

## **The development of open air markets in East-Central Europe.**

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When I opened the newspaper on the morning of August 17, I saw the headline "Market Crashes". I'm not an economist and understand nothing of the enigmatic world of money. For me, the word 'market' means open-air stands where old ladies from villages near Moscow sell cheap freshly picked mushrooms, garlic, potatoes and dill, and men from the Caucasus whose teeth are capped with gold for the beauty and prestige of it, offer unbelievably expensive peaches and a spicy sauce called *adzhika*..... Reading the words "market crashes" I imagined dilapidated wooden stands collapsing and velvety peaches rolling across wet asphalt in consort with escaping potatoes....Nonetheless I stopped in my tracks. No serious newspaper ever covers such trivial events on the first page.

Tatanya Tolstaya "Russian Roulette" *New York Review of Books*, November 19 1998.

Like Tatanya Tolstaya, for many post-communist citizens, their everyday experience of capitalism was an encounter with open air markets and street trading (from henceforth referred to as OAMs). Like Tatanya Tostaya, many analysts of transition economies think that the important Markets are the ones associated with grand processes: the privatization of industry, stock-exchanges and other macro-level systemic changes. No newspaper would ever cover anything as trivial as news about an OAM on its front page. Nor do traders with golden teeth appear at first sight to be interesting objects of study for transition analysts. In this paper however, we argue that OAMs are indeed a fruitful way to consider the multifarious and confusing changes taking place in post-communist societies and the penetration of market behaviour at different levels of social life. They offer a form of continuity between capitalism in the past, socialism in the past as well as capitalism in the present.

In a communist economy OAMs had an important place in the distribution of goods. Yet they were considered either as remnants of an outdated and unnecessary form of commerce or as a dangerous challenge to the socialized retail sector, as places where profit making was combined with criminal activity such as speculation, pickpocketing,

or the reselling of smuggled and stolen property. As a consequence, OAMs in a communist economy were continuously under the threat of police raids or - at best - tolerated as suspicious but irrelevant distortions of the production and distribution system. From various sources, however, we can learn that OAMs existed not only in more tolerant Hungary (Dankó 1963, 1980) but also in the USSR as well (Katsenelinboigen 1977, Alexeev and Sayer 1987, Fish and Lynn 1989) and the sparse information we can find seems to show an increase in this activity as communism developed through stagnation into over-maturity during the 1980s (Böröcz 1992, Wedel 1986).

The collapse of Communism in Eastern European post-communist countries resulted in an expansion of numbers and type of OAMs. Street trading appeared in many cities, towns and villages, absorbing a range of social groups. All over Eastern and Central Europe, people clustered in open-air market such as sports stadiums in order to buy and sell goods directly. The activity of trading or buying on OAMs became more open, more acceptable and more noticeable in the post-communist period. Now OAMs have become an integral part of the post-communist economies of Eastern and Central Europe, just as they were part of the communist economies. They form a continuum from seemingly ad hoc, disorganized street corner meeting places with itinerant traders selling from baskets, the pocket or small suitcases, to the bazaar in Warsaw Stadium or the Chinese market in Budapest (see Czako and Sik this volume) where there are turnovers in millions of dollars. More intermediate forms are often organized around older traditional Fairs with licensed artisans in the centre and trader-tourists around the fringe. The less formalized, more illegal and more flight-ready types of OAMs are more typical in Eastern Europe (and in the Eastern parts of Central Europe such as close to the Ukrainian and Romanian borders) whilst the more formalized ones are more typical of Central Europe. This is partly on account of the attitudes of the former socialist states to such activities and also to the nature of the transition process, including the power of the state to create and enforce regulations, the investment policy of foreign and local capital and so on. Local people tend to favour the kind of semi-legal commerce requiring very low investment whilst foreign capital often prefers the large shopping mall which takes time, money and political collateral to establish. Thus, whilst OAMs retain many of their earlier characteristics, their functions have also changed. This is why it is important to understand how and why their functions have changed and the implications of this for the economic and social transition more generally.

Not only did the OAMs become more open, but the study of OAMs has also become more acceptable. Perhaps the most systematic attempt to study this kind of non-formal and usually unrecorded activity has been in Hungary under the leadership of Endre Sik, where there has been attempt to understand its role as part of transforming economic relations (Czako 1997, Sik 1997a, 1997b). Elsewhere, more small-scale and anthropological studies have been carried out (for Bulgaria for example, see Konstantinov 1994, 1998) and there are also notable studies by Krystina Iglicka and Keith Sword in Poland (1999), by Marcus Kaiser in Uzbekistan (1997) and by the Hann's in Poland and in northern Turkey (1992). This collection of papers brings together some of the contributions to this field. However, in this introductory paper we have tried to provide an overview by moving beyond descriptions of individual OAMs or small groups of traders and towards providing a more analytical way of accounting for this phenomenon in general.

The idea of studying market relations through OAMs as was introduced by Polányi (Polanyi 1957/1976, 1984). According to his definition, the OAM is a particular organizational form of trading activity, a place for the exchange of "simple" goods. OAMs are not simply the territorial manifestations of the so called market principle (the emergence of equilibrium automatically due to the functioning of supply, demand and price). The OAM is rather an institution where the creation of supply and demand, the process of determining price and the exchange processes themselves are influenced by culturally shaped habits, by the formal rules of local and central authorities, and by the internal processes and organization of a given OAM. Nor do they only trade in 'simple' goods and agricultural products as many of the more traditional studies have described. In the post-communist countries they are some of the main sites for the selling and buying of computer software and equipment, CD ROM's and even sophisticated weaponry.

