged. Most people believe that all goods must be cheaper on the marketplaces, but Table 5 shows the average price of branded Western products and chocolate is higher on the marketplaces than in retail shops observed by the Hungarian Central Statistical Office.

However, the prices were seldom publicly displayed and were often subject to negotiation or bargaining between seller and buyer. In one-third of the cases, prices are set as a result of bargaining but the amount of bargaining done by different kinds of consumers also varies. Only a quarter of young persons bargained in contrast to two-fifth of older buyers. The proportion who are bargaining is higher among poorly dressed buyers compared to the better dressed. In Szeged and Kecskemét bargaining is much more typical than in Budapest and Pécs. As we have seen, women are more likely to find prices too high, and would more often try to haggle - that is, women are more inclined to try to negotiate a lower price than men do.

Conclusion

The assumption we articulated in the first part of the paper stressed three interrelated statements:

- a, the comecon-market survives the communist era,
- b, the post-communist version of the market-place will retain certain elements of its antecedent form, and
- c, therefore the result will be a path dependent, transformation-specific version of the general market place phenomenon.

In other words, we assumed that communism, and within it the rules of the COMECON has created a very specific institutional setting. The eternal and recurring nature of the OAM phenomenon reappeared or emerged as embedded within these structures, but also depending upon the inertia of pre-communist patterns of trading and marketplace institutions. The emerging old-new market place institution was a response to the growing opportunities for making a profit and to the increasing problems to trying to make a living and it was simultaneously tolerated as well as constrained by the state. The market place as an institution survived both communism and within it the COMECON. The market place in the post-communist period has the structural characteristics of the market place institution in general and of the communist comecon

OAM in particular. In other words, the comecon OAM in the post-communist era is the direct continuation of its communist-COMECON predecessor while at the same time bears the structural characteristics of an 'eternal' market place institution. These previous characteristics explain our intention. We still consider the best term for this particular version of the market place institution is comecon market place.

The emergence of a large scale, market place-based petty trade in the reform period of communism can be described as partly the result, partly the by-product of the relaxation of state regulation. However, there were deeper factors that explain the momentum and the inertia of this process. One set of factors can be identified as the stable or even stagnant conditions of the communist production and distribution system. Despite changes in regulations and policy, communism produced a cost insensitive, inefficient and closed economy. This resulted in the availability of goods and of shortages at the same time along with a scarcity of labour and entrepreneurial efforts in the first economy, but an abundance of both in the second economy. This created favourable demand and supply conditions of market-place activity for consumer goods.

Due to the path dependent legacy of pre-communist institutions and human capital, along with the structural characteristics of the communist and COMECON systems, the transaction costs of setting up and running trader-tourism or comecon OAMs was, and remained, lower than that of shop based small scale retail trade. The result was the spread of a market-place based system of retail trade which combined the characteristics of an 'eternal' market place institution with the communist - and particularly the COMECON - created system, encouraging specific features of small scale trading. The institution of comecon market place survived the collapse of communism and the transformation of foreign trade as well. They still retain some of the characteristics developed during this period.

The data of the four big comecon OAMs illustrates well the socio-economic characters of post-communist open-air market places. Despite the differences among the four sites, there are some general characteristics which show that the contemporary form of open-air market place resembles structurally its communist predecessor.

We could say that although there was path-dependent relationship between these and commercial system in COMECON countries and between these and traditional “folk” OAMs, the differences is that these OAMs supply a need for cheaper products than available in the normal retail outlets, especially clothes. Since living standards for

many population groups have fallen, this represents an important alternative to capitalist retail trade and there is no evidence of a decline in these OAMs.

Different OAMs specialized in different kinds of goods but we could say that clothing was the main item bought at OAMs followed by household articles. Generally, the prices were lower than in normal retail shops, although this was not always the case with all articles. The post-communist OAMs in Hungary had thus evolved as a low price and informalized complement to the capitalist retail sector as a "normal" one.

