

The informal markets /of used products/ of Central and Eastern European countries

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Abstract: In our sociological research conducted in 2006-2007 twenty-five junk traders and one- hundred customers were interviewed or/and asked to fill in questionnaires. The research focused on the role of junk trade as a possible way of rising to higher social levels. To support the recognition of the process, our researchers visited almost 150 settlements in Hungary, Austria and Serbia for participant observation. Garbage becomes a commodity anew through the collection by our fellow countrymen. By their activity these traders generate new markets in Hungary and in Eastern-Europe. The average customer can directly buy from the sale-yards of traders, or can meet their stock on weekly, monthly fairs, where a bigger supply offers the excitement of finding the right “treasure”. Thus, the cast-off commodities of the consumer society once again and through their almost endless circulation become useful and symbolic tools of other societies wishing to emerge into a consumer society. In the beginning of the change of regime, many were forced to find new sources of income after their fall out from the labor market. As many agricultural cooperatives ceased to operate, the number of the unemployed rose sharply, and for a certain part of the untrained rural population junk trade meant the only possibility for earning their living. For many Romas living in regions stricken by high unemployment rate, the recalling of family memories of herb picking and hawker life helped to start the junk trade activity in the nearby Western European countries. The trade of second hand goods is of course a much more complex and diversified process, with more complex motives in the background.

Key words: Junk trade, junk traders, jumble-sale, flea market

Introduction

The emphasis shift toward consumption was generated earlier by the acquisition of technical revolution (*Berger; 1992*) and led to an endless growth oriented production, where the objectives of the production process is no longer confined only to meet the basic needs, but to satisfy other – often individual – demands as well. Impacts of fashion in the production can be easily measured (*Simmel, 1973*), not only by its feature of generating endless circulation, but the change of fashion have a persuading power to triggering repeated consumption, as well.

In a consumer society the value of non-perishable consumer goods is diminishing very quickly and in a few years – depending on product type – regardless of their usability they can be sold only for a fraction of the original purchase price. The usage value diminishes with a much slower rate, thus the prodigality of consumer societies can be detected on this area, too.

Cast off products are materials for the recycle and reuse industry and consumer goods for people of poorer societies. Possession of non-perishable consumer goods reflects the social situation of their owner/user, can signal the unlimited or limited financial possibilities, and by showing them off their master can rise to a higher level of social prestige.

By the purchase of new non-perishable consumer goods one acquires a "service" package of these products, a form of investment, which can be too expensive for poorer people. They can, however acquire a second hand, thus cheaper form of these desired - but already used - non-perishable consumer goods (*Scitovsky, 1995*).

In the USA and in areas of greater wealth of the EU jumble-sales animate the economy by helping the change of used products for new ones, therefore demand of new products grows. In poorer countries of the world (e.g. Serbia during and after the Yugoslavian war) used products arrive from abroad, weakening the domestic market by distracting sources from the purchase of new products. The same can be detected in Hungary, in the market of second hand clothes. There are layers of the society who never buy new clothes, because second hand shops satisfy the demand they generate.

Another segment of the junk trade feeds from the desire of wealthy people to collect things to increase their wealth. These markets attract a certain part of the available income and trigger similar macroeconomic effect like reserving money. The activity brings pleasure and leads to possessing of articles, too. Several objects can be ranked here: first edition books, paintings of famous masters, antique jewellery, ceramics, furniture, etc. Most of them belong to the prestige goods and the possessing of them brings recognition and pride.

Since supply is restrained, growth of demand manifests in rise in prices. Most of the purchasers of valuable articles nowadays are from the newly rich

segment of the society (in the last few years in the city centre of Budapest several new galleries and antique shops, auction houses opened to satisfy this demand). Collection of articles partly withholds the performance of the economy, partly accelerates the rise of price level, and on the whole has a stagflation effect (Scitovsky, 1995).

It can be established that demand of both poor and rich for used products decrease the aggregate demand for new products which moderates the growth of the economy. On the other hand the second hand product market contributes mostly to the increase of the black- and grey economy and there are hardly if any revenue in it (taxes, customs, duties, etc.). Tax and social security avoidance can have a destabilizing macroeconomic effect. The greater the economic crisis in a developing country, the stronger this effect is.