In contrast to Polányi's economic historical point of view, we do not consider as an essential condition of an OAM that it should be restricted to the sale of foodstuffs and craftsmen's products. We prefer the wider perspective of the followers of Polányi (e.g. Bohannan–Dalton 1962) who define OAMs in a very general way, as sites (or institutions) of exchange, in which the social, cultural, political, and economic characteristics of the actors influence the extent and manifestation of the market principle, which is - of necessity - present in all transactions. Their approach emphasizes the idea that the non-economic functions of OAMs are based upon the fact that they are a meeting point for large crowds of people belonging to different ethnic

groups, who have no other opportunities to come together. Therefore, OAMs are also the places for the exchange of information, recreation, seeing relatives, and political campaigns. Moreover, crowded places also stimulate the appearance of certain activities, such as prostitution and theft, evoked by the presence of a consumption-oriented crowd that is temporarily freed from their domestic cultural constraints.

Studies of post-communist and communist societies have often taken Polanyi's conceptual contrast of "market" versus "redistributive" systems as their starting point. However, as Walder (1996) points out, this sets up a stereotypical polarity which does not always correspond with empirical reality. This is particularly the case in the study of OAMs which were organized according to 'market' principles but existed within the communist redistributive system and were even an essential part of it. The OAMs provided a place where activities from the 'second economy' could be realized according to market principles of supply and demand, price efficiency and competition. They were a compensation for the failures of the redistributive system to produce and deliver goods. This second economy was studied most extensively in Hungary. In Hungary the liberalization of the communist system which began already in the 1970s and 1980s perhaps allowed more open market activity. However, OAMs were also a familiar part of the communist economy elsewhere, as is clear from Tatanya Tolstaya's description. Nevertheless, despite the timeless and universal qualities of OAMs described by Czako and Sik (this volume) their activities are shaped by state policies and institutional contexts: we need to consider these. In the words of Andrew Walder when he was trying to provide a theoretical framework for the study of market transitions: "Markets (i.e. in the sense of market economies) per se are not the issue. What matters are the variable institutions and conditions that define markets, and our theory and research must put them at centre stage." (Walder 1996:1060-1061). The OAM is one such institution and this is why its study is important.

After the apparent collapse of the redistributive system in 1989 it was believed that the second economy would disappear, being absorbed into the capitalist market economy more generally. This did not happen in the case of the OAMs. As our data here show, they in fact expanded following the collapse of communism. This was because the institutional redistributive arrangements such as COMECON were dismantled, prices were liberalized, trade was liberalized, subsidies withdrawn and market entry was opened by a series of changes in the law from 1990 to 1991 at least in the Central European countries: Hungary, Poland, the Czech and Slovak Republics and Bulgaria. However, this left what Elster/Offe and colleagues call an 'institutional void' where the

state withdrew very quickly, but other institutions were not yet set up to regulate and institutionalize capitalism.

Furthermore, whilst privatization schemes for large industries and state property were introduced, progress was very slow and was hampered at the macro level by institutional resistance from various interest groups, Dukes and Grime 1994, Kowalik, 1994). The result was some mutant forms of ownership, organized neither according to market nor according to redistributive principles and termed by Stark 'recombinant' property forms (Stark 1996). However, this was not the case with the small privatization - the privatization of small businesses and entrepreneurial activities which proceeded very rapidly at least in the Central European countries - Poland, Hungary, Czech Republic. This created an undergrowth of small firms which operated according to 'market' principles. Many of them had begun as street traders or in OAMs and were later able to institutionalize and formalize their activities in shops.

This activity also contradicts some of the preoccupations of the early theories of transition. At first it was believed that the lack of entrepreneurship would hamper the transition process and that it would take many years for values to change the embedded 'Homo Sovieticus' mentality, Offe 1994). People brought up to expect everything from the state would not suddenly provide for themselves. The slow pace of privatization in Central Europe and the lack of reform altogether in many countries of the former Soviet Union seem to bear this out. Yet entrepreneurship was thrust upon many people of Central and Eastern-Europe as the destruction of the old system was not immediately replaced with viable alternative. Whilst some might seize willingly upon such opportunities, for others it was an unwanted burden. People used to behaving resourcefully by combining different sources of economic activity continued to use these skills in a new environment and the skills used for surviving in a Communist society turned out to be very useful ones for surviving in a post-Communist one as well (Wallace,1998b, Rose 1995, Piirainen 1997). There is even perhaps a longer line of continuity to the strategies people developed for surviving under wartime occupation or conditions of shortage (Wedel 1992). This is evident in the empirical material presented in these papers on OAMs where there is ample evidence that people behaved in entrepreneurial ways either through preference or by necessity. Far from not having the values associated with market capitalism, they developed these values very quickly and in fact were already familiar with them from activity in the former second economy.

This leads us to the way in which OAMs, which often contradict the processes of transformation at a more macro level, just as they contradicted the state redistributive

system, can help us to better understand transformations in post-communist Europe more generally. Szelenyi and Kostello (1996) in their discussion of the different forms of transformation in China and Hungary argue that it is important to understand the extent and degree of market penetration in these societies. However, it is also important to understand how these differ according to institutional arrangements - and here contrasts between China and Hungary are important. Our argument is that OAMs allow this penetration at the level of small-scale entrepreneurial activity which encounters the market in its most raw and direct form - in face-to-face interactions. These activities are not only important for market penetration but also for the survival of households whose income from the formal state system is not sufficient for them to live on and for the many people whose income even declined in the period 1989-1998. Szelenyi and Kostello are also interested in how market penetration affects different social strata, different segments of the elite and in what is the class character of these actors. Whilst it is important to study the role of elite groups, it is nevertheless important to study the every day activities of the non-elite groups and here the informal economy is still an important aspect in the stratification system. Indeed, some argue that it is the strategies of households between different economic sectors which provide the basis for a new stratification system (Pirainen,1997). The extent to which OAMs embody marginal activities or the extent to which they are the seed bed for new entrepreneurs is not yet clear, but it seems that the greater extent of institutionalization of capitalism in the Central European countries (Poland, Hungary, Czech and Slovak Republics) means that OAMS become relegated to a more traditional supplementary role. However, the "institutional void" which has opened up and even widened in the former Soviet Union mean that OAMs represent a major form of exchange and distribution of goods.