OAMs brought together different kinds of ethnic groups and products from abroad. At least half of the supply of goods is Asian in origin and between 20 and 70 % of traders come from abroad - mainly from Romania or from Asian countries. However, the participation of Gypsies, contrary to the situation in Bulgaria described by Konstantinov (1997) was not conspicuous.

Due to the great number of Asian importers the comecon market-place in Budapest has a very important function through selling goods to other comecon OAMs or to other 'normal' retailers: it is a well known, special institution of trade through which foreign trade can penetrate – as in the older pre-industrial societies. A lot of retailers can buy goods here for very low prices and they sell them in their stands at other open-air OAMs or in their retail shops. Thus, in this way the prices in the whole country can be depressed.

We can also argue that the structural characteristics that created high demand for comecon OAM activity and lowered the level of transaction costs of this commercial form (often originated from the pre-communist era) still exist in post communist Hungary. For example the standard of living for many social groups have fallen, the human and social capital necessary to run the informal trading activity efficiently is still widespread and together with the unhindered survival of the infrastructure of the market-places and together this represents an important alternative to capitalist retail trade.

Therefore, it is not surprising that there is no evidence of a decline of the comecon market places. On the contrary, we have empirical proof from a number of different sources that this institution is alive and well:

- The most direct argument is the series of surveys we referred in footnote 12 and in Appendix 1 (in details Sik 1997 and Sik-Tóth I.J. 1998). According to the information we gathered from the Mayors in 1995 11% and in 1997, 12% of all settlements of Hungary has at least one comecon market place¹⁷. As to the urban economy, in 1995 73%, in 1997 80% of the towns had at least one comecon market place.
- As far as the volume of activity is concerned, we have two proxies to measure it. The size of the comecon market places (measured by the average of the estimated number of traders) slightly increased between 1995 and 1997 (87 to 92). The average number of market days (on a week) and market hours (on a day) decreased slightly (from 3.3 to 2.9 days, and from 6.9 to 5.9 hours, respectively).

- A more indirect proxy is the frequency with which households cope with worsening economic conditions by price hunting. Price hunting is one means of coping, as households try to reduce the costs of living. Since open-air OAMs can be considered as a 'natural' site for price hunting, we assume that the trend we saw in a comparative household research in five Central European countries (Ferge at all n.d., Sik forthcoming), i.e. the most rapidly rising coping means between 1990 and 1995 was price hunting (is an indirect proof of the lively existence of the comecon market-place institution. We can see from our study of four markets in four towns that this price hunting was mainly carried out by women.

- Finally, as a proxy of the existence of the open-air market place institution we can refer to a time series survey (Sik-Tóth I.J. 1998) and a recent survey (Hidden ... 1998) which estimated the proportion of non-registered purchases¹⁸ within the total purchase of households. This showed that the proportion of non-registered purchases either increased (personal services between 42% and 46%, food stuff from 13% to 15%, kitchenware from 8% to 11%) or remained constant (clothing 28%, luxury goods 14%) between 1995 and 1996. The most recent survey confirmed the level of non-registered purchase. The proportion of non-registered purchase is the highest among those

¹⁷ In the self-administered questionnaire we operationalised a comecon market-place as a regular meeting place of at least 10 traders.

¹⁸ . They considered all shopping which avoided taxes (which covered all open air market-place consumption and shopping in retail shops without any receipt) activity as non-registered.

goods, which are typical on the comecon OAMs, such as clothes (33%), shoes (31%), detergents and cosmetics (19%), bedclothes, and towels (15%).

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Appendix 1 The methodology of the Hungarian open-air marketplace research

The article is a result of an on-going research which was first commissioned by the World Bank, the ILO and ICCR-Budapest and more recently by the government appointed Task Force Against Informal Economy. The aim of the research is to measure the volume and characterize the processes of informal commerce and of black labour in contemporary Hungary.

In the course of the project we developed a non-conventional method which combines non-participant observation, survey and expert estimation (Sik 1995, 1996).