In her study for the World Bank Ringold (2000) deals with the social aspects of this research area in a Central-Eastern European context, and pays extra attention to the situation of the Roma minority in the period after the change of regime. The traditional occupation of Roma people - like wood carving, metal work and handicraft - became unwanted at the beginning of the twentieth century along with the development of industry. At the same time new employment possibilities became available for them - e.g. untraditional cultivation, trade with clothes and textiles. After the change of regime Roma employment index significantly decreased - in Hungary it dropped to 26 %, and in case of Roma women it is as low as 17%, while the index in the whole Hungarian active age group was 60%. Maintaining their existence Romas had to find new legal (and sometimes illegal) income sources, like foreign work, season works in agriculture, herb and mushroom picking. Survival strategies include working in the black or grey economy, and here can be mentioned the collecting and recycling of used goods, and trade of second hand clothes, selling on flea markets.

Material and method

In the framework of the OTKA 049335 research project between 2006 and 2007 we studied how the trade of second hand products can contribute to the ascension of slivering layers of society. In our sociological research questionnaires and interviews were applied to learn the opinion not only of junk traders, but of costumers as well.

Research focused on certain microregions of West-Transdanubia in Hungary (e.g. micro regions of Zalaszentgrót, Nagykanizsa and Tapoca), on the city of Graz in the case of Austria, and in the case of Serbia on the town of Subotica. The importance of junk trade in the latter is greater than it is in the EU member states and has more similarities to that of Eastern-European countries.

Our researchers visited almost 150 settlements for participant observation and for setting up a database of junk traders, official recycle traders and flea markets. In Hungary we found 137 settlements where some or all of the activities mentioned above existed. The result of this part of our research was presented in a map, and it shows not only the number of people and undertakings involved in junk and registered recycle trade during 2006-2007, but it also indicates our area coverage (Figure 1.).

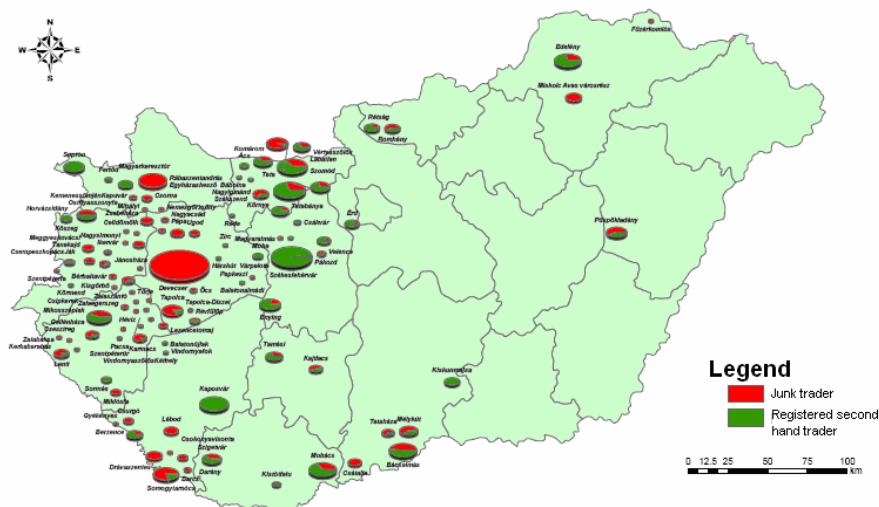


Figure 1: Registered second hand traders and junk traders in Hungary.

Consumer status group examination took place in 2006. 100 second hand product buyers were asked about their opinion of purchase habits and junk trade with questionnaires. We applied no representativity restrictions, buyers were asked in jumble-sales, registered second hand shops and big weekend fairs. During 2006-2007 participant observation was carried out and 25 interviews were made for exploring the economic motives and life story of junk traders. In our approach trade of used products, junk trade embodies the forced economy created social group with its special lifestyle, adaptation ability, value system and internally segmented structure.