What is often ignored in economic sociology, with the concentration on productive activities, is that under conditions of late capitalism, capitalist penetration is assisted by a cultural shift in values associated with consumption. The flowering of consumer culture and desire for certain kinds of status-defining products is satisfied most directly through OAMs where formal retail shops take longer to respond to consumer trends and also charge higher prices. This ability to realize fashionable consumption is one of the more conspicuous changes which have taken place in post-communist societies, where despite widespread poverty, the 'street theatre' of fashion styles is very evident. Consumption works also as a socially differentiating principle. The discouragement of consumer differentiation under the former regimes is replaced by conspicuous consumption of the new rich and other groups who define their new status with ostentatious goods and fashions. For other groups who could not afford the status symbols of the new rich, copies of them bought cheaply at OAMs could substitute.

The way in which markets develop in post-communist societies are shaped in different ways by the different forms of transition or collapse of the state redistributive systems and we would expect this to take 'path dependent' forms (see Czako and Sik this volume). For this reason the study of OAMs as an integral part of the economies and societies of post-communist Eastern Europe continues to be of interest.

### **Structural changes affecting the development of OAMs**

OAMs are sites where people come to buy and sell wares in a face-to-face interaction. They differ from normal retail shops in being open air and casual in organization so that vendors may come and go. The OAMs of Eastern Europe have become significant points of information exchange and places for the retailing of commodities. Although OAMs and trading have been studied around the world, in post-communist Europe they have particular functions which make them a unique part of the transformation process. One reason is due to the fact that they have developed from being sites for illegal activities condemned as 'parasitical' by the former regimes (but nevertheless an important part of those regimes) to becoming more and more open.

The other reason might be called a structural characteristics of a transforming economy in the following processes are taking place simultaneously:

- a hegemonic socialized retail sector was being deconstructed
- the former bilateral international trade among the transforming countries, which operated smoothly but not necessarily efficiently, disappeared from one day to the next
- previously closed borders were opening
- the previously strong and paternalistic state became more like a weak stepparent to its citizens
- the growth of consumer culture
- the standard of living decreased rapidly over a period of years in many countries for many people with no hope of recovery

Let us now consider each of these in more detail. Under the communist economic both the supply and production of goods was centrally controlled and distributed not so much according to consumer needs as according to central plans and quotas. Indeed, consumer goods held a low priority in the communist economic systems in relation to production. Shortages were frequent, indeed built in to the system (Kornai 1992) and

conspicuous consumption considered immoral or dangerous in a system where everyone was supposed to have low and nearly equal incomes. One of the changes introduced within the first few years of the reform period was to liberalize the retail trade, so that private wholesalers were able to introduce new links in the distribution chain. Also, new international stores and supermarkets were able to open up (often selling goods well beyond the pocket of the ordinary consumer), whilst department stores and shop chains were privatized, sometimes with foreign investment. Another important factor was the liberalization of the small scale retail sector as the small shops were auctioned or leased to local business people, bringing an undergrowth of new small enterprises. However, privatization, dogged by many legal and political problems, in many ways lagged behind the spontaneous activities of consumers and vendors, who took it on themselves to bring the goods to the people. Commerce flourished when it was no longer illegal but for a space of time it was not fully harnessed by the legal system (and in many countries is still not adequately regulated). This informal solution compensated for the yet-to-be improved official retail sector and continued alongside of it.

The communist import-export system, dubbed COMECON, had arranged for the circulation of goods around the communist countries, based upon a barter system rather than transfers of money. This ensured the mutual inter-dependency of the various communist countries, as shoes made in the Czech Republic were exchanged for bathroom equipment made in Eastern Germany, but was not particularly sensitive to consumer demand. With the collapse of communist regimes, this system disappeared almost overnight as the formerly socialist reciprocities were extinguished, foreign and unofficially obtained goods flooded the market and countries demanded payment for exports in hard currency, which the economically strapped post-communist nation states could not afford to produce. This led at first to even greater shortages of certain goods in some retail sectors than had existed previously and opened the door to the small scale cross border trader who was able to privately 'liberate' materials from the communist-era warehouses and stockpiles.

This was only possible however, because of the third factor, the fact that borders which had formerly been almost completely sealed during a period when even travel around communist countries was restricted, were now opened for the relatively free travel by individuals and small vehicles. This was the case in Hungary and Poland since the 1970s but impossible for GDR citizens until the very last days of Communism. In the Soviet Union during and after perestroika organized tours represented the main opportunity except for those who lived near borders and could visit their relatives. Another hidden form of trader tourism was the through students and soldiers stationed

