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**Transnational Trade, Trade Routes, and Local
Marketplaces between the Caucasus and Central Asia**



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Transnational Trade, Trade Routes, and Local Marketplaces between the Caucasus and Central Asia

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Preface

The breakup of the Soviet Union constituted a watershed for its states and societies in multiple ways and initiated overwhelming changes and new expectations in people's everyday lives. Western politicians and economists advertised privatization and the restructuring of planned economies according to capitalist principles as the start of a transition that would soon adopt the supposed panacea of a market economy and lead to a flourishing, prosperous, and democratic society. Today, almost thirty years later, such promising narratives of the "transition" are far from having become reality and seem hardly different from the socialist utopia that the Soviet regime implemented and upheld with great effort from its very beginning.

Especially in the later decades of socialism, both citizens and ruling elites found ways to manage the gap between the proclaimed utopia on the one hand and the everyday realities on the ground on the other. The relationship between state and society was characterized by a tacit understanding of how to play the game of meretriciously representing the system according to ideological principles, and state authorities and citizens alike developed elaborate ways of manipulating the everyday challenges of resource allocation and the economy of shortage. Informal practices, personal networks, and black markets flourished throughout the Eastern Bloc and became cornerstones of the second economy that existed side by side with, and closely interrelated with, the officially propagated model of a socialist economy.

The "transition paradigm" has turned out to hardly match the everyday realities on the ground that anthropologists have documented in their ethnographies. Instead, anthropologists have criticized the teleological assumptions of a paradigm that, in effect, concentrated wealth in the hands of a few oligarchs while the bulk of society hardly benefited from the economic reforms. Although many recent anthropological publications focus on informal practices in the interaction between citizens and the state, their manifestations in the sphere of contemporary market dynamics and trade relations, the manifold ways in which small-scale entrepreneurs and petty traders maneuver within these spheres, and their connection to wider global economic developments still deserve much more attention.

This special issue, edited by Susanne Fehlings and Hamlet Melkumyan, contributes to a better understanding of contemporary market practices and small-scale businesses in Central Asia and the Caucasus from an anthropological perspective. The collection of articles by international scholars provides nuanced ethnographic data on the interplay between macro-economic

processes and the micro-scale realities of traders and markets, as well as the entanglements of state regulations and informal ways of coping with the challenges of neoliberal economies after seventy years of a planned economy.

Furthermore, the authors whose work is gathered in this volume examine processes that are not restricted to their particular fieldwork sites but resonate with similar dynamics and experiences in other postsocialist republics, which are characterized by their common past as part of the socialist experiment. Therefore, this special issue will be relevant for economic anthropologists and other scholars working on postsocialist Eurasia. The Azerbaijani case, which I am most familiar with, resembles in various aspects the phenomena addressed in the following articles. For instance, globalization from below is similarly represented by the bazaars in and around Baku, the largest one by far being the “Sadarak” bazaar, and the numerous traders who obtain all kinds of goods from China, Turkey, and other trading hubs across Eurasia. At the same time, trade and spatial mobility have become central for Azerbaijan’s official rhetoric of self-representation as a region historically bridging Asia and Europe—a narrative that has been strongly fostered and enhanced by the government in the process of rewriting national history since the country’s independence. Also, the concept of “biznes” and the use of the term “biznesmeni” to label full- and part-time entrepreneurs in Azerbaijan and other postsocialist republics describe a wide range of trading activities in the context of economic uncertainty in the neoliberal era and after the end of the Soviet welfare state. However, while hardly any ethnographic study on Azerbaijan has been written without reference to the omnipresent necessity of informal arrangements, the embeddedness of informality in the sphere of everyday market and trade economies is significantly underrepresented in existing studies. The following case studies from Central Asian and Caucasian locales will hopefully provide a fruitful impetus for further research in that direction.

Sascha Roth

Introduction: Transnational Trade, Trade Routes, and Local Marketplaces between the Caucasus and Central Asia

This special issue unites recent research results of the project “Informal Markets and Trade in Central Asia and the Caucasus.”¹ The project builds new understanding about local marketplaces in the Caucasus and Central Asia and the informal economic practices of micro- and small entrepreneurs who work as street vendors or petty and bazaar traders in the region (cf. Fehlings & Karrar, 2016).

The contributors to this issue have conducted research in Armenia, Georgia, Kyrgyzstan, Kazakhstan, Pakistan, China, and neighboring countries since 2016 and earlier. They have focused on individual entrepreneurs who organize their businesses along personal networks and—at least partly—operate in the so-called informal sphere, which is unregulated or little regulated by legal state institutions. The relationship between individual entrepreneurs and the state is thus a major concern in all the studies in this volume, which describe economic practice as socio-culturally embedded, linked to social values, and related to national and international contexts.

The authors thereby build on and discuss the academic literature on informality, economic anthropology and anthropology of the state, entrepreneurship, and bottom-up globalization.

As is well known, the term “informality” was coined by the anthropologist Keith Hart in the 1970s in order to characterize the unregulated work and income opportunities he had observed among migrants in the urban areas of Southern Ghana (1973). Scholars working in the domain of Soviet and Post-Soviet studies have adapted this term and found it useful to describe economic, social, and political practices that rely on social networks, bypassing, replacing, or existing in parallel to state structures and institutions. Post-Soviet states in this context, then, have often been described as inflexible, weak, and ineffective (see e.g. Hardenberg & Fehlings, 2016; Hayoz & Giordano, 2013; Ledeneva, 1998, 2006, 2013, 2018; Morris & Polese, 2014; Rasanayagam, 2011). Meanwhile, the term has found its way into public discourse. It has been related to the notion of entrepreneurship (e.g. Williams, 2006; Williams, Nadin, & Rodgers, 2012; Williams & Round, 2007), and its role in regard to globalization has been widely discussed (Castells & Portes, 1989; Chen, 2007; Hart, 2005; Portes, 1997).

In the context of their research, the authors started, as mentioned above, from the opposition between state regulation and un- or partly regulated

¹ The project is funded by the Volkswagen Foundation and runs from 2016 until 2019.

economic practice, engaged in individually and organized along social networks. This activity, which is usually perceived as “informal,” is not classified as illegal or criminal and sometimes even receives the tacit approval of the state (Bernabe, 2002). As the reader will recognize, in this volume, the theoretical concept of informality is just a starting point from which to dig deeper into the above-mentioned relationships (between the economy, the state, and socio-cultural values), which have been at the center of anthropological investigation since the beginning of the discipline.

The entrepreneur plays a specific role within this dynamic interplay. Entrepreneurship is usually associated with innovation. According to Shane and Venkataraman (2000) it implies processes of discovery, evaluation, and exploitation of opportunities. As stated by **Philippe Rudaz** in this issue, individual entrepreneurs or micro- and small firms fitting into this scheme can be legal entities or not, and may operate in the informal or formal sphere. It depends on the institutional framework within which entrepreneurs are embedded how opportunity is perceived and which strategies entrepreneurs choose to operate or grow their businesses. An important question in this context is whether vendors and traders become entrepreneurs by default or by choice—whether they are driven by necessity or by opportunity.

Many of the entrepreneurs described in this volume would probably claim that they are driven rather by necessity than by opportunity. Many avoid formal authorities and do not register or only partly register their businesses. Keeping no accounts or keeping two sets of books seems to be common practice (Bernabe, 2002). However, the markets and businesses described here are more than random phenomena and are—in many regards—important to the locations in which they exist. They connect specific local settings with the global market and are the reason why goods, people, ideas, and consumption patterns travel across the whole of Eurasia, linking places that stretch between China, Pakistan, Iran, Turkey, and Western Europe.

A common term that comes up in this context of transnational connectivity is the notion of the “Silk Road.” **Hasan H. Karrar** discusses the concept of the Silk Road, which is widespread and popular in the Caucasus as well as in Central Asia. He distinguishes two levels of Silk Road narratives: 1) the level of the political imaginary of the Silk Road shaped by power, and 2) the bazaar, which manifests in specific locales. These diverging frames, according to Karrar, reveal the story of two contemporary globalizations, one regulated by state power (globalization from above defined by formal bodies), one forged by individual entrepreneurs (globalization from below) as constituted by tens of thousands of independent businessmen and businesswomen (Appadurai, 2000; Castells & Portes, 1989; Portes, 1997). While the former is described as a globalization in which mobility transcends borders, the latter is a globalization despite borders.

Ketevan Khutsishvili, in her contribution, reports on the developments and changes of a specific bazaar in Zugdidi in Western Georgia. Starting with the history of the bazaar, which she traces back to the Middle Ages and through Soviet times until today, Khutsishvili characterizes the contemporary market as a vibrant place of communication. Located in Georgia's de facto border region with Abkhazia, the marketplace plays a vital role in the exchange of goods, information, and people in the region. Khutsishvili's example thus gives insight into the processes mentioned by Karrar: She describes a bazaar that takes concrete form in a specific locale, and she reports on exchange despite borders, which can be framed as a process of globalization from below.

Globalization from below despite borders, however, depends on political frameworks. In Eurasia, the reform era in China, perestroika, and finally the dissolution of the Soviet Union were, as described by **Susanne Fehlings**, starting points for the development of informal trade within locales as well as across the region. Former Soviet citizens who had lost their jobs as a result of economic and political collapse took advantage of the new visa regimes and the market system and got involved in shuttling goods to make a living. Their strategies and practices were manifold. While some individuals travelled to destinations as distant as China, India, or Turkey and took advantage of price differentials across these distances, other people found a niche in local petty trade or street and bazaar vending. Fehlings describes how in the early 1990s, there developed a socio-economic gap dividing the young group of new entrepreneurs referring to themselves as "biznesmeny" into two subgroups. Both subgroups are associated with informal practices and assessed by local people according to prevailing value systems. The first subgroup consists of so-called oligarchs and the new rich, who are sometimes associated with criminality and corruption because they have managed to accumulate wealth and to get their hands on economic and political (sometimes even religious) power through sometimes dubious means. The second subgroup, by contrast, includes individuals who are often involved in trade to manage daily survival. The female petty traders described by Fehlings, or people working for modest profits in flea markets, fairs, and bazaars like those described by **Melkumyan** and **Taalaibekova**, **Antonyan**, and **Khutsishvili**, can be classified as belonging to this second group. They are often presented as victims and indicators of the sick post-Soviet economy, and they have, as we learn from **Rudaz**, little chance of growing or formalizing their businesses.

All the articles in this volume, as already mentioned, describe in one way or another the oscillations between formality and informality and the conflicting and competing interests of entrepreneurs and state bodies. Sometimes this competition and conflict is materialized in the marketplace. **Hamlet Melkumyan** and **Gulniza Taalaibekova** state that the Armenian state, after the collapse of the Soviet Union, was weak and had difficulties in gaining control

over public space. As a result, street vendors and open-air markets became informally established in the center of the capital of Yerevan. Using portable tables, traders thus commercialized public space and made it their outlet. But in recent years, there has been an almost invisible shift. The state has become stronger, and public space has been transformed into a commodity to which access is regulated by governmental bodies. This shift is symbolized in the transformation of the so-called Vernissage market, which for decades was an ad-hoc informal flea market but now has turned into a tourist attraction and a formalized material structure with fixed tables. Of course, such transformations go along with social change and conflict.

Yulia Antonyan, then, gives us an example of how, even if states are gaining power over public space, informal market structures may emerge spontaneously—and even with the support of formal bodies during festivals. On the basis of observations made during the Armenian Christmas and Easter holidays, she describes how festive fairs and street vending become established during religious holidays in major parts of the Armenian capital. Antonyan shows how these informal markets are perceived as prestigious, how they are supported by formal structures, and how they are linked to charity, Western lifestyle ideas, and perceptions of local cultural identity and authenticity. She describes the specific nature of the fairs themselves and the consumption patterns that take place in these settings. The fairs, their local and non-local goods, and the consumption of local consumers tell us much about the entanglement of local and global flows of practices, goods, and ideas, and the discourses that contextualize them.

In summary, the articles in this volume give an overview of different marketplaces and economic practices in Central Asia and the Caucasus. They discuss the nature of economic activity, the entanglements of formal and informal practices, the involvement of the state, and the role of entrepreneurs in the local and global arena.

The topic of grassroots globalization pops up in almost every paper. People who have been involved in informal trade since the 1990s created new trade routes (see Fehlings and Karrar), which often bypassed legal procedures and formal borders. Thus, informal international trade and mobility generated new interpretations of formal geographies, initially defined by borders, of which the significance has been questioned. In parallel, modern states and formal state organizations themselves took top-down measures to initiate and restore transnational exchange through the building of trade routes and the establishment of trade agreements and other infrastructure. While on the one hand, nation states define strict borders and regulate interaction with their neighbors, even closed borders, as proved by the evidence from our research (see Karrar, Khutsishvili), are crossed by people who engage in different kinds

of transnational exchange by using personal contacts (Lachmann, 2016).² A starting point for this activity was the collapse of the Soviet state. In the realm of the post-Soviet economy, it was necessary to explore new possibilities. Mobility, social and economic practices, and the negotiations of power in diverse marketplaces (Hüwelmeier, 2013), as described in this volume, thereby took a very specific shape as strategies for survival and for gaining profit and wealth.

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² Talk by R. Lachmann, 2016, "How and Why Modern States Became Nation-States" (Yerevan: Focus), <https://www.youtube.com/watch?v=KrdC4xQ9HPg&t=2739s>.

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**The Silk Road versus the Central Asian Bazaar:
Two Thousand Years — or Twenty-Five Years —
of Exchange and Mobility?**

Introduction

There are two divergent frames for thinking about Eurasian exchange and mobility: the so-called Silk Road, which has purportedly engendered East-West connectivity for two thousand years, and the contemporary Central Asian bazaar, which emerged during the twilight of the Cold War, in the wake of perestroika in the Soviet Union and the reform era in China. Today, the Silk Road references a Eurasian space; in doing so, it is a political imaginary shaped by power, just as it was when the term was coined in 1877 (Chin 2013). The Central Asian bazaar, by contrast, illuminates how political economy is materialized and manifests in specific locales and in local polities. In setting up this binary, I am neither erasing nor simplifying the history of inter-Asian connectivity. Rather, these diverging frames reveal the story of two contemporary globalizations, one from above and one from below.

These two frames are manifested in popular narratives. A narrative about the Silk Road or about the Central Asian bazaar constructs and amplifies a particular telling of history; in doing so, such a narrative is based on a particular understanding of the present and is structured by political power. In the construction of these two narratives, the two-thousand-year-old Silk Road and the contemporary bazaar, two different stories of globalization emerge. In this essay, I argue that the Silk Road narrative represents globalization from above, whereas narratives about the origins of the Central Asian bazaars reveal the story of globalization from below, or grassroots globalization. Additionally, globalization from above references a world where mobility transcends borders. In grassroots globalization, mobility is there, but it is a mobility *despite* borders.

In the first instance, the Silk Road is said to have a history going back some two millennia. In this *longue durée* narrative, pre-modern connectivity serves as a precursor to today's globalization from above. In recent years, such narratives of connectivity—in the form of successive Silk Road imaginaries—have served the purposes of states seeking to deepen economic and political cooperation across Afro-Eurasia. China since the Cold War is an obvious example of a state that has sought to capitalize on successive framings of the Silk Road, although other Eurasian states, such as Afghanistan, Armenia, Georgia, Iran, Japan, Pakistan, and the post-Soviet Central Asian states have from time to time capitalized on their locations at what are imagined as Asian crossroads. These desires are state projects, in which steadily deepening and broadening connectivity through formal mechanisms represents a globalization

defined by investment regimes, trade agreements, currency transfers, and tariff regimes. Here, the border is less a line that separates, and more a marker of neighboring sovereignties that plays a limited role in Eurasian exchange and mobility.

But turning towards the contemporary Central Asian bazaar lends itself to a different story. Here, the narrative shifts to how, following the reform era that was initiated in China by Deng Xiaoping in the 1980s, and with perestroika in the Soviet Union, petty trade was allowed to sprout across the region. Following the disintegration of Soviet manufacturing, the collapse of the command economy, and widespread under- and unemployment after 1992, tens of millions of people across the former Soviet Union took to shuttling goods—often from China—to make a living. This grassroots globalization was based on informal cash transactions. The Central Asian marketplace was a place to eke out a living; it was not described as connected by Silk Roads. What it was, instead, was a place where routes intersected; these routes were forged by independent traders who followed price differentials. The state did not have a narrative for grassroots connectivity.

Globalization in a Borderless World: The Twenty-First Century's Newest Silk Road

The winding down of the Cold War and the collapse of the Soviet Union were accompanied by a wave of analyses of the new global geopolitics. Francis Fukuyama famously proclaimed the “total exhaustion of viable systematic alternatives to Western liberalism” (1989, 3). Kenichi Ohmae predicted the growing irrelevance of nation-states and boundaries, so that merchandise and capital would now flow easily across borders (1995). Maso Miyoshi argued that the end of the Cold War had accelerated the decline of the nation-state, observing also that with the effectiveness of transnational corporations, “nation-states more and more look undefined and inoperable” (1993, 742-743).

Such views were an acknowledgement that the Cold War state system, insofar as there could be said to be one, was giving way to new flows and to integrated regional and global economies. Describing the affinity for a “borderless, post-national world” in the wake of the 1990s, Anssi Passi considered new state configurations as a re-scaling in which nation-states devolved power to other bodies, such as the European Union (EU) or the North American Free Trade Agreement (NAFTA) (2009).

Eurasia, too, saw multiple new spatial-political formations, some of which, such as the Commonwealth of Independent States (CIS), which was formed in December 1991 as the Soviet Union collapsed, and the Shanghai Cooperation Organization (SCO), which came into existence in 2001, included Central Asia. Although the CIS had a limited role in post-Cold War Eurasia, as I have argued elsewhere, the SCO was envisioned by China as a mechanism for a

political and economic interface between China and Central Asia (Karrar 2017). Indeed, as early as 1994, Chinese Premier Li Peng had described China's deepening ties to Central Asia as a "new Silk Road." In the years that followed—and especially following the Western Development Initiative, whereby beginning in 1999, China sought investment in infrastructure in the western part of the country—the historic Silk Road and the region's past connectivity were increasingly invoked. The Silk Road now became part of the everyday lexicon, an instantly recognizable imaginary for wide-ranging, non-military connectivity between Eurasian countries.

In 2008, for example, the official periodical *Beijing Review* described the traditional Silk Road as "an extensive interconnected network of many trade routes [...] [extending] over 8,000 km." The article also claimed that since the route was created, "the trade connection between China and Central Asia and Europe has rapidly increased [...] [R]oyalty, envoys, merchants and even ordinary citizens from all the countries along the route used it frequently" (Zan 2008). This was a narrative of unrestricted mobility between pre-modern Asian polities.

If this Silk Road referenced a Eurasian exchange and mobility predating European empire in Asia, then in recent years, the Silk Road has come to represent the extension of China's economy initially into Central Asia, and then beyond. On September 7, 2013, in Astana, Kazakhstan, Chinese President Xi Jinping proposed the Silk Road Economic Belt. In Xi's iteration of a now-familiar Silk Road imaginary, friendly diplomatic relations between the Middle Kingdom and its Central Asian neighbors and their geographical proximity, along with mutually complementary economies, would enable closer cooperation for the purpose of "sustainable growth" and "[building] a community of interests" (Ministry of Foreign Affairs 2013). As is now well known, Xi's landmark speech at Nazarbaev University was followed, soon afterwards, by the announcement of a Maritime Silk Road that, together with the Silk Road Economic Belt, would be initially described as One Belt One Road (OBOR) and subsequently rebranded as the Belt and Road Initiative (BRI). This was an expansive vision of connectivity, backed by both multilateral and state financial institutions, that has now come to encompass more than sixty countries across Afro-Eurasia.

The connectivity that Xi proposed was futuristic, and yet one that was framed in a language of historical kinship. Xi harkened back to a bygone Afro-Eurasian ecumene that, as BRI narratives frequently remind us, was traversed by Chinese merchants and envoys, such as the Han dynasty envoy Zhang Qian (d. 139 BCE) and Ming Admiral Zheng He (1371-1433). Since 2013, the silhouetted camel caravan has emerged as the pictorial depiction of this connectivity, an image that has become ubiquitous from the Pearl River Delta in southeastern China to Kashgar in the northwest. Accompanying the narrative

and the imagery has been the universalization of the term “Silk Road,” now used for everything from Special Economic Zones in western China to port development in Gwadar (on Pakistan’s Arabian Sea coast), to tourism promotion in Kyrgyzstan.



Picture 1: Official iconography, such as this mural near Donghu Park, Kashgar, depicts China’s integration into a timeless Silk Road

What is shared by these projects—and indeed, by the many ways the Silk Road narrative unfolds—is that connectivity is predicated on mutually beneficial commercial exchange. As Magnus Marsden has cautioned, “The organizations involved in the production of such images have commercial, religious, and political interests in the region.” Marsden also notes that Silk Road images “are part of a conscious construction of a new capitalist space that transcends old national and ethnic divisions” (2016, 29).

In these new spatial imaginaries, borders are not barriers, as globalization mitigates the restrictive function of boundary demarcations. In official narratives describing the Silk Road, investment and merchandise does not so much as break step while moving across Afro-Eurasia through BRI economic corridors.

Simultaneously, today’s mobility and exchange is described as a world that was created by trade and exchange in time past. Consider how Wang Yiwei of Renmin University recently described Han dynasty (206 BCE-220 CE) envoy Zhang Qian:

Zhang Qian, under the order of Emperor Wu of the Han [...] successfully opened the East-West route connecting Han China with the Western Regions [...] [He] brought back to the Central Plains species such as the Ferghana horse, grapes, alfalfa, pomegranate and flax ... [establishing] commercial relations between China and West Asia and Europe (2016, 29-30).

This origins narrative is mapped onto subsequent centuries. Consider the following from the Belt and Road Research Team at the Chongyang Institute for Financial Studies, also at Renmin University:

The Silk Road is a business route built through [...] committed efforts [...] despite the tough natural environment. The Silk Road, in a broader sense, *refers to each and every cultural exchange and business route formed since the ancient times crossing Eurasia and even North Africa and some parts of East Africa*. It also covers the Maritime Silk Road and the Northwest Silk Road (2016, 23; emphasis added).

The first thing to note is that in such narratives, the Silk Road is geographically ambitious: the Silk Road covers *all* cultural and business routes. (It is in a similar spirit, I would argue, that the BRI may be extended to the Americas, too [Xinhua 2018].) Second, in such narratives, time is dehistoricized. Arif Dirlik, following Benedict Anderson (1991), has described such dehistoricization as “history [...] evacuated of substance, leaving in its wake ‘empty, homogenous time’” (2002, 28). Although Dirlik was critiquing the question of modernity in post-revolutionary China, a similar argument can be made for today’s Silk Road narratives.

I engage with the BRI not only because it is topical, being the newest Silk Road, but because it illustrates how powerful a historically decontextualized narrative *can* be. This is globalization from above. This view of globalization privileges a particular mobility—one that in this case has a constructed past that is made to segue effortlessly into the present day—in which distance and topography might pose obstacles, but rarely political boundaries. Serving as nodes within this Silk Road imaginary are towns and bazaars. Indeed, in a story on the demolition and rebuilding of Kashgar’s old town, China’s official CCTV described it as a “famed trading hub on the Silk Road,” before outlining plans for its renovation (2009). Seen in this light, Kashgar’s newly constructed old city, too, becomes a stand-in for a particular vision of the past, one being put to work for a present-day ideal.

Globalization from Below: Central Asia from the Bazaar Floor

Thus past connectivity—in the form of exchange and mobility—was mutually beneficial and harmonious: Zhang Qian and Zheng He appear as goodwill ambassadors for a benevolent and harmonious Chinese state; in traveling overland to Central Asia, or along the Maritime Silk Road, they paved the way for commercial exchange. This rendering of connectivity is apolitical; it exists outside of political economy.

But what if we scale down from the Silk Road to the Central Asian bazaar, to a history that is a quarter-century old and unrelated to how the state has appropriated the Silk Road? What if this exchange and mobility is recent, following perestroika in the Soviet Union and the reform era in China? What if these bazaars are informal (and unplanned) places for micro-entrepreneurship, places that through their ad hoc infrastructure reveal a circuitous path through tumultuous and localized contemporary histories?

Today, bazaars dot Central Asia. Unlike the Silk Road, which is imagined in particular ways, the post-Soviet Central Asian bazaar has defied easy categorization. In this way, each place, by being grounded in a different political economy, differs from every other. In the post-Soviet states, the bazaar is less a fabled site for exchange of exotic and rare goods, and more a crowded warehouse with uneven aisles and steel awnings, made up of long rows of shipping containers, selling inexpensive consumer goods. This ramshackle outward appearance of the Central Asian bazaar, in fact, has meant that in recent years, the bazaar in Kazakhstan and Kyrgyzstan has been the focus of state attempts at “civilizing” marketplaces by replacing bazaars with modern malls (Alff 2014; Alff 2015).

Central Asia’s largest bazaars are recent. Aside from smaller markets and street peddling, the region has witnessed the growth of three large bazaars, Barakholka in Almaty, Kazakhstan, and Dordoi and Kara-Suu in Bishkek and Kara-Suu, both in Kyrgyzstan. Today, the three bazaars function as wholesale hubs with extensive catchment areas. While petty trading at Barakholka and Kara-Suu had emerged under perestroika, the collapse of the command economy led to a sharp rise in micro-entrepreneurship. The disintegration of the Soviet Union led to declining manufacturing and distribution and large-scale unemployment (Pomfret and Anderson 2001). As a result, tens of millions of people from the former Soviet Union took to peddling goods (Humphrey 2002), mostly goods from China and Turkey, but also Dubai, India, Pakistan, and Thailand. Although the size of the bazaar continues to grow, the enterprise structure has remained the same, that is, run by individuals or families. Thus, a bazaar such as Dordoi, which has twenty thousand outlets, will have close to a similar number of individual enterprises. Although I occasionally meet traders who have more than one business, ownership patterns are horizontal: businesses are not subsidiaries of a parent company. Put differently, each outlet is a firm, with individual networks developed and maintained by micro-entrepreneurs.

In the initial years, trading took the form of shuttle trading, whereby itinerant merchants, operating individually or in small groups, self-imported goods by making use of public infrastructure and public transport. By the end of the 1990s, goods were increasingly transported by freight-forwarding companies. This was not random mobility, but movement structured between particular nodes, each of which was based on fiscal rationalization: a city where

clan members had settled, a working relationship with a manufacturer, a bazaar where goods were re-exported to another country by way of a lax border regime. All too often narratives of globalization, and especially meta-narratives of globalization from above, give the illusion of unrestricted mobility and endless possibility. While there was a rise of shuttle trading in different parts of the world after the Cold War, such as between Turkey and Russia, Sub-Saharan Africa and France, and South Asia and Thailand, such mobility rested on careful calculations of profit and loss. The same was the case for Central Asian micro-entrepreneurs who took to bazaar trading as a means of negotiating the transition from the Soviet Union. Although there was frequent movement—I have met traders who made as many as a dozen trips from Kyrgyzstan to China every year—travel expenses needed to be justified when the expenses of the micro-enterprise and the household were covered out of the same budget. This trade was also undocumented. Although it contributed to the overall health of national economies, it did not fully feature in the national economy.

Place defines the Central Asian bazaar. The Central Asian bazaar is grounded in a particular locale with which traders have an association developed over time; the bazaar, in other words, has history. In conversations with traders in Kazakhstan, Kyrgyzstan, and Pakistan over the course of my fieldwork, the specificities of place are readily apparent. “The first containers were placed in Europa,” I was told in Dordoi when I asked where the bazaar started. “The vegetation was so thick, I couldn’t see the other side of the road,” I was informed in Barakholka, as a seller explained how, when the bazaar started, it was on the outskirts of the city. “Officials promised they would widen the road until this point, this point right here,” a shopkeeper explained to me in Sost, a border market in northern Pakistan, then complained how little development had taken place since the pledge was made years ago. In each of these instances—and in multiple conversations with traders in bazaars—there is a direct association with the place of business. Unlike state projections of a connectivity that sprawls across space, bazaars are grounded.

The bazaar world is low-brow. While there may be prestige depending on where goods are from—shoes from Turkey, wedding dresses from Ukraine, fabric from South Korea—this is not a world where company brands and logos represent more than an aesthetic ideal. Some traders I interviewed in Dordoi admitted to affixing “Made in Kyrgyzstan” labels to Chinese-manufactured goods to comply with new trade regulations. Likewise, sellers described scouring the Internet for the latest European designs and then forwarding these to manufacturers in China with instructions on which inexpensive materials to use. This is a trading world in which information circulates: what will sell, at what price point? What can be imported, what exported, and what will not sell?



Picture 2: A woman selling vegetables from a pushcart in the retail section of Dordoi Bazaar in Bishkek, Kyrgyzstan

The economic activity in these bazaars represents globalization from below. In his study of African and South Asian petty traders, asylum seekers, and sojourners in Hong Kong, Gordon Mathews describes a similar “low-end” globalization, a world of suitcase trade and counterfeiting, and one “run by cash” (2011, 13). Simultaneously, as Marsden reminds us, globalization does not *de facto* amount to unrestricted flows and the emergence of a global, cosmopolitan identity, but frequently reinforces a heightened sense of the local (2016, 26-27).

Conclusion

Historically, the Silk Road supplied the Central Asian bazaar, which it stocked with luxury goods transported from afar. Without the bazaar, the Silk Road of the past, insofar as we can speak of one, is reduced to paths that there is no reason for anyone to tread. Yet, as I have sought to demonstrate in this essay, the way in which the Silk Road is described today decontextualizes it from the marketplaces where trade occurred.

As I have also argued, today there are two stories of globalization. At the level of the state, and especially the Chinese state, the Silk Road trope is deployed to describe a globalization in which vast amounts of capital move across borders; estimates for Chinese capital flows along the Belt and Road have surpassed a trillion dollars. These investments are purportedly in the realm of the formal economy and are accompanied by a narrative of “benefit for all.” And yet, paradoxically, what is missing from these accounts are people themselves.

The bazaar floor offers a different view of globalization. In yearly fieldwork since 2013, in which I have spoken to hundreds of traders, I have been struck by the fact that not one of them described what they were doing as Silk Road trade, despite how much the Silk Road has become a part of the everyday lexicon around them. Instead, their globalization is globalization from below: It is a story of difficult travel between distant locales; shifting border regimes, all of which affect trade; cash-based, small-scale transactions; and minute calculations of profit and loss.

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Caucasian “Biznes” (Business)—Informality, Cultural Embeddedness, and the Global World

Introduction: Caucasian “Biznes”

Asking a young man in Tbilisi or Yerevan about his job in many cases will result in the same answer without any further explanation: “I am a businessman” or “I have a business.”³ The definite meaning of such a self-description is rather obscure. I was never really sure what my friends, neighbors, and interlocutors were actually doing and how they earned their income. In the course of a year, the young men⁴ of my neighborhood in Yerevan obviously changed their jobs quite frequently, but all the time, they were “busy.” In contrast to their parents, who had worked in permanent jobs and who were integral parts of their workers’ collectives, the younger generation took advantage of all the new and changing business opportunities that presented themselves in the context of the post-Soviet market economy—even though these opportunities were rarely long-lasting or certain.

Most of these opportunities still occur in the context of trading—and individuals trade in everything, and sometimes in everything at the same time: real estate, cars, beauty products, furniture, electronic equipment, software, dishes, clothes, food, spare parts, etc. “Biznes” thus, apparently, describes a whole range of activities. “Biznesmeny” may, for example, become oligarchs, who form the new economic elites of Armenia, Georgia, and Azerbaijan. The most successful of them have managed to gain control of industries, accumulate economic wealth, and transform their political success into political power, constituting the caste of the new rich (Humphrey 2002; Stefes 2006; Iskandaryan 2014; Fehlings 2015; Antonyan 2016). But “biznesmeny,” on the other hand, may also end up as the complete opposite: as petty or bazaar traders who fight for their daily survival.

The economic activity of the latter seems rather unimportant. But the overall effect of the large number of such agents, their trade, and their mobility is more than a random phenomenon. All together, these traders contribute considerably to the global exchange of tangible and intangible goods. They participate in and are part of so-called “global flows” (Appadurai 2000, 2003) and hence shape the everyday experience and the real face of globalization.

³ Most of my interviews were conducted in Russian and the interlocutors used the term “biznes.” When talking in Armenian, they would also use the Russian or English term.

⁴ Obviously, there are a lot of “businesswomen” as well. But in everyday conversation the “business” topic did not come up as frequently as with men. In my experience, women, who traditionally are associated with the house and the family, were less eager to talk about their professional lives. They seemed less proud of their business activity.

Their activity is usually described as belonging to the “informal sector” and is difficult to pin down, but for example in Armenia, according to an International Monetary Fund study by Abdih and Medina (2013), it was estimated at 35 percent of GDP.

Thus, businessmen in general and traders in particular form a very heterogeneous group. Because of the specific nature of their activity, which is difficult to measure with economic models developed for understanding macroeconomic processes and the sphere of high finance, we need other methods, tools, and theoretical attempts to describe them (Morris and Polese 2015). Thus, in the next section, I shall discuss the benefits of some theoretical concepts and methods used in anthropology for the analysis of Caucasian business, petty trade, and local markets. One set of these concepts is linked to the classical debate between formalists and substantivists. Another set became popular in the wake of Hart’s 1973 work on the urban poor of Accra and distinguishes between formality and informality. Finally, there are some interesting attempts in recent literature on globalization, for example in the work of Appadurai (2000, 2003), Portes (1997), and Mathews et al. (2012), who talk about “global flows” and “grassroots globalization” and distinguish between phenomena of “globalization from above” and “globalization from below.”

In my opinion, all these debates and conceptualizations circle around the same standard oppositions that contrast socio-cultural aspects of economic behavior with rational choice, marketplaces with market principles, and profit maximization with morality. These oppositions are reproduced in the media and in everyday kitchen-table conversations throughout the post-Soviet region. Therefore, even though I question their usefulness for classification, I think that these taxonomies can be helpful in highlighting specific aspects of economic activities, more precisely petty trade and business, that we can observe in Georgia and Armenia—and the moral evaluations that are ascribed to them. In this article I shall present and discuss two case studies. The first concerns female petty traders, the second the cohort of the so-called “new rich.” Both groups can be classified as businesspeople. My ethnographic material was collected beginning with my first fieldwork in the Caucasus in 2007 and is based on classical ethnographic field methods.

Theoretical Approaches

Anthropologists usually start from the grassroots level, focusing on the everyday lives of their interlocutors. Our aim is to describe “culture,” which is why we usually take a holistic approach that explores the interlinkages among all spheres constituting society, human behavior, and practice. Yet although the holistic approach is a core method of anthropological fieldwork, there has been a great deal of debate within the discipline about how to investigate and

interpret economic activity. This debate, which started in the 1960s with the publication of Bohannon's and Dalton's introduction to *Markets in Africa* (1962), divided scholars into so-called formalists and substantivists. Formalists referred to Adam Smith and the neoclassical approach in economics, assuming that the balance of supply and demand and the rational choices made by individuals determine the economic activities of human beings, the species of the so-called *homo economicus*, the profit-maximizing man. Substantivists, by contrast, claimed that economies and economic behaviors differ and that they are culturally embedded. While formalists were interested in the "market" as such, as an abstract notion governed by market principles and rationality, substantivists turned to concrete "marketplaces" and their local backgrounds (Plattner 1989). Drawing on Polanyi's *The Great Transformation* (1979), substantivists emphasized the socio-political and cultural context and the moral aspects of the economy. Their subject of investigation therefore was often termed "moral economy," and a key concept was "reciprocity" (Gregory 2009; Hann 2010), describing the moral obligations of exchange partners, as explained in Mauss's study *The Gift* (1954).

In post-Soviet studies another dichotomy has superseded—or replaced—the formalist-substantivist debate and is used to analyze local markets, marketplaces, trade, and economic behavior. Just recently, there has been a cluster of publications dedicated to "formality" and "informality," most of them focusing on the latter (e.g., Ledeneva 1998; Kaiser 1997; Hayoz and Giordano 2013; Morris and Polese 2015). It was Keith Hart in his article on "Informal Income Opportunities and Urban Employment in Ghana" from 1973 who introduced "informality" as a theoretical concept. In Accra Hart had witnessed a widespread phenomenon, which was similar to the one I observed in Yerevan: while most of his informants officially were classified as "unemployed," almost everybody was involved in a business of some kind. Most of these businesses could be categorized as belonging to the "black" or "hidden market" and "second," "underground," "street," or "shadow economy": their activities were not registered with the tax authorities and occurred outside of state regulatory mechanisms, which is why Hart called them "informal."

The dichotomies included in the opposition between formality and informality, in my opinion, can be clustered into three groups. The first group (1) describes the relations between state regulation and personalized (anarchic) (anti-)structures.⁵ The second group (2) contains moral evaluations of the dichotomies in the first group. Practices, behaviors, motivations, institutions, relations, etc. are judged, by academics as well as by local people, as moral or immoral, fair or unfair, legal or illegal, good or bad, and effective or ineffective.

⁵ State versus citizens, bureaucracy versus individuals, regulation versus chaos, official versus unofficial activity, impersonal versus personal relations, and rationality versus emotion.

Informality that runs counter to the ideas of the nation-state and the market economy is often judged as backward or—maybe in less negative terms—“traditional,” even though informal practices are a contemporary phenomenon that even seems to be expanding. The next consequent step in popular discourse is usually to equate tradition with “local culture.” Consequently, the third group (3) links the above-mentioned classifications to universal mechanisms or rules of human behavior or to local socio-cultural practices, norms, and values. This results in contrasting rationality with social behavior, neutrality and professionalism with kinship, and the explicable with the inexplicable.

In all these dichotomies, we can recognize the same oppositions that were part of the formalist-substantivist debate. More recently, these pairs have also been transferred to a third category of debates: the debates on globalization. This latter transfer is of special interest in my context of research, where traders cross borders to operate their businesses and/or depend on the global market and international flows of goods. Portes (1997), Appadurai (2000), MacGaffey and Bazenguissa-Ganga (2000), and Mathews et al. (2012) distinguish between “globalization from above” and a so-called “globalization from below” or “grassroots globalization.” While globalization from above, according to their definitions, involves the operation of formal bodies such as nation-states, international financial institutions, and regulated companies, which operate within the framework of a global free-market economy, globalization from below or grassroots globalization is based on transnational linkages that are forged individually and determined by local patterns of conduct. Thus the actors described in the literature concerned with globalization from below are usually petty traders, private entrepreneurs, consumers, and migrant laborers with small amounts of capital, all of whom rely on personal networks that are structured along familial, kinship, or ethnic-community lines (see MacGaffey and Bazenguissa-Ganga 2000; Sassen 2001).

In a nutshell, all three theoretical debates (formalism – substantivism, formality – informality, globalization from above – globalization from below) have in common that they struggle—in one way or another—with the relationships between rational choice and socio-cultural aspects of economic behavior, market principles and real marketplaces, global issues and local environments and cultures, and profit maximization and morality. Many authors as well as ordinary people attach certain moral assessments to these oppositions.

Moral Connotations and “Blurred Boundaries”

The formality-informality debates—perhaps more than the formalist-substantivist issues—include moral connotations, which are to some degree created by academics (e.g., by economists), but above all, circulate in local media and discourse: Informality, describing the *absence* of the legal state, legal regulation, and legal law, is regularly associated with illegality. Especially in

the economic realm, informal (and therefore culturally embedded) forms of exchange are thus identified with corruption or criminality (Acemoglu and Verdier 2000; Bhattacharyya and Hodler 2010; Kaufmann et al. 1998; Kaufmann et al. 2010).

In post-Soviet studies, as mentioned in Rudaz's article in this volume, informality is frequently presented as a survival from the ailing Soviet system⁶ or as a transitional phenomenon that has to be overcome to catch up with modernity. The market economy, in contrast, is praised—by economists, official bodies, and citizens—for its potential for development, economic growth, and fairness. Believing in *The Fable of the Bees*, the so-called Mandeville paradox (1989 [1714]),⁷ many people advocate the idea that vice (like greed) can turn into good. Consequently, if the national economy is not working as it should, economists and politicians often point to “the people who still stick to their personal networks and traditions.” I heard this argument quite frequently during my fieldwork in the Caucasus, and a considerable amount of ethnographic evidence confirms the existence of such convictions. The local respondents themselves often claim that their and their fellows' socio-cultural attitude is harmful to welfare and happiness. This stigmatization (at least if expressed by social scientists) is bizarre if we remember that in earlier debates culturally embedded forms of practice were perceived as having a positive moral component. Embedded economies were even labeled “moral economies” for this reason, whereas the market principle was sometimes criticized for its absence of moral considerations and for its cold rationality (Graeber 2011).

Now, we witness the antithesis of this perception in many local settings. Beyer (2016), for example, describes the public discussion about the Kyrgyz custom of bringing expensive carpets to funeral ceremonies. Having identified this as a source of the indebtedness of many Kyrgyz households, the Kyrgyz government launched a law prohibiting such gifts, which, again, resulted in further debates on the dangers and benefits of culture. In Georgia, comparable discussions circle around the *supra*, a traditional feast that follows strict rules and involves the lavish consumption of food and wine (Mühlfried 2006). Like the Kyrgyz funeral ceremony, the *supra* is sometimes alleged as an example of the Georgian mentality that is said to choose feasting over working. Some Georgians are convinced that practices like these block the road to progress and hold them to be obstacles to something they call civil society (compare

⁶ Here, I am only talking about contemporary traders. There is a great deal of literature on Soviet informality, often described—last but not least by my informants—as a way to get by in the Soviet economy of scarcity. The Soviet “black market” and so-called “blat”-networks are almost legendary (Ledeneva 1998).

⁷ Mandeville's paradox is named after B. Mandeville, who argued that the vicious actions of individuals can turn into good for society as a whole.

Mühlfried 2014)—other individuals of course perceive them as the foundations of society.⁸

But even from the state's point of view, informal activities, even though they evade some state regulation, are not automatically illegal. Many activities that might be labeled as informal, because they are based on personal relations and do not follow the pure logic of the market principle, enjoy the state's tacit acceptance. To some extent, they may even be supported by the authorities (Hart 1973; Chen 2007). Tbilisi's and Yerevan's flea markets, for example, which were (and still are) hotspots of informality, have become well-known tourist attractions enjoying support from state institutions and the city government, as we can learn from descriptions by Taalaibekova and Melkumyan in this volume (Melkumyan 2011). Many informal or semi-formal markets and economic activities like those that I shall describe below thus have become essential to economic health in the Caucasus and Central Asia, if not of the state, certainly of the locality in which they are located (Karrar 2013).

Another issue in the formality-informality debate is the fact that even though the notion of formality is linked to the understanding of the state as the formal institution *per se*, states have many informal aspects. I shall explore this factor when discussing the local political elites, who usually are involved in business.⁹

At the same time, many informal practices are considered the only possible and the only moral way to engage in economic activity.

Moral evaluations depend on the context. My own experiences in Armenia reveal that social relations built on kinship, friendship, and other social ties are linked to core socio-cultural values and therefore usually seen in a positive light. It is not officials' informal relations and informal networks themselves that are perceived negatively, but their exclusiveness. It is a core value to help one's brother, but it becomes suspect if it is the president who does so. Thus, we can observe that people stick to their socio-cultural values as

⁸ By contrast, the Georgian *supra* and feasting mentality is described as a source of prosperity in folklore. Because Georgians were feasting in honor of God the Father, he gave them a piece of his personal garden. Thus, the cultural attitude is portrayed as beneficial.

⁹ Gupta (1995, 2012), Fuller and Harriss (2001), and Luong (2004) give interesting insights into the everyday manifestation of state institutions and the nexus between state and society. Talking about "blurred boundaries," Gupta deconstructs the state as a monolithic and formal machine and shows the agency of state representatives and the manipulation of formal structures and norms. This perspective perfectly fits the opinions and statements of the majority of my local informants, who therefore morally condemn their governments (Fehlings 2015; Iskandaryan 2014; Stefes 2006). Rasanayagam goes so far as to claim that many states have become illicit informal institutions, describing them as a kind of mafia (2011: 690). Kandiyoti (2003) and Rasanayagam (2011) talk about "informalization" and point to the fact that formal structures often provide the framework within which informal activities develop.

a general philosophy, but come to other moral conclusions and are influenced by popular discussions in the context of debates on modernity, national economy, and politics.

It is thus difficult to uphold any system of classification. The people involved act within the socio-economic environment in which they are embedded and do not even consider whether something is formal or informal, rational or social, or local or global. Economic practice for them is a unified entity. Its different aspects are morally assessed differently in different contexts.

In the following, I shall describe two realms of business that demonstrate this assumption in completely different ways. One realm is that of petty trade, the other that of the new rich.

Case 1: Petty and Shuttle Trade

Over the last decade, since my first journey to the Caucasus in 2007, I have met a lot of shuttle traders on the trains and mini-buses (*marshrutka*) between Yerevan and Tbilisi and between Tbilisi and Baku. I was particularly fascinated by groups of elderly women who told me about their travel experiences in Turkey, Russia, or China.

In the local marketplaces, these female traders do not necessarily appear. Apparently, they receive orders from their clients through their personal networks and then deliver the ordered items directly to the consumers.

As I learned during my conversations with some of these women, they do not perceive themselves as “professional” traders or businesswomen—unlike the young men I mentioned in the introduction. As they reported, they usually only get involved in this kind of activity if necessary. Thus, many of them only travel and trade once a year: if they have no other source of income or if they need extra money for feasts (New Year’s, weddings, or funerals), medical help, or other exceptional situations. However, trade for them is more than an amusement. Many of their reasons can be linked to moral obligations toward community members or kin. Thus, for example, a woman with whom I shared a train compartment on my way from Tbilisi to Yerevan told me that she only traded because she was desperate. She had lost her job after the breakup of the Soviet Union, her son and daughter-in-law had died in a car accident, and now she had to care for her grandchild. As a consequence, she joined a group of women who travelled to China to buy furniture, which was then shipped to Georgia by container. She hoped that she could live on the profits of this endeavor for at least a few months.

As I learned in Georgia and Armenia, the number of such women traders was very high in the times of crisis in the late 1980s and early 1990s. Trade and therefore travelling was a usual practice for people who lost their economic basis of existence. Many of them belonged to the so-called *intelligentsia*, whose members were especially vulnerable in these times of political, economic, and

social transformation (Niyozov and Shamatov 2007). These first-wave traders became known as the so-called “*chelnoki*” (shuttle traders). The term derives from the Russian term for “shuttle” (*chelnok*), a device used in weaving to carry the weft by moving back and forth. Usually, these traders carried their merchandise—in most cases clothes or food products—in big, checkered plastic bags, which have become a kind of symbol of this trade, which was very visible all over Eurasia in the first decade after the dissolution of the Soviet Union.

Women, since that period, constitute the majority in this sector. One socio-culturally determined explanation for this fact could be that the low end of petty trade in the Caucasus and in Central Asia is regarded as a low-grade (primitive) occupation and therefore associated with female inferiority. Other people argue that women are more talented in negotiation and that their affinity for gossip and communication is an advantage, which men lack (Werner 2004).

The situation of women traders is complicated. They are exposed to all kinds of risks that last but not least harm their reputations—especially if they are young. On the one hand, women gain higher status through their contribution to family income (Abrahamian 2007); on the other hand, they have to struggle with role expectations, which they violate as a consequence of their travel and trade activity. Last but not least, travel is exhausting and dangerous. Sexual harassment seems to be a very common problem.

According to current definitions, the practices of *chelnoki* and female petty traders can be categorized as informal. Their activities were/are unregulated by state authorities and organized through personal networks. The amount of money and goods exchanged was/is very small. Taking advantage of the opening of borders, perestroika, and the reform era in China, this group in the 1990s became the pioneers of globalization in the former Soviet bloc. This globalization driven by millions of individuals can be labeled a globalization from below, which led to the development of huge informal bazaars, like Dordoi in Bishkek, Lilo Bazroba in Georgia, and Yabaolu Rynok in Beijing.

Nowadays, the number of (female) occasional petty traders and their kind of economic activity have apparently decreased. As soon as trade became more “formalized” (organized, registered, and important), men took over the business. I could even witness this decrease over the course of my research trips between 2007 and 2014. While I met quite a few women who traveled to China in 2008, I was told that almost nobody was doing it anymore in 2014. The economic, political, and social situation had changed. Currently petty traders rarely travel very long distances (e.g., to China or India), but go to Turkey, which they can easily reach by *marshrutka* (mini-bus). China as a destination seems to make sense only for wholesale trade today.

When I asked some (female) petty traders about their activities and motivations, most of them told me that they were forced into trade by socio-economic circumstances. Many elderly women whom one can meet in the

marketplaces or on the travel routes worked as academics, engineers, and teachers or in factories until the 1990s. These people usually perceive their “new” trader identity as a status decline and point out that they have no other choice, justifying themselves by telling me that “everyone is doing it now.”

Their discomfort with their situation, interestingly, does not derive from the informal status of their work or their uncertain relation to the state, but from their moral attitude toward trade itself. This attitude was shaped during Soviet times, when trade was forbidden by law and categorized as anti-social “speculation” (Humphrey 2002).

Today, however, trade is accepted and something “everyone is doing.” The current Caucasian states support and are identified with the market economy. However, the state’s role seems to be confusing. Many traders obviously are not aware of the current laws and rules, for example, tax regulations. And actually, they do not really care about them. For them, the state simply has nothing to do with this part of their lives. As many traders do not appear in the marketplaces and sell their goods directly to their clients, who are usually part of their social networks (relatives, neighbors, friends of friends, or friends of relatives), transactions take place in the private sphere, which cannot be controlled by state and tax authorities. The private sphere, which in the Caucasus has an almost sacred status, has always been protected from state interference—even during Soviet times (Dragadze 1988; Fehlings 2014). It is not even considered possible that the state has the right to interfere. Indeed, apart from very obvious situation like border crossings, shuttle traders do not really interact with state institutions, easily adapt, and simply do what they do. Conflicts with state officials are avoided—and in the case of small-scale trade this does not require much effort.

Classifications like formal or informal, rational or socio-cultural, and global or local dissolve in the context of these traders’ consistent economic practice. In the few cases when the state comes in, it is perceived as legitimate to trick it, with the support and acceptance of other citizens. For example, I observed many times that shuttle traders split their merchandise among passengers. I was often asked myself to take over a case of vegetables to trick the customs officials. But all this was not seen as a big deal, but rather as coherent with the philosophy of what traders considered global capitalism.

Case 2: “Businessmeny” and the New Rich

Let me introduce another example of the dissolution of classifications. In the context of my research on the construction boom in Yerevan in 2010, I heard a lot of gossip about so-called oligarchs and their role in the real-estate business and city planning. Once I was invited to a party that was organized by such a person. The party took place in a huge villa with a view of the host’s private garden and concert hall. The guests were served caviar and five-star

cognac. It is immediately evident why such wealth scandalizes and why oligarchs are often accused of being corrupt. Indeed, in the context of real estate and construction, there are many opportunities to give and receive bribes.

In the broadest sense, many oligarchs can be perceived as traders, and, logically, call themselves “biznesmeny.” A successful businessman whom I met in Yerevan in 2010 and who took me to one of his business meetings was trading in aircraft engines and rolling stock, which he bought from people who had obtained control of them in times of chaos and transition and who all seemed to be his personal friends. Then, after having removed all serial numbers, he sold his merchandise in Iran. Curiously, this man had worked at the Armenian economic ministry and so was a representative of the formal system. Looking at such examples, we understand that profit, even the profit made by representatives of the market system and state economy, is based not only on rationality and clever choices, but on personal networks and informal practices.

While the majority of citizens accept the activity of petty traders as a legitimate strategy of survival, successful elites are often criticized for being corrupt, which is a clear moral statement. The usual essence of such evaluations is that elites get rich at the expense of others, who barely make a living. The interesting aspect of this assessment is that to be a good Armenian (or Georgian), one is expected to value kin and friends. Thus political leaders—and this is widely accepted—need huge and tightly knit networks to gain status within their communities. But the problem is that the society as a whole is not included in this network, which is why there is a gap between insiders and outsiders, between elites and non-elites.

I will look at this from a different angle: if formality means order and regulation, is it possible to interpret cultural institutions like kinship, exchange rules, ritual obligations, moral codes, and traditions as formal institutions? In fact, I could observe that some of the oligarchs were admired for their success, for the relations they maintained, and for the good they did for their fellow citizens. For example, some of Yerevan’s oligarchs were praised for supporting the local infrastructure and order and for “taking youth off the streets.” Some of these questions have been discussed, for example, by Stefes (2006) in his work on corruption, collusion, and clientelism in the Caucasus. This work suggests that weak nation-states and their economies are stabilized through informal arrangements, which are being institutionalized and serve as a residue for formal structures.

This fits with definitions of formality that do not mention the state as an important factor but emphasize patterned, stylized, standardized, and repetitive behavior, while informality refers to spontaneous, emotional, unique, or unpredictable action (Hardenberg and Fehlings 2016). Thus the formal-informal dichotomy is sometimes chosen by academics as a way to deal with different levels of culture, for example, to distinguish official and unofficial cultural

practices, “high” and “low culture,” and “great” and “small traditions.” In the context of religion, for example, many scholars writing about Central Asia or the Caucasus contrast informal with official Islam (Louw 2007; Kehl-Bodrogi 2008; Khalid 2007) or the official Church with everyday religion or local practice (Antonyan 2011).

Again, these definitions show that classifications depend on the reference point selected and are rather fluid. Oligarchs, petty traders, and marketplaces can be perceived as formal and informal at the same time—and it depends on the context which aspect is accentuated. Local elites represent the formal state. They sometimes establish formal order. But, interestingly, they often do so through informal networks and practices. Sometimes these practices are praised for following valued traditions (linked to masculinity, solidarity, kinship, etc.), and sometimes they are criticized for contradicting democratic ideas and for corruption.

Dissolution and Judgment

What I have tried to illustrate with these two examples is that Caucasian businesspeople (traders as well as oligarchs) escape easy classifications. They themselves are not always aware of the (artificial) boundaries between formality and informality. Classifications linked to moral assessments associated with these concepts depend on the situation and the point of view of the valuers.

In their everyday lives, businessmen act in complex, many-faceted contexts that have to be approached holistically. The socio-cultural embeddedness of traders and their practices is an important dimension permeating the economy as a whole.

The fact that the economy is not an “impersonal (formal) machine” but made and remade by people in their everyday lives (Hann 2010; Hann and Hart 2011) is widely accepted among scholars. The same is true of the fact that the socio-cultural and economic and the formal and informal spheres are interlinked. Portes (1997), for example, argues that globalization from below cannot exist without globalization from above, because it profits from formal treaties, infrastructure, and communication systems. Conversely, globalization from below does not just undermine formal globalization and the formal economy. Many countries of the so-called third or second world actually only participate in the global exchange of goods through channels belonging to the sphere of globalization from below (see Karrar in this volume).

But, in contrast to these and other authors, who have described specific combinations of formal-informal imbroglios (Granovetter 1985; Gudeman 2005; Hart 2005; Helmke and Levitsky 2004), I argue that formality and informality are part of both, of socio-cultural practices as well as so-called market principles as performed within nation-states. I argue that every economic practice and almost every kind of exchange taking place in a real

setting has a double nature. This is why the identities of the people involved usually make no difference: formality and informality and economy and culture cannot be considered as separate entities (Melkumyan 2018).

In the Caucasus this is even reflected in economic infrastructure. The whole city of Tbilisi sometimes appeared to me as a huge bazaar, where oligarchs, businessmen, street vendors, petty traders, and shopkeepers mix. It is difficult to define the limits of “official” malls, shopping centers, or bazaars—in geographical as well as in other respects. These places mark a certain densification of economic activity in specific areas of the city map, but their tentacles are much more far-reaching. Business is almost everywhere, and even at a second or third glance, formal and informal forms of exchange (whatever this means) are almost indistinguishable. Some people have registered their businesses and others have not, which might serve as an indicator for their legal status. But almost everybody operates on a very personal level, using (informal) personal networks.

Many traders who sell their merchandise on the street or in open bazaars do not perceive themselves as (formal) professional traders, as they were usually formally trained in completely different professions. Others are not concerned about education at all and call themselves businesspeople just because they sell a few vegetables on a street corner. The quantity of traded goods as well as the financial capital involved is usually small. All these characteristics are typically used to define informality. Simultaneously, none of the traders totally escapes (formal) state regulations. They use state-controlled infrastructure (streets, public space, communication systems) and calculate supply, demand, and price differences that emerge in the context of the broader and impersonal market system, which is framed by national and global conditions and usually described with macroeconomic vocabulary. In the end, it is necessary to go into ethnographic detail to portray the traders and their environment. Academics’ confusion about definitions of “formal” and “informal” activity, “rationally” or “socio-culturally motivated” practice, and “the global” and “the local” thus mirrors the situation we find on the ground.

On a different level, on the level of moral discourse, classifications suddenly make perfect sense: “oligarchs are corrupt,” “petty traders who spoil the urban landscape are a survival of the informal sector and should be chased from public space,” “local and socio-cultural traditions are an obstacle to progress and the country’s economic prosperity,” and “everything is going to get better once the market economy is fully established and state institutions work properly.” These kinds of statements, which are very common, reflect moral assessments, which depend on context and situation.

Conclusion

In this article I have reviewed and compared theories from classical economic anthropology, debates on formality and informality, and globalization. I suggest that the fact that concepts of formality and informality escape easy classifications finally is their advantage. The use of these terms helps in thinking about these issues but cannot replace the in-depth research and detailed descriptions demanded by substantivists.

In contrast to other authors, who have described specific combinations of formal-informal imbrolios (Granovetter 1985; Gudeman 2005; Hart 2005; Helmke and Levitsky 2004), I have tried to show that economic practice has to be studied as an integrated whole. In our contemporary world, market mechanisms that shape local and global production, distribution, demand, and pricing are part of this entity. We have to look at both formal and informal institutions; we have to make use of substantivist and formalist approaches; and we have to pay attention to different contexts on the local, national, international, and global levels. All these factors are not separate but interact—and in many cases, economic behavior has a double nature and is formal and informal, rational and moral, and global and local at the same time—depending on the observer's perspective, as I have tried to show with the examples of petty traders and oligarchs. As long as there are no evident criminal violations, people do not care about classifications. Besides the cases of legal restrictions mentioned above that force people to take conscious decisions to avoid formal regulations, there are many cases where people do not even know whether there are restrictions or not.

From a moral point of view, people are capable of combining their socio-cultural values with given circumstances and interpreting legal systems according to their own individual and socio-culturally formed needs and tastes. They are also capable of condemning the same values in other contexts, for example when talking about corrupt state officials or unpleasant neighbors. In my opinion, this is evidence that distinctions become fuzzy. Boundaries sometimes are so blurred that they even disappear. What is interesting is the fact that, however, moral evaluations, in academic discussions as well as in kitchen-table conversations, are associated with the categories that I have tried to deconstruct above. Consequently, these categories exist as a kind of moral value set, one that is used to judge economic as well as social behavior.

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Market Infrastructure: Past and Present Transformations

Introduction

The archaeological data proves the high level of development of trade relations on the territory of Georgia since ancient times. Together with artifacts from various parts of the world, the large number of foreign and local coins, found in different parts of the country, speaks of the existence of intense economic relations. The state of Colchis, established in the Bronze Age in West Georgia, was well developed and economically flourishing. Colchis had trade relations with Greece, Syria, Egypt, the Bosphorus, etc. The remains of vessels, fragments of ceramics, jewelry, gold, etc. underline the strong economic connections of Georgian states to the rest of the world. In this article I will describe different historical and contemporary infrastructures dedicated to the purpose of trade. I will start with the description of caravanserais, which were established along the Silk Road that crossed the Caucasus in the Middle Ages. I will then use the bazaar in Zugdidi in western Georgia to explain the formation, generation, and evolution of local marketplaces and bazaars from the Middle Ages through Soviet times until today. As I will detail below, ethnographic materials about the Zugdidi bazaar, as well as general statistics related to Georgian bazaars, reflect the importance of bazaars for the Georgian economy as well as for Georgian culture and interethnic communication.

Trading Structures Then and Now

Throughout the Middle Ages, the Great Silk Road was the main exchange route crossing the Caucasus, which of course supported the development of trade and trade infrastructure (Berishvili 2016, 473-475). In some cities, special lodging houses—caravanserais—were built for traders. Caravanserais (*carvasla* in Georgian) were places where the traders could stop to have a rest. The buildings were appropriate for lodging the animals used for the transportation of goods (camels, horses, etc.), and there were also places for merchandise. One such well-preserved late-medieval building in Tbilisi is the museum of city history today.

Typically, the caravanserai was a square or rectangular building. It had a wide entrance to allow the heavily laden animals to enter the courtyard, which was an open-air area. The courtyard inside was organized to meet the need for accommodation of animals and goods. The stalls, bays, and chambers were assigned to traders, their servants, animals, and merchandise. In the center of the yard there was constructed a basin for water. Sometimes the caravanserais had shops, where newly arrived or local goods were offered for sale. These kinds of

“carvaslas” were lodging houses, but the word was also used to identify shops or trading houses. In the ancient Georgian sources, the synonyms for *carvasla* were “sapardule” and “samosaskidlo.” *Sapardule* means ‘shed’, and *samosaskidlo* means ‘the place where one can sell or buy something’. The next foreign (Persian) word for shops was “kulbaki” (a synonym for bazaar mentioned in Sulkhan-Saba Orbeliani’s seventeenth-century dictionary). In West Georgia, “khula” has the same meaning. Generally, “khula” means a storehouse for grain and a variety of agricultural products, but in this case the word was used with the meaning of ‘shed’.

The sheds were not only just shops, but also workshops, where craftsmen worked. Goods were displayed outside them, and exchange took place. Customers also ordered what they needed (Rukhadze & Kantaria 2016, 470-471).

Architecturally, trade buildings varied, e.g. one- or two-story buildings with living space or without, buildings with awnings, workshops with workbenches, etc. In West Georgia these buildings were made of wood. They were constructed along the streets and were well planned (Meskhia 1983).

Markets and bazaars were always very important not only for economic reasons, but also as important meeting places in the system of peaceful coexistence in the Caucasus. They were established in certain places that were more appropriate for the representatives of various groups to meet for exchange (of goods, information, knowledge, etc.). These kinds of places were situated near crossroads or main trade routes. Traditionally, marketplaces were parts of settlements, but some of them (larger ones) were also situated a certain distance from settlements but on connecting routes.

The Transformations of the Zugdidi Bazaar

To describe an example of a marketplace I will use the case of the Zugdidi bazaar. Zugdidi is the administrative district center of the West Georgian territorial-administrative unit of Samegrelo-Zemo Svaneti. The town is located on the banks of the Abasha River. The region and town have highway and rail connections to other parts of Georgia. The distance from Tbilisi to Zugdidi is 318 km.

Already in the Middle Ages, Zugdidi was a trade center. As Arcangelo Lamberti describes it, Zugdidi had a “wide bazaar” south of the Dadiani palace. Zugdidi became the trade center for the principality of Samegrelo. This stimulated its development. The city was filled with the shops and workshops (*dukans*) of traders and craftsmen already in the first half of the nineteenth century. A drawing of the nineteenth-century Zugdidi bazaar can be found in Carla Serena’s (2015) work *Excursions in the Caucasus: From the Black Sea to the Caspian Sea, 1875-1881*.



At Zugdidi bazaar (see p. 42). – Composition by Y. Pranishnikoff, after a photograph.

Picture 1: At Zugdidi bazaar, composition by Y. Pranishnikoff, after a photograph, from Serena Carla, *Excursions in the Caucasus: From the Black Sea to the Caspian Sea, 1875-1881*, ed. P. Skinner, Narikala Publications, Inc., New York, 2015

During the Soviet period, there were functioning paper, canning, and brick factories in Zugdidi, and also a tea factory. The town was involved in agricultural activities, viticulture, cereal farming, and cattle breeding (Petriahvili 1983, 25-26). Interestingly, in the 1950s a new building for a bazaar was also built.

The bazaar building was located in the central part of the city, close to the main square. It had several entrances and was surrounded by a yard. The building had one story. It was a large, even monumental construction. This was the place where agrarian products from Soviet collective farming units (“kolkhozes” and “sovkhozes”) were sold at almost fixed prices.

Today, the Soviet-era Zugdidi bazaar building still exists. It is more than 60 years old and has been renovated several times. Since its foundation an outer shed area has been added to the market area. The goods are sorted by areas, e.g. meat products, dairy products, vegetables, etc. are displayed in certain areas of the building. Traders also use the space outside the building. Tables under umbrellas or sheds surround the main building. The space for agrarian products has decreased in favor of space for different types of merchandise, from clothes to household goods.



Picture 2: Zugdidi's bazaar in the 1950s (<http://www.radioatinati.ge>)



Picture 3: Zugdidi's Central Bazaar

As I observed during my fieldwork in Zugdidi last year, market life starts early in the morning, when cars loaded with goods enter the bazaar. After the required bureaucratic procedures, the goods are unloaded in the storage places or warehouses or on the tables. The central market administration controls the

formal arrangements and is responsible for the quality of the products. The system functions on the basis of elaborate networks. Each delivery of goods has a specified recipient. In the morning, trade begins inside the market itself. The Zugdidi bazaar is quite an active market, because it is the main trading site for the entire region and is also connected to the Gali district across the de facto border. The territory of Zugdidi municipality itself consists of the city of Zugdidi and 30 territorial units uniting 58 villages. The whole population including IDPs is 161,351.¹⁰ The Zugdidi bazaar provides all kinds of supplies to the population of the whole territorial-administrative unit as well as to the population of Gali district.



Picture 4: Zugdidi Bazaar – “trade center”

The Zugdidi bazaar is a trading hub and communication node. From the Abkhazian side, Russian chocolates, as well as some other supplies, move through Gali district to Zugdidi. The communication channels are well elaborated and tested.

From Gali district, citrus and nuts come to Zugdidi, mainly not in an organized fashion but through sporadic connections. Sometimes relatives support each other by sending or bringing goods, crossing the border legally or even illegally. Cigarettes also used to be transported, but this is now prohibited, and only small amounts reach the Zugdidi bazaar (Khutsishvili 2016).

¹⁰ See <http://www.zugdidicity.ge>.



Picture 5: Outdoor vegetable section of Zugdidi's Central Bazaar

From Zugdidi, mainly household goods and food are taken to Gali district. There is a bazaar in Gali as well, but according to my informants, the prices there are higher, and the population prefers to buy in Zugdidi. They are driven from Zugdidi to the bridge in mini-buses (*marshrutkas*) or by taxi. After the checkpoint, where their documents are checked, they cross the bridge with their goods on foot or in horse-drawn carriages (Khutsishvili 2016).

The Importance of Georgian Bazaar Trade

According to the statistics on markets in Georgia, about 211 economic entities were organized and functioning as markets and fairs in 2016. Last year, the number of entities decreased by 7 in comparison with 2015. According to GeoStat, 12.3% of the 211 economic entities are located in the Samegrelo-Zemo Svaneti region.¹¹

¹¹ See <https://www.radiotavisupleba.ge>



Picture 6: Stalls outside Zugdidi Bazaar

According to the information released by the National Statistics Office of Georgia, trade on Georgian territory is organized by different days of the week: daily trade takes place in 169 markets, Sunday trade in 20 markets, and weekend trade in 3 markets. In 2016, the revenues from markets and fairs were 144.3 million Georgian lari. According to the National Statistics Office of Georgia, traders paid 53.3 million GEL for the right to trade in the territory of trade markets, accounting for 36.9% of revenue. Renting commercial space accounted for 57.2% of revenue, while 5.8% came from other types of revenues. As for expenses, the expenses of economic entities engaged in organizing markets amounted to 98.2 million GEL in 2016, while wages and salaries came to 27.3 million GEL. These statistics reveal how important markets and fairs are for employment. The number of people employed in this field exceeds 10% of those employed in the non-public sector, which is a very significant figure and creates an important social role for markets and fairs in Georgia.¹²

Conclusion

The culture of bazaars, which has a long history in the Caucasus, has developed in accordance with socio-economic needs and demands during specific historical and economic stages and has adapted to new developments. The rapid socio-political changes linked to Sovietization interrupted the

¹² See <https://www.radiotavisupleba.ge>.

“natural” flow of this evolution. However, bazaars continued to function. After the collapse of the Soviet Union, the breakdown of local industries and institutions pushed the population into trade again. People became deeply involved in trade relations, which became the basis of daily survival. Since these times, since the 1990s, the bazaar economy has been gaining more and more importance. Today, bazaars fulfill socio-political functions and are an important part of the Georgian economy.

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**Public Space Commercialized and Commodified: A Case Study of
the Vernissage in Yerevan**

Introduction

The current paper discusses the commercialization and commodification of public space in Yerevan using the example of a souvenir market—the Vernissage, an open-air souvenir market in the city center.¹³ It differentiates between the commercialization and the commodification of space, terms that might be conflated and used obscurely, and it argues that the commercialization of space in Yerevan was triggered by the collapse of the Soviet Union, whereas the recent commodification of space in Yerevan is being facilitated by the state.¹⁴ If the commercialization of space right after the collapse of the Soviet Union occurred because the government was too weak and not able to control and regulate trade in public spaces, the commodification of space that can be observed nowadays is largely propelled by the Armenian government, which has both an interest in doing so and the means to do it.

Generally, the commercialization, privatization, and commodification of urban space are discussed as a part of the political process and are mostly criticized in leftist theories as examples of social stratification by the state authorities (Low 2005: 1; Lefebvre 2009; Low and Smith 2006). As Low argues, commercialization of public spaces (he looks at cases in the United States) usually starts as renovation (as in the case of the Yerevan and Tbilisi flea markets) and modernization, but after the space loses its public character, it becomes accessible only to people from the middle class or tourists (Low 2005: 1-2). Thus, people lose their access to public spaces as places for social, economic, and political interactions.

Focusing on the changes introduced within the framework of the Vernissage reconstruction and modernization project,¹⁵ specifically concentrating on the transformation of portable tables into fixed tables, the first part of the paper argues that this transformation crystallizes and sheds light on

¹³ We do not delve into the details of who owns the space, how the amount of rent is determined, and where rents go, even though this might be interesting and useful to some readers.

¹⁴ The processes of the commercialization and commodification of urban public space are similar and different at the same time. In general, such processes are also discussed as part of political transformation, since when political systems collapse, urban public spaces created by them are occupied by new actors (Lefebvre 2009; Low and Smith 2006).

¹⁵ The official name of the reconstruction project is “The Vernissage Reconstruction and Modernization” (authors’ emphasis). However, we do not discuss explicitly the discourses on the modernization of marketplaces in Yerevan.

an almost invisible and symbolic shift from the commercialization of space—the transformation of public space into commercial space—to the commodification of space. In this part of the paper, we claim that portable tables, which were used to commercialize public spaces after the dissolution of the Soviet government, symbolized traders' autonomy and power to transform public spaces. Their replacement with planned, uniform, and fixed stalls demonstrates how the space is being measured, bureaucratized, and commodified by the government and how traders' power and autonomy is being reduced and made dependent on a commodified understanding of space. Furthermore, going beyond the Vernissage, the second part of the paper claims that the commodification of space can be observed both in the capital of Armenia and in the region in general.

Commercialization and Commodification of Public Space since the 1990s

The two Vernissages¹⁶ of Yerevan, which attract tourists and locals every year, have become the focus of a number of academic publications. The first Vernissage, which is located in the public park named after Martiros Saryan,¹⁷ is mostly known as the Saryan Vernissage. It was formed in 1986 as an open-air space to exhibit works of art. Back then, artists did not have to pay any taxes or fees for the space they occupied, for it was considered a cultural space rather than a space for commerce. With the collapse of the Soviet Union, this Vernissage gradually turned into a space for small-scale trade. People were compelled to sell their household items, handmade crafts, and souvenirs in public spaces, and street trading became ubiquitous (Melkumyan 2011; Tadevosyan 2014). In June 1993, the alarmed municipal government moved everyone (resellers and sellers of souvenirs and household items) including the painters from the Saryan Vernissage to a former boulevard near Republic Square. The government's reasoning was that "it was not a proper image for the cultural center of the city, where the Saryan Vernissage was located" (Abrahamian and Melkumyan 2012). Later in 1993, only artists managed to return to the Saryan Vernissage to exhibit and sell their paintings (Melkumyan 2011: 53).

The new Vernissage obviously emerged because of the relocation of handicraft artisans and people who sold secondhand household items to the site next to Republic Square and has been functioning at the weekends since 1993 as a souvenir fair or market. This relocation in 1993 led to the physical and geographical transformation of the traders' spots: whereas in the Saryan

¹⁶ Vernissage according to the Oxford English Dictionary means "a private view of paintings before public exhibition," but in Yerevan people explained that a vernissage was an open display of one's work for sale.

¹⁷ For information about the public park named after Martiros Saryan, see <https://www.yerevan.am/en/park/?modal=12&page=1>.

Vernissage traders dealing in household items and handmade crafts and souvenirs occupied the periphery, in the new Vernissage they were centrally located (Melkumyan 2014: 18). This transformation is not the only one in the history of the new Vernissage; many others have followed since its establishment.¹⁸ Almost 23 years later, in 2016, the Vernissage market was going through another drastic transformation: the half of the market on the side of the Republic Square had already been reconstructed