Results

Techniques applied by junk traders for collecting used, second hand products in Western Europe.

In Central- and Eastern European countries significant demand arose for cheap products of good quality. The demand was satisfied partly by the introduction of used products in the markets of these countries. The collection of the out-of-date, obsolete objects of Western Europe developed into a heavy business and for tens of thousands it means a subsistence source. Quasi enterprises operate just like legal undertakings, only they work in the black or grey economy and market.

Junk trade has similar characteristics in Austria, Switzerland, Germany, Belgium and Netherlands and possibly in all over the world. The process starts with the announcement of junk clearance at the beginning of the year (just as it happens in Hungary where usually there are two clearances; one in autumn and one in spring). The actual date (month and day) of these actions is specified by the settlements.

Citizens of the towns put their superfluous and most different things, e.g. furniture, household equipments, waste metal in the front of their houses. The transport of these things would mean extra cost for the citizens of Western European countries but junk traders do it for free. According to our observation junk traders do not necessarily come from post-socialist countries. They - just as it is in Hungary - usually arrive from the early morning hours. They sort out the goods they are interested in and after a short discussion they make an agreement with the owners concerning the price, then put the chosen products on their trailers or pick-ups. Things that remain are usually useless waste and have to be transported to waste depots. These operation facilities have environment permission and usually are open only on certain days of a week, or certain periods of a month when citizens can transport their useless, faulty objects – often in limited quantities – to the depots.

There is another way of collecting their stock: entrepreneurs can wait for costumers at the local waste depots. Since waste deposit is usually subject to fees, owners are pleased to offer their load to the traders, or can invite them into their house to transport the obsolete things from there.

Another sort of junk trade is the rubbish hunt on waste clearance markets. Usually this activity aims at funding a non-profit civil organization from the takings. Most of the cases the fire-department or the voluntary fire brigade receives the second hand products and sells them. From the takings they can cover part of their operation costs, but also they organize beer-festivals during these clearance campaigns, so waste management continues in a civil outing, where children and adults of the town can spend time together.

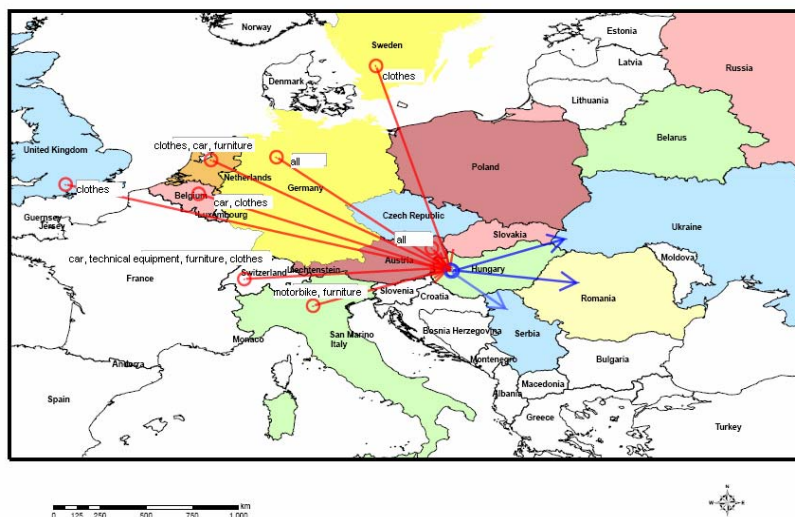


Figure 2: Routes of junk trade from Western Europe to Hungary and forward to Eastern Europe

A further possibility in junk trade is to attend flea markets, which are very similar of those in Hungary. Flea markets have different opening hours and are operating in weighty regions, in the seat of provinces. Open flea markets welcome citizens who can bring their junk here and try to sell them. Other type of flea markets is operated by junk traders.

At the same time junk trade activity has another aspect, when “specialists” collect junk from the regular junk-clearances in the cities, as rubbish-hunters. Junk clearances offer a wide selection of obsolete products, and junk traders are often specialized for a certain type of goods; e.g. furniture, electronics, vehicles, bicycles, non ferrous metals, which after transportation are sold at the trader’s place.