abroad, especially officers and their families, who carried out regular commercial activities from the 1970s onwards. During the Perestroika period, the opening of borders in the 1980s set off a flurry of trading activities, which turned every conceivable space - street corners, subways, village squares - into OAMs. However, during the 1990s they were increasingly officially regulated and controlled and full-time entrepreneurs began to emerge. In the meantime much of the OAM market activity remained unregulated and unofficial. Trading - especially cross border trading - depends upon price differences and economic imbalances between countries and these have been growing as different countries have taken different routes out of communism. It also depends upon the character of the regions in which they are situated and the examples presented in this volume show very different conditions for the same activities. In the central European region - those countries which lie on the rim of the European Union and are the first candidates for entry - OAMs have become increasingly regulated and restricted. They have become more formalized and institutionalized as forms of exchange. Furthermore, the successful privatization of the retail sector in those countries means that they are relegated more to a residual role - supplying needs not met by the normal retail sector or at a cheaper price. This represents part of the 'normalization' of street OAMs to forms similar to the ones in more stable capitalist societies. However, in the former Soviet Union and countries facing severe economic problems such as Bulgaria in 1996 and the Federal Republic of Yugoslavia since the war there, OAMs represent a substitute for a dysfunctional retail sector which might provide western goods at astronomically high prices mixed with local and Far-Eastern products unattractively packaged or be unable to import goods officially at all on account of the international embargo in the case of the Federal Republic of Yugoslavia and the economic crisis in the case of Bulgaria. In these countries more and more people are pushed into trading because of the steep decline in living standards and collapse of the labour market. More people are forced to become 'price hunting' consumers. These changes affect the West-European countries, as well. In Norway, on the northern border of post-communist Europe, Eastern European traders were pushed out through more rigorous policing and change in the regulations affecting them. From Germany in the West, to Turkey in the South "Russian" and "Polish" OAMs appear and challenge the local retail structures.

The state control of the system of the production and distribution of goods under communism was held in place by a strong political control over the movement and activities of citizens. All aspects of social and economic life were under scrutiny, a factor reflected in very low official crime rates. In return for the 'good behaviour' of its citizen-children, the paternalistic state provided jobs, houses, social welfare benefits,

education, health care and so on. Incomes were low but stable. With the liberalization and democratization of the former-communist regimes, this state paternalism also started to crumble. Increasingly, citizens have to fend for themselves in terms of welfare, employment, housing, health and other social goods, as a variety of competing systems of provision have developed and increasingly they had to pay for these formerly free or subsidized services. The post-communist citizens therefore became increasingly critical consumers and tax payers, able to exert their claims through elected representatives and popular protest. Furthermore, the states were often too weak to pass legislation or if passed, to implement and enforce it.

The pervasive surveillance of the citizenry under the former regimes ensured that even cultural activities such as listening to popular music or wearing fashionable clothes, were treated with suspicion and even seen as potential subversion (Wallace and Kovatcheva 1996). The growth of consumerism from the 1970s onwards in many countries became more and more difficult for the authorities to control. Indeed, it could be said that this frustrated consumerism, especially in the most western band of post-communist countries who could watch European advertisement on their TV screens, lead to increasing discontent with the former regimes.

By the 1990s, however, conspicuous consumption had become a source of pleasure and also a form of social differentiation (Bourdieu 1984). Consumers could parade their sophistication by displaying 'foreign' styles and brands, many of which could be purchased more easily (and cheaply) on the OAMs. Fake copies of well-known brands were produced resulting in 'Yves Gauche' hair shampoos and 'Salamander' raincoats (Salamander being a high status German brandname - but for shoes, not for clothing!). Or labels were snipped out of second hand clothes and attached to these facsimiles. Consumerism was no longer discouraged; it flourished. OAMs are not just the site where economic exchanges take place, they also have *cultural* significance. OAMs also have an atmosphere of spectacle or carnival and are therefore often held on holidays rather than normal working times. The colorful display of wares, the ostentatious banter of some of the vendors, the sale of candies, cakes, and take away food by people moving between stands or selling from one place, encourage this carnival/holiday atmosphere. OAMs are places of entertainment. Wandering around looking at the wares, comparing prices, fantasizing about purchases and life-styles or simply enjoying the exotic combinations of smells, sights, sounds and various ethnic groups which would not normally be encountered, all contribute to the pleasures of visiting OAMs, much like that of the flavor in the metropolis. These pleasures have been described in other contexts and in many ways, the OAMs is the proto-type for the

shopping mall (Shields 1996). Many people just go to look. OAMs are also important tourist attractions and some of the famous ones such as the Privost in Odessa, form the subject of literature and art. This is the case also with the Hortorgaby Bridge OAM described later.

In almost all post-communist countries there has been a rapid decline in living standards and increasing polarization between social groups. The general fall in industrial output and in GDP has only recently started to be reversed in some countries - Hungary has only just got back to the living standard it enjoyed in 1989. The living standards, as measured by GDP per capita (purchasing power parity measures) dropped in most countries in the immediate transition period (1990-1993). Since then, they have risen again in some countries - notably, the Czech Republic, Slovakia, Poland, Hungary, Slovenia and Romania. Yet in 1998 there were still a range of countries - Ukraine, Russia, Croatia and Bulgaria - where living standards had dropped in comparison with the past. However, these aggregated statistics hide important differences within population groups as the unemployed, the elderly, those managing on state incomes and pensions and those with large or single parent families continue to see their living standards eroded, whereas other groups are able to take advantage of the new consumer freedoms. In representative interview-based surveys, the majority of people in Central and Eastern Europe - two thirds - perceive themselves as being worse off than they were in the past (Wallace 1998b). These tendencies were further aggravated by sharply rising inflation as a by-product of price liberalization and in some countries even hyperinflation. Unemployment has risen in each country quite dramatically, being much higher than the European average, although this is disguised in the former Soviet countries by the widespread practice of retaining workers on no pay. For the socially excluded groups, the glittering consumer prizes now on view in the shop windows were out of reach, as were even some basic living essentials. Even formerly free services such as health, education and so on had to be increasingly paid for. OAMs, especially those providing goods produced and distributed within Eastern Europe provided some alternative. They enabled otherwise poor consumers to participate in consumer culture and the growing numbers suffering real poverty to buy goods directly from vendors and producers at below normal retail prices.

