South Asian business networks and informal markets : some reflexions around an equation

Neither networks nor informal markets figured in the world of mainstream neo-classical economics. Economists of that persuasion viewed the market as a somewhat abstract category, a sort of virtual space in which supply met demand , resulting in a price equilibrium, but were not interested in looking at the way markets functioned in the real world. As summarized by Joan Robinson in a classical formulation, « The concept of the market in the economic theory was…conceived as an exchange of goods for goods between individuals differing amongst themselves in their particular « endowments » and their particular « tastes », but standing in symetrical economic relation to each other ». Even Alfred Marshall's famous and often quoted description of a wheat market in Southern England circa 1914, the closest thing to the description of an actual market by an economist , focused on showing how a price equilibrium resulted from the transactions that took place , rather than on the specificities of that particular market. Networks did not feature in that neo-classical universe , where the sole economic agents, as mentioned by Joan Robinson, were individuals deemed to be motivated by rational calculations about their interests. The assumption about the universality of that kind of markets was challenged in its temporal dimension by Karl Polanyi, who, on the basis of work by historians of the ancient and medieval world , argued that the market was a recent phenomenon, the result of a « Great Transformation » , and that, in earlier periods, economic transactions, including those that took a monetary form, had been « embedded » within social institutions. That became known as the « substantivist » position, to which was counterposed the position of the « formalist » school that held that the market had existed since times immemorial, when buyers and sellers had met to engage in the exchange of goods. Polanyi's insight was appropriated by social anthropologists, who showed that, outside the Western world of advanced capitalism, embeddedness manifested itself through the widespread existence of non-market transactions. Even when market transactions could be observed, they were characterized by the existence of asymetries and did not correspond to the economists' idealtypical market. Thus Clifford Geertz, in his *Peddlers and Princes* (1963), offered a thick description of markets in Java, which can be used to characterize informal markets in general. His analysis of the *pasar* (bazar) of a town in Java brought out three different dimensions : the flow of goods and services that were exchanged, the set of regulatory mechanisms that sustained that flow, and, lastly the social and cultural system within which it was embedded. The second point is of particular importance : an informal market is not an unregulated market, but the mechanisms that regulate it are not of a legal nature. They are, according to Geertz : 1) a sliding price system, in which price equilibrium is therefore always precarious : to quote Geertz : « instead of exactly calculated prices, one finds the setting of broad limits within which buyer and seller explore together the finer details of the matter through a system of offer and counteroffer » ; 2) a complex balance of carefully managed credit relationships , leading to the emergence of a hierarchy of traders ranked according to their position in the system ; 3) an extensive fractionation of risks and, as a corollary, of profit margins. Geertz did not however find a coincidence between that kind of informal market and the operations of particular networks : on Javanese markets, he found that Javanese and Chinese traders related to each other as individuals rather than as members of distinct ethnic networks. It was in the late 1960s, a few years after the publication of Geertz's book, that there emerged, also from social anthropology, what became a very influential paradigm, that of the « trading diaspora ». First formulated in a famous article by African anthropologist Abner Cohen, « Cultural strategies in the organization of trading diasporas » (1971), on the basis of fieldwork done in Nigeria amongst Hausa traders in

Yorubaland, it emphasized the success of a network of dispersed traders belonging to the Hausa ethnic group , largely coinciding with one particular Muslim brotherhood, the Tijjanya, in solving a set of problems linked to the high degree of uncertainty and risk that prevailed in the markets of a pre-industrial society. Success on the market place was thus explained by « cultural » factors, ie the cohesion displayed by a group of traders linked together through a common ethnicity and a common religion. At a later stage, Cohen's thesis was generalized by Philip Curtin, an African historian ,in his book *Cross-Cultural Trade in World History* (1984) : Curtin saw the « trading diaspora » as a crucial institution in the handling of long-distance trade over the entire span of human history previous to the Industrial Revolution. Although he cautiousy avoided to take sides in the controversy between substantivists and formalists about the meaning of the market prior to the « Great Transformation », he appeared to view the existence of contemporary trade diasporas such as that analyzed by Cohen as residual , the result of gaps in the universalization of the Western pattern of capitalism. The question of embeddedness was however recast by Mark Granovetter in a welll-known article of 1985, in which he bascially told both the formalists as well as the substantivists : « a plague on both your houses », arguing that economic transactions were always embedded within social relations. Although Granovetter himself did not dwell on that aspect, it could be argued that networks are one clear manifestation of the way in which economic exchanges are embedded within a net of social relations, inasmuch as networks often have an ethnic and/or religious basis in many parts of the world, and link economic agents through non-economic relations . The taking into account of that dimension led some to argue that ultimately markets themselves could be analyzed as networks. This is however a fairly extreme position, and a more commonly held view, albeit often implicitly, is that there is a specific correlation, or even an equation between networks and informal markets. It is this « equation » between networks and informal markets, that I wish to attempt to deconstruct, but not to falsify, in the rest of the paper.To do that, I shall draw on material derived from a study I did of two specific networks from the province of Sind in British India which was published as a book in 2000. I shall present three case studies, which show that the correlation between networks and informal markets can vary enormously, according to place, time and the kind of commodity one deals with.