Junk trader characteristics

Living in Hungarian villages after the change of regime became hard as many of the former employers (usually agricultural co-operatives) shut down. Those who lacked sufficient level of education and did only manual work had to find other sources for sustaining their livelihood. Thus rubbish hunting which once was an activity that belonged to the socio-cultural aspect of poverty became an occupation. *‘At the beginning mostly people of Roma origin practiced this activity, but in the latter years - partly because of feeling the chance for profit, partly because of the unemployment – even the low-middle class started to trade with used, second hand products.’*

Table 1: Frequency of occurrence of goods coming from certain countries according to the junk trade interviews.

	motorbike	dinner set ; painting	second hand clothes	used car	furniture	sporting goods	pram, child car seat	bicycle	TV, monitor, video	technical equipment	interior decorating	home appliances	metal waste, aluminum wheel, tire	lawn mower, trimmer, chainsaw	Other junk accepted by the MEH
Austria	1	1	2	1	4	1	2	1	3	1	0	0	2	3	2
Germany	1	1	3	1	8	0	1	2	5	3	1	3	1	4	1
Netherlands	1	0	2	1	6	0	0	0	3	2	1	1	1	3	1
Switzerland	1	0	2	0	4	1	1	0	3	1	0	1	1	2	1
England	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Belgium	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0
Sweden	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0
Internal	0	0	0	0	0	0	0	0	0	0	0	0	1	0	2

The technical knowledge and craftsmanship of traders determine their chances of selling the products they transported to Hungary. Uneducated traders sell the product in the same state of repair they found it. There are traders however, who have these products repaired by Hungarian craftsmen and sell after maintenance. Uneducated, untrained traders usually are occupied in collecting furniture, non-ferrous metals, building materials. Those who are trained work differently. They purposefully look for more valuable home appliances since in case of faulty operation they can repair them. This was they are selling more useful and better appliances. Those who hunt the clearances for china, or paintings usually know their ways in arts and utilize this knowledge cleverly. Those who look for used vehicles or agricultural machinery usually have a kind of agricultural, mechanic qualifications; therefore can perform the necessary repairs.

A part of the junk arriving from Western Europe finds its new owners in Hungary, but part of it is re-exported by wholesalers toward Eastern Europe (Figure 3). According to our findings wholesalers take advantage of the financial plight of junk traders in the winter months when sales are low and they are ready to sell their stocks at a very low price.

The routes of junk

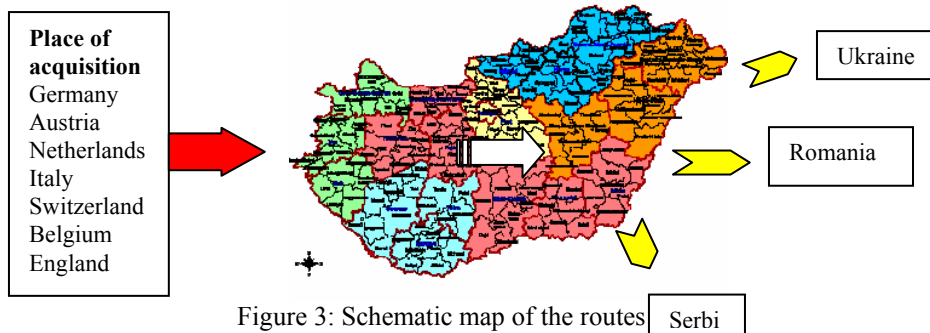


Figure 3: Schematic map of the routes

For being a successful junk trader one needs at least basic level of language skills, since fruitful cooperation with citizens and persons performing the junk clearance process is based on good contact. Many junk traders are able to express themselves in several languages.

The opinion of Hungarian customers concerning junk trade

For the poor and for lower-middle class people the activity of junk traders helps to become consumer in a consumer society. According to them the most important factor in deciding to buy second hand and used products is *“Their (junk) prices are favorable and are of better quality than TESCO products.”* Many are able to buy only here. And those fashionable goods are not really necessary; here you can find nice things”.