Another feature of the differences between countries is that we see very different patterns of transformation taking place. Whereas in the Central European countries the economies have stabilized and there has been some growth and even a rise in living standards since 1992/3, the Balkan countries have been much slower and more patchy in their development - in Bulgaria there has even been a decline following the economic

crisis of 1996/7. However, some of the former Soviet Union countries which border Central and Eastern Europe - represented in these statistics by Russia and Ukraine - have experienced a continuing deterioration of living standards, which accelerated after 1992 when they gained their independence. Hyper-inflation, destabilization of the currency and very steeply rising prices (some prices were close to those of countries in the West and generally higher than in Central and Eastern European countries) with continuing low or even falling incomes characterized these countries. The gap between prices and the incomes of most people grew. In these countries the lack of any proper economic reform meant that a normal retail sector could not be established and the collapse of the COMECON trading system meant that many consumer goods could no longer be officially imported. Western shops such as Benetton sell their wares at extremely high prices and luxury cosmetics shops cater for the super rich but the ordinary consumer is less well served. In addition there are steep import duties, unrealistically high taxes and perhaps also the costs of extortion rackets to add to the price. One of the main places to shop became the OAM where goods are cheaper or goods are provided that are not elsewhere available. The OAMs therefore become a *substitute* rather than a *supplement* to the normal retail sector, the role they perform in Central European countries. OAMs sell goods brought in from Turkey, Poland or the United Arab Emirates (a free trade zone and source of cheap electrical goods from the Far East). New OAMs, often very large ones, sprang up around many different cities in the 1990s and small casual trade, especially by older women, continued in the surrounding streets. Nor is it clear that their role will necessarily decline. These OAMs provide a very efficient way of bringing goods to the consumer and are very sensitive to consumer demand. Within weeks a style may change and the OAMs, supplied by small, flexible manufacturing units, often in Poland or Turkey, can easily respond.

After the transformation, the established COMECON OAMs boomed and were joined by all manner of small petty trading on sidewalks, in subways and on street corners selling anything and everything from shampoo to shoe polish, from cigarettes to kitchen sinks. Many traders took advantage of the different prices and exchange rates in neighbouring countries and went across borders to buy or sell bringing with them as many goods as could be carried in their hand luggage - these were known as 'trader tourists' (Hann and Hann 1992, Hann 1992) or 'shuttle traders'. The collapse of communism led to the opening of borders, not only to the West but within the Eastern block countries as well. Furthermore it was no longer illegal to speculate - in fact, it was encouraged. These new small entrepreneurs took advantage of the new relaxed attitude towards commerce and the lack of legislation for controlling it.

In the course of transition the character of many of these OAMs changed once more since they were very flexible and very sensitive to price, consumer and other pressures; the profits or loss from a trip abroad depended upon the controls at the border and the internal controls on trading. OAMs also began to differentiate more and more in character between poorer ones selling second hand goods and ones selling new clothes and commodities. These variations are described in some detail in the article by Czako and Sik. The differences between different post-communist countries and other neighbouring countries became important - important commercial borders were those in the south with Turkey and those in the West with Germany and Austria. Trond Thuen (this volume) also describes the consequences for borders in the north. Where war had broken out or the economy in a state of break down, black marketeering opportunities opened up. The fortunes of OAMs and of those working within them depended to a great extent upon these uneven and often unpredictable fluctuations in fortune and could change very rapidly.

For these reasons it is necessary when studying OAMs to capture a moving picture. There are great and growing regional differences and rapid changes in OAMs themselves. The papers in this volume address OAMs and trading in a variety of settings. The paper by Thuen (this volume) considers the northern borders of the former Soviet Union as examples, whereas paper by Wallace and associates considers trading activities in the Central European region - Poland, Hungary, Czech and Slovak Republics. Czako and Sik look in more detail at the organization and distribution of OAMs in Hungary. This variety of settings and contexts, their degree of formalization or informalization can help us to identify general themes and concepts which are important for understanding such activity.

In this volume we have brought together a range of studies of both OAMs as institutions and the principle actors in these OAMs - the shuttle traders in post-communist societies. Whilst bearing in mind the unique character of the post-communist transition in Eastern Europe, it is also possible to draw upon the international literature about small scale trading and market activities for inspiration and comparison. OAMs are some of the oldest European phenomena. The present day OAMs are therefore in some ways the inheritors of the traditional folk and agricultural OAMs but also of the COMECON OAMs - that is OAMs which offered goods informally for sale under the former regime outside the official distribution and supply system. These COMECON OAMs in some ways compensated for the inefficiencies of the state distribution system and offered opportunities for earning additional money "on the side" to supplement meager salaries.

## **Conceptual issues raised in the study of OAMs**

The study of OAMs, as exemplified by the different papers presented in this volume, present a range of conceptual issues which can be used to inform contemporary sociological debates. Here we identify the relationships between formal and informal sectors, the role of ethnicity, the changing morality of OAMs and the role of social capital and the social embeddedness of economic relations.

### *1. OAMs between formalization and informalization*

OAMs in post-communist countries arose out of the informal economy (that is the sector of the economy which is not taxed or regulated by the state although sometimes tolerated by the authorities) (see Sik 1994). OAMs still display this formal/informal interaction. However, here we can distinguish between institutionalization (the fact that the OAM reappears regularly in a particular place even if it is illegal) and formalization (the extent to which it is subject to state regulation). In order to operate on a regular basis, OAMs have to be institutionalized to some extent, even if they are not formalized. That is, both traders and customers must be aware of the OAMs place and its essential characteristics, such as opening days and hours, the composition of goods, the number of customers (and traders), the level of price and so on, in order to incorporate them into their own economic strategies. In the case of traders it means that a given OAMs become part of their time and space schedule, that is, a stable part of their calendar and their travel route, and they invest human, social and physical capital to enable them to make profits. Buyers, on the other hand, need to know what kind of commodities are traded, from whom and at what prices.<sup>1</sup> As Czako and Sik have illustrated, many consumers invest a lot of time in walking around OAMs gathering market information. However, the institutionalization of OAMs does not necessarily lead to their formalization and OAMs vary widely in the degree to which they are governed by formal or informal mechanisms.