The first task was to describe the processes of organisation of the informal markets. To do this, they observed four major informal markets in Hungary. The observation lasted for a whole year (from April 1995 to March 1996) and contained 84 observations representative according to month, day and hour. The purpose of this part of the research was to provide information on the trend in prices, of the volume of turnover and labor (both traders and their employees).

The markets were divided into sectors, each of which formed an observational unit which was visited by observers during the year one by one and in a given order (although construction work, renovation and official controls occasionally eliminated some sectors). From this we were able to collect systematic data about the behaviour of consumers and vendors and seasonal fluctuations in trading. The observations were carried out as follows:

The basic structure of an observation of the comecon-market place was as follows:

- All observation lasted for two hours and were identified by an individual number. The conditions of the observation which might effected the price and the turnover (weather, police activity, etc.) were evaluated by the observer qualitatively.

- The observation site within the market was selected in the following way. Every market was split into smaller, homogenous parts, which we called market sectors, in the planning phase of the research. In the course of the research the 84 observations were arranged *a priori* in the following form: the first observation was done in a pre-selected market sector and the subsequent observations were supposed to follow an increasing order of market sector numbers and once a full circle was completed, the whole procedure should begin again.

- During the first and last fifteen minutes of a two-hour long observation period, the observer should count the number of incoming customers (for five minutes at each gate). These figures (depending on the assumptions we have concerning the mid-period number of inflow, e.g. their observation-specific average) and the proxies by market sectors concerning the number of open stalls and potential customers are the crudest figures to estimate the turnover of the informal markets.

- The main part of an observation period was to observe the traders and their prices. The observer selected the market sector s/he was supposed to observe and after making their qualitative estimation of the number of open stalls and potential customers they selected five stalls and described the characteristics of the stall, the articles to be sold, the practice of selling and the tradesman or woman.

Next the observer had to find the selected articles (within the market sector - if there were more than one stall offering a certain article selecting one article from each stall in a clockwise order - or if in the selected market sector the article did not exist find the article in the next market sector following an ascending market sector order) and observe the price of three different brands (if there were several brands the selection of the brand should have begun on the right side of the stall and following a clockwise order) If there was no price tag on the articles the observer was instructed to ask the price.

- The last twenty minutes of the observation was allotted to the observation of the customers. This was done at the main route to and from the market, i.e. close to (but outside of) the main entrance, possibly at a bus or tram station. There were two tasks at this stage. First to observe the first twenty customer (or group of customers) leaving the market and observe whether they did some shopping. Secondly, five of those who did some shopping were to be interviewed. This interview was an anonymous one, i.e. no action was made to get any information of the interviewee, and the interview was an extremely simple one, focusing only to the shopping the customer did. The aim of the first observation was to provide further information to the crude turnover estimation on the informal market while the second interview gave information about the actual price (i.e. not the traders offer but the buyers' "take-away" or post-bargain price). Moreover, in this case it was not only the selected eight articles which were monitored, but all sorts of goods sold on the market.

- At the end of the observation the observer was instructed to visit the parking lot (if there was a separate one for the customers and for the traders, the former) and estimate the proportion of filled space. At the beginning of the

research the observers (as part of their training) had been instructed to draw a map of the market and count (or estimate in case there were no separate lots) the number of parking places all around the market, from the proportion of filled lots we can estimate an absolute number of cars at a certain observation period which is another crude proxy of the turnover.

To arrive at a proper national estimate, we had to know how many informal market places are there in Hungary. Since there was no data of this kind the two Hungarian researchers applied a specially tailored expert survey to get it. In 1995, 1997 and 1998 three surveys were done (using postal questionnaire technique) among the mayors of the Hungarian settlements (The number of cases is about 3000). The questionnaire contained a block of questions to obtain information about the informal market(s) (if any) at the particular settlement, their size and scale of operation, and the composition of the traders. Between 800 and 1200 mayors (that is between one fourth and one third of all mayors) answered the postal questionnaire. The data was weighted by location (six territorial units of Hungary, Budapest excluded), size and status (county capital, city or village) using the Hungarian Statistical Office settlement data from 1995 (for the result see Dövényi (1996) and Sik (1997)).