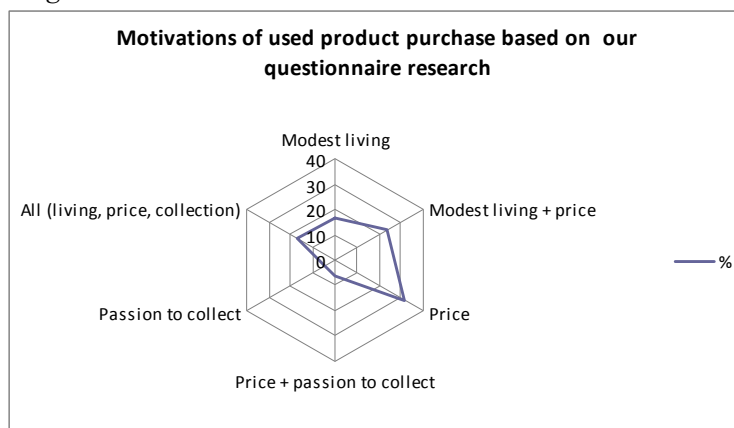


Figure 4: Factors influencing the purchase of used product, based on the answers of 2006

We also asked customers: „*What do you think would be the major reason for the vivid demand in such stores? Is it low living standards, price, or passion to collect?*”

Only 8 % of the interviewees did not answer the question. Opinions of the rest are summarized in the 1. Table. 31,5% of them thought that price is the only reason, 23,9 % mentioned the common impact of modest living and price, 16,3 % thought that modest living is the major determining factor. The possible role of passion for collecting (4,3%) and passion for collecting together with price (6,5%) performed under the expectation. 17,4 % thought that all factors have an impact on the demand.

Junk trade in Serbia

In the research implemented in 2006 a Serbian university student who took part in making interviews concerning the general social and economic situation of Serbia and the junk trade, spoke about that „*in the last 10 years a grey market mentality developed in the people's thinking. As fundamental trade regulation did not operate at all, grey market and grey economy grew and it finally exceeds the size of the legal commerce. The state played significant role in the development of these social and economical phenomena, because wages and supports – if they were transferred at all – were abnormally low thus contributing the growth of the labor market of second-rank jobs. And of course everything that usually goes along with the spread of second-rank jobs manifested either the presence of the mafia, crime or long term structural unemployment.*

This period is characterized by social transformation, local and power politics, social crisis, shift toward peripherality, survival strategies, and dramatic change in the destiny of emerging and declining layers of the society. People had to find under these circumstances those economic opportunities that made them able to meet their needs.

„*From top to toe just for 50 euros*” as a second hand shop in Subotica advertised. In these shops all kinds of clothing and footwear can be found. Especially in the winter people came with their families and they were really able to buy clothing's for everyone at a bargain. Two seasons can be discerned in the second hand trade of clothes: there is a summer and a winter “collection”, but there are of course goods that can be sold in other periods of the year too, e.g. demand for children's clothing is growing around the beginning of the school season. Stock arrived twice a week and could be sold in no time. Some owners even stated that owners of the more exclusive boutiques of the city centre also purchased clothing from their second hand shops. They remembered that even small fights broke loose occasionally for the purchase of a more elegant and more expensive piece of clothing, like a Chanel costume or a fur coat. These clients knew very well the date of transports from abroad and were willing to wait even

half days in front of the shop just to get a more beautiful piece for a low price and then later they sold it for double to their own costumers.

“Young people used to buy a lot of things from my shop, and even directors and wealthy people visited us for coats or suits. But nowadays it is unprofitable to work in this business. There are too many Chinese”.

Lot of people thought that the source of living can be found in the junk trade and like in other Eastern European Countries it became a significant business line. First only simple second hand shops appeared in the country, but later starting from the '90s a large selection of goods arrived from the western countries.