The first case study focuses on the market for something which is rarely thought of as a commodity, ie death. Let me explain briefly the background. In the late 19th century, a large body of diplomatic corrrespondence between the British and Russian authorities was generated by the problem of the estates of British Indian traders who died in Russian Central Asia, while their families were in India, actually in the town of Shikarpur in Sind from where almost all Indian traders in Central Asia originated. The problem arose of how to transmit the residue of the estate to the legal heirs in Shikarpur, in the absence of a developed body of international private law regarding successions, as well as of specific Anglo-Russian conventions. The problem was compounded by the fact that most successions occurred in the emirate of Bukhara, which was a Russian protectorate, where Russian law was not in force, but where the legal system was a mixture of Islamic and customary law. To cut a long story short, an official system developed by which sums were transferred from Bukhara to Shikarpur through an extraordinarily complicated circuit via St Petersburg, London, Bombay, Karachi and the neighbouring town of Sukkur, the district headquarters. It took an average of two years to be completed, involved the signature of half a dozen officials and three operations of change to convert Bukharan tengas into Indian rupees via the medium of rubles and sterling. However, a parallel circuit existed, as discovered by the District Magistrate, Jean-Louis Rieu, following an enquiry into the milieu of Central Asian traders in

Shikarpur. I give a detailed acccount, which shows how the estate was eventually sold at auction, an auction organized by the Shikarpuri panchayat of the locality where the deceased trader resided , while the heirs in Shikarpur received , through the medium of a *hundi* (bill of exchange) a sum which represented only part of the value of the estate, but could be quickly encashed, a point of importance for families which were often hard-pressed for cash. We see that successions generated a market, which was undoubtedly an informal one, but this market existed only because there was a Shikarpuri network, that was complicit in the whole operation , which was illegal inasmuch as it involved putting forward a fake heir for the purpose of settling with the Bukharan authorities. So in this case, an informal market and the existence of a network are closely linked.

Another case study shows what can happen when an attempt is made to formalize an informal market , in this case the market for information about Russian troop movements , in other words a spying operation. Since Shikarpuris were practically the only British subjects to travel regularly between British territory and Russian Central Asia, British officials were in the habit of interviewing them on their return to try to obtain information of strategic value about Russian Central Asia. In one particular case, things went further. In 1907, two big Shikarpuri traders brought a case against the Secretary of State for India before the Sukkur-Larkana district court . They alleged that in 1903 they had signed a contract with the Commander-in-Chief, Lord Kitchener himself, by which they promised to send men disguised as tea merchants into Russian territory to collect strategic information, and were promised in return a fee of 10 000 rupees by the C-in-C. While their claim is on the whole hardly credible (and the court case was quickly withdrawn), it is significant of a desire to make the informal market about information, a crucial commodity for traders as well as military officials, a formal one, regulated by contracts, susceptible of being enforced by law courts.

One could interpret this as a move by members of a trading network to move from a « black » economy to an official one, a move which failed because of an extraordinarily naïve view of the nature of state interests.

The third case study is meant to show how a trading network that had started its operations in what can be called the « informal sector » of the economy could insert itself successfully into the world of legitimate international trade by playing on two diffferent registers. This is basically the story of the Sindworkies of Hyderabad, who started peddling craft products from small workshops in Sind firstly in Bombay, then in Egypt and a growing number of foreign countries, and ended up owning a string of shops in major ports and top tourist destinations where they sold silk and curios to an international clientele. This transformation was linked to shifts in both supply and demand factors , and resulted in changes in patterns of financing, with a growing recourse to advances from Western and Japanese banks, and in pricing policies, which evolved from the « sliding » prices typical of the bazaar to a system of fixed prices. It could be argued that the entry into a more « formal » market brought about a lesser dependence on « networking », but this would be only partly true, as Sindworkies continued to draw on their Hyderabadi network for recruiting their employees, and also for loans in case of difficulties with the banks. That particular case study reveals that the correlation between networks and informal markets can be subject to significant fluctuations over time.