OAMs differ in their degree of formality or informality. However, complete informality of the OAMs is more a temporary exception than the rule, either because they disappear or because they would tend to become more formal. A fully informal OAM would not survive for long as long as there is a state system of regulation which is effective. An OAM would be considered completely informal, if the unlicensed traders in it would sell only forbidden items in secret. Naturally, such an informal OAM

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<sup>1</sup> Note that in many cases the role of the trader and that of the customer overlap or follow each other in market place strategies, e.g. a trader selling his/her own products can decrease the transaction costs of visiting the market by combining selling and purchasing (for reselling back home or just for domestic consumption).

could not exist for long, because, on the one hand, it would soon draw the authorities' attention and on the other hand, since it would not be widely known, its turnover could not be significant. The high risk of being caught and the small turnover would kill such a OAMs in the first stages. The problem can be resolved by moving further towards formalization. To do this, it is necessary to pay some of the duties and taxes (albeit as few as possible) and also to invest some effort and capital in building good relations with the local community by paying market-dues and providing customers with cheap goods. In this way, the local authorities could be persuaded to put up with the existence of the OAM. OAMs therefore represent not just places where buyers and sellers meet, but also places which are controlled spaces, organized in some way usually by some central management. They are policed and controlled either formally or informally and should be accepted by the surrounding community. OAMs are always to some extent organized, or otherwise safe trading could not take place. Commerce requires rules and stability. However, the extent to which they are organized either formally or informally organized can vary widely.

Hence, one way to conceive of this is in terms of a continuum of informality. This means that though it is highly unlikely that traders would pay their full share of public expenses, some of them would pay more while others close to zero. Similarly, while hardly any of the traders would meet all the criteria of employment and commercial rules, there would be traders who would opt for a slightly more formalized strategy.

OAMs can be positioned at different points on this continuum. At one extreme there is the 'newly born' informal OAMs which might be no more than just a gathering of a few vendors at some busy street-corner. These completely informal mini-OAMs would either settle and become institutionalized and then in time, formalized in different ways (in an analogous way to what happens in the case of shanty towns, originally built without any permits, but which later became normal suburbs), or they would reappear daily and then disappear. These gatherings of occasional hawkers offering mainly their private belongings in busy public places were called by one newspaper 'dustbin-markets' (Szalai 1996). They are the archetype of the daily renewable, almost non-institutionalized kind of informal OAM. At the other extreme there are the OAMs with assigned places, regularly attending vendors and stalls where everybody pays taxes and social security.

There are also different levels of formality even *within* OAMs . There are some parts of the OAMs, for example, specializing in certain commodities, or peddlers distributing forbidden products in parking-lots, where dealing is completely informal,

while in the more central space of the OAMs there are areas where there is more formalization. This is described in more detail by Czako and Sik later.

The level of informality is by definition very sensitive to local and central regulations<sup>2</sup>. For example, recently a new brand of informal OAMs were created in Hungary as a byproduct of political publicity seeking. The HDF (Hungarian Democratic Forum) OAMs were engineered by a populist intention on the part of the HDF to provide the poor with cheap goods and bring votes for the party, by bringing together the producers and consumers of agricultural goods directly, thus avoiding trading intermediaries. As a political strategy this failed, since the HDF was the main loser in the 1994 elections. Nevertheless the new network of informal OAMs survived. The main core of these OAMs have permits to be held once a week, but the authorities do not ask for a license from traders and do not check the origin of these goods. Moreover, these OAMs are permanently exposed to increasing informalization through the appearance of forbidden goods which are not the products of primary producers and vendors dealing with non-agricultural products<sup>3</sup>.

Finally, individual traders are also constantly changing their places along the informal–formal continuum. Lozano (1983) explains the way an American flea-market vendor 'plays' with the criteria of formality depending on the duration and extent of his/her venture and social background. Vendors with higher turnovers, more durable ventures, and more stable financial backgrounds are likely to formalize their activities to a greater or lesser extent, while for those on low incomes or being under the pressure of starting a business, doing the same would be an inadmissible expenditure.

In an ideal typical completely formal OAM, all traders would have licenses, all would pay fees and taxes, and none of them would employ unregistered workers. This situation is close to impossible, because traders able to make business under such conditions could buy 'real' shops, could afford the higher set up and operational costs, and as a consequence prices would be higher. Under normal conditions an OAM with high prices would risk losing customers who may opt instead for supermarkets.

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<sup>2</sup> The changes in legal regulations can move market places along the continuum of informality without any substantial changes in reality. For example, if the central administration forces small-scale agricultural producers to register and pay taxes, food markets – which are close to the formal extreme of the continuum – will become more informal.

<sup>3</sup> A similar initiative is being attempted by environmentalist campaigners in England. Their aim is to turn derelict parts of city centres into agricultural markets where fresh vegetables, cheese, meat and other produce can be bought directly from the local producers, thus improving their quality and avoiding environmental damage caused by the transportation of agricultural products up and down the country before they arrive in the shops.

Nevertheless in the abnormal conditions prevailing in some of the former Soviet countries, the lack of development of the retail sector means that OAMs provide a flexible and consumer-sensitive alternative for the foreseeable future (Kaiser 1997).

According to this argument, we constructed a continuum of OAMs where it is impossible to set the boundary between the informal and formal domains but where the two extremes are rare. In consequence, we can consider all OAMs as informal but only to a certain extent.<sup>4</sup>

However, OAMs can shift between formality and informality in the course of their own history. A good example for the shifts between informal and formal mode is the history of the Hortobágy bridge-market. It was traditionally connected to the large Fairs of Debrecen (a major town in Eastern Hungary) from the 15th century. The Hortobágy bridge-market was a 'highwaymen's market', established in the 19th century. At the beginning, it was held at the border of the Hungarian steppe, and was probably a simple cattle-market mostly offering stolen stock. It was recognized by the Debrecen Council as late as 1882. (Dankó 1977c: 404. and 406.) Originally, it was held once, and later twice a year, and was converted into a more formal OAM (i. e. more controlled by authorities) frequented by customers from all parts of the country. After the Second World War, this OAM lost its importance as a cattle market and was fading away, until in the sixties, it was revived as a mixture of a COMECON OAM and a tourists' spectacle. Nowadays it is the centrepiece of a local 'Puszta-Goulash' tourist industry oriented towards Western customers.

Thus, OAMs always have an informal character. In the absence of full legal regulation, informal OAM activities must be regulated by social norms and rules of conduct which develop within these different cultural settings. To some extent these are universal and to some extent they are developed in particular ways by the actors within different OAM settings. For this reason, the study of OAMs as they develop as institutions is an important way of understanding how this takes place.

## *2. OAMs and ethnic groups*

OAMs, because of their international character, bring together ethnic groups of various kinds. For recent immigrants and stigmatized indigenous minorities (such as Gypsies/Roma) they offer the chance of economic activity which is outside the official control system and which does not rely upon traditional 'ports of entry' into business or

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<sup>4</sup> We also assume that the definition of informality (with the emphasis on illegal and irregular economic behaviour) we gave before is closely related to the non registered feature of informality (with emphasis on the statistical aspect i.e. being not considered in GDP-calculations).

the labour market, from which they are often excluded. Also, for refugees displaced by war and for other new arrivals such as Chinese migrants they offer a particular niche (Nyiri 1995).

Some ethnic groups even specialized in trading activities as is the case with the Chinese in South East Asia or the Greeks around the Mediterranean region. In the former Soviet Union, Georgian and Caucasian traders traveled to the northern OAMs with citrus fruits and established extensive informal trading networks which still operate. Caucasian traders are also present in Central Europe. The traditional ethnic group to take this role in Central Europe were the Jews. However, their destruction during the Holocaust left the way open for other ethnic groups to develop trade and it was the Poles who took over the traditionally Jewish petty and itinerant trader business after World War II and more recently during the aftermath of the Marshall Law in 1981<sup>5</sup>. Some ethnic groups, such as Chinese, use their international networks as part of their trading activities and others, such as Polish traders, are able to use an existing Diaspora in several countries.

OAMs also provide opportunities for *indigenous* ethnic groups to come together and the contribution by Trond Thuen (this volume) describes how Bulgarians, Turks and Gypsies who would seldom normally mingle, can all be found rubbing shoulders at the OAMs (see also Konstantinov 1994a). However, OAMs are also places where new ethnic groups meet. The opening of borders has brought Russian traders and prostitutes into Turkey, as well as Ukrainians and Russians into Poland (Hann and Hann 1992). OAMs have attracted Romanians and people from the former Yugoslavia into Hungary as well as very new ethnic groups such as Vietnamese and Chinese traders and wholesalers, people almost never seen before in those parts (Wallace et al. 1996). Because of their relatively open and informal nature and because of the importance of cross border trading, they are places where new forms of ethnic mingling take place, sometimes leading to resentment and animosity (Hann 1992). However, OAMs also help to reinvent formerly segregated ethnic relationships, such as those between bordering countries and ethnic groups, indicating that state borders do not necessarily coincide with ethnic or social borders (see Thuen 1999).

Ethnic groups are important in OAMs because it is often within ethnic groups that informal relationships are organized; they offer a source of trust and potential solidarity in a risky environment (see Wallace this volume and Kaiser, 1997). They are the source of informal sets of rules governing the social interaction of different actors in an

informal climate. However, foreign traders and customers can also become the prey on their fellow countrymen, far away from home and unprotected by the police, through protection rackets and casual robbery (Wallace this volume). Many languages are spoken at OAMs and 'secret' languages inaccessible to anyone else can offer communicative advantages.

### *3. OAMs and morality*

Trading has always been a suspicious activity, condemned by Christianity. Traders - irrespective of their cultural background - were often seen as "strangers" (Simmel 1908) and "sojourners-middleman" (Bonacich 1973) so that all over the world and in every era they were one of the most hated occupational groups (Braudel 1979, Foster 1974). Moreover, on account of their informal character and large crowds of people they attract from all nationalities and social strata, OAMs are often seen as especially dangerous and immoral places. This is particularly the case in the former communist countries where such speculation was condemned for many years as 'parasitic' and is still seen as immoral.

However, the rapid growth in the number of OAMs and the widespread participation in them has therefore lead to a moral sea change. Speculation and consumption are now normal or even encouraged rather than being immoral and condemned as parasitic. This problem of legitimization is addressed by Konstaninov (1998) describing OAMs in Bulgaria and the way these complement the economic transition generally. Konstantinov traces this change to the collapse of the former moral system generally, beginning at the very top layers society and its replacement by an amoral self-enrichment at all levels. According to him, therefore the change in attitudes towards markets reflects the spread of a kind of rapacious capitalist ethic, unfettered by regulatory controls and civil society and this lack of trust is also reflected in interviews with respondents (Wallace et al this volume).

However, these alarmist claims aside, we could say that the wide participation in small scale trading and consumption at OAMs encouraged the penetration of market capitalist values independent of any privatization schemes, vouchers, share holding and other macroeconomic measures. In the micro-economic fora of the OAM peopel honed their skills as price-sensitive and bargain-conscious consumers and traders. Evidence from the traders as well as observation of markets seems to indicate that as a result consumers became more discriminating than they had been in the COMECON markets of the former regimes.

#### *4. OAMs , trading and social capital*

OAMs represent a good example of the way in which economic relationships are socially embedded. Due to their informal character a range of social norms and interactions develop which can involve various kinds of relations - from purely open economic transactions to transactions sheltered by tight knit ethnic and family loyalties. In the post-communist countries of Eastern and Central Europe we can trace the development of different kinds of trading relationships as people take advantage of new opportunities or are forced to participate in new forms of economic exchange on account of the collapse of the formal sector in some countries such as Russia, Ukraine and Bulgaria. The idea of social capital can be introduced here. That is, the use of investments in relationships which supplement or a substitute for financial capital, since these traders and consumers are investment-poor. In the absence of well established banks and with little monetary capital with which to begin their ventures, traders often resort to relatives and friends for loans of money, or in order to help themselves out. The extremely risky and uncertain environment which small traders face, along with external hazards such as police and criminals, which they are not able to control, encourages them to minimize risk through investment in social capital (Wallace et al. this volume).

In this way, trading as a market economic activity is in fact embedded in a whole range of social relationships. Too much informalization into social relationships would stifle trading activities as the free play of supply and demand is replaced by ties of obligation to relatives and friends. However, without any protection, traders in these transitional conditions may face too many risks to be able to survive. Their aim is therefore often to optimize the balance between risk and obligation sufficiently to manage their precarious ventures and they do this not just by accumulating monetary capital, but by investing in social capital as well.

#### *5. OAMs and social structure*

Szelenyi and Kostello (1996) have argued for the importance of the understanding how the penetration of capitalism at different levels has impacted upon the social structure of post-communist societies. Here we can use OAMs to look at both socio-economic differentiation, cultural and status differentiation and gender roles.

In post-communist societies, most women and men continue to work full-time, just as they did under previous regimes, in order to supplement low or declining, incomes. Consumer activities, like those of generating income are the work of both sexes and can

form part of a family work strategy, whereby different members of the household perform different activities in order for the household as a whole to survive. It is evident that gender could be to some extent a way of organizing trading and purchasing. Sik and Czako's (1999) detailed observation of OAMs in Hungary found that whilst men formed the majority of traders, women, especially older women, formed the majority of consumers. Furthermore, they were the most cost-conscious consumers, implying that their budgets were smaller, and were more likely to haggle over prices. They seemed to be the ones shopping for household necessities, whilst men were more likely to be shopping for hobby articles.

What seems to be important is the intersection of gender and generation as older women are often those responsible for managing family budgets and making ends meet on behalf of their own children and their grandchildren too. Furthermore, as the value of state pensions has fallen in most countries even more than wages, they were conscious of not wishing to become economic burdens on their families. Older women could also act as baby sitters and household help to families where members were traveling abroad. However, trading has also given many women opportunities to earn independent incomes and become small-scale businesswomen in an expanding OAM sector. Their awareness of style and fashion can be set to advantage in these circumstances.

Socio-economic differentiation in many post-Communist societies has resulted in widening inequalities, although the usual criteria for measuring social status - income and employment - are not very relevant. High status jobs, such as University Professor, medical doctor etc. can be associated with very low incomes. For professional traders, trading can be a profitable business and a source of social mobility, although for most people it is still a despised activity, associated with Gypsies, Jews and other marginalised groups, leaving traders in an ambiguous stratus position. Moreover, since most of citizens of the countries of East-Central Europe cannot live on the incomes from their main jobs (this varies between 41% in Slovenia and more than 90% in Ukraine see Wallace 1998b), we have to look at additional jobs and informal sector activities to understand how people survive at all as well as the way in which their fortunes may be going up or down (Piirainen 1997). An important source of occasional supplementary income involving small investment is small scale trading and it is why we find such a wider range of people doing it.

Another form of social differentiation is through consumption, as we have already described, and here OAMs offer opportunities for the development of consumer tastes whilst incomes remain low or declining.

## **Conclusions**

In this article we have tried to show both how an understanding of OAMs can contribute to an understanding of processes of transformation in Eastern and Central Europe, but also how an understanding of post-communist OAMs can cast light understand the role of markets more generally.

By tracing the changing situation of OAMs according to institutional conditions, we can see the role which the interaction of state and market plays in the everyday life of citizens. The OAMs compensate for the dysfunctions of the general redistributive system under communism but also in post-communist conditions where they were a response to the 'institutional void' left by the retreat of the state but the incomplete establishment of regulated capitalism. Whereas in some countries this institutional void is being closed and OAMs are left to supplement a regular retail system, in other countries the void is widening and OAMs can be a substitute for it. However, OAMs are never fully formalized and always remain partly in the informal economy.

By considering the case of OAMs, it is evident that capitalism did not suddenly enter Eastern Europe after 1989. The OAMs are a bridge between the capitalism of the past, the second economy of the communist period and the capitalism of the present. They express consumer values and behaviour at an every day micro level as well as being a source of entrepreneurial activity. OAMs have therefore helped to bring about value change as trading loses some of its ambiguous moral connotations and consumer culture, encouraged by OAMs introduces new styles of life and forms of stratification.

However, most importantly, the OAMs are the bridge between low or declining incomes and rising consumer aspirations in countries where large parts of the population have been plunged into poverty at the same time as being offered greater "freedom" to consume.

Finally, OAMs encouraged different activities amongst men and women as consumers and traders, between ethnic groups and contribute to the emerging social stratification systems by offering both consumption and income earning opportunities.. OAMs are therefore socially embedded as well as being economic institutions and we

need to appreciate these social rules of interaction and they way the have affected different groups. In the following papers these issues are explored more fully.

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