Conclusions

Discarded, used non-perishable products that are no longer wanted in the consumer societies of the western countries can be easily sold in the countries of Central and Eastern Europe (it also applies of course for developing countries). Our findings underline the economic and social aspects of the trade of these discarded goods as explained below:

Economic aspect:

The poorer a country is the greater is the utilization of jumble sale products. At the same time tax revenue deriving from trade and commerce are proportionally lower, since this market operates on the border if not in the area of illegality. Market of used products reduces the demand for new products made by legal undertakings. On the area of consumption opportunities used product market plays however an adjustment role and reduces differences. Grey and black market junk trading operates only with direct costs (fuel, costs related to collecting or buying the junk), but has nothing to do with indirect (administrative) costs (fees paid to authorities, tax, cost of accounting, HACCP, etc.). As long as they can operate under these rather favorable circumstances, these undertakings will flourish, were they forced however to work as registered, legal enterprises, only specialized traders would be able to survive, others would have to shut down.

Social aspect:

Junk trade activity belongs to the quasi undertakings, but attaches strongly to the system of social provision – they frequently beneficiaries of supports and the health care system. It should be noted however, that the rapid abolition of these grey or black undertakings would generate dramatic consequences and since many of the junk traders are of Roma origin, their already bad social and economic status would only worsen.

Sales of junk traders can be considered as an informal market place, where sale and purchase is realized by avoiding the payment of public dues. Grey and black informal markets of course don't offer warranty for the products

purchased here, customers can not be sure in the origin of the product (poor quality; expired warranty period; falsified, stolen, or smuggled goods), and it also refers to the way of sale (sale without permission, illegal work). Usually local or central authorities are satisfied with controlling the collection of fees of using public place as market place and raiding occasionally (Sík, 1997).

Dealers of the flea-market don't differ from the entrepreneurs of the informal economy (Smith, 1987), though they can be obligated to get permission for selling their goods besides paying the public place fee. Along with the new economic crisis the number of people sinking into poverty grew. For the impoverished quasi undertakings mean a source of living. On the other hand junk trading raise environment issues which were not studied in the framework of our paper.

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NEFORMALNA TRŽIŠTA POLOVNIH PROIZVODA ZEMALJA CENTRALNE I ISTOČNE EVROPE

- originalni naučni rad -

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Rezime

U našim sociološkim istraživanjima izvršenim u periodu 2006-2007. godine, ukupno 25 trgovaca starudijom i 100 kupaca intervjuisano je ili/i zamoljeno da popuni formulare. Istraživanje je bilo usmereno na ispitivanje uloge trgovine starudijom kao mogućeg načina uzdizanja na viši društveni nivo. U cilju podrške ovom procesu, naši istraživači posetili su skoro 150 naselja u Mađarskoj, Austriji i Srbiji. Smeće ponovo postaje roba posredstvom prikupljanja od strane naših sunarodnika. Svojom aktivnošću ovi trgovci kreiraju nova tržišta u Mađarskoj i istočnoj Evropi. Prosečni kupac može kupiti direktno od trgovaca ili na nedeljnim i mesečnim sajmovima gde veća ponuda pruža zadovoljstvo potrage za pravim "blagom". Tako odbačena roba potrošačkog društva ponovo i putem takoreći beskonačnog cirkulisanja postaje korisno simbolično sredstvo ostalih društava koja žele da postanu potrošačka društva. Na početku promene režima, mnogi su bili prinuđeni da traže nove izvore prihoda nakon isključivanja sa tržišta rada. Budući da su mnoga poljoprivredna preduzeća prestala sa radom, došlo je do naglog porasta broja nezaposlenih, a za izvestan broj nekvalifikovane ruralne populacije trgovina starudijom predstavljala je jedinu mogućnost zarade za život. Mnogim Romima koji žive u regionima sa velikom stopom nezaposlenosti, porodična sećanja na prikupljanje bilja i torbarenje pomogla su da započnu prodaju starudije u obližnjim zapadnoevropskim zemljama. Ova prodaja polovne robe predstavlja, naravno, daleko složeniji i raznolikiji posao iza kojeg stoji složenija motivacija.

Ključne reči: trgovina starudijom, trgovci starudijom, rasprodaja odbačenih stvari, buvlja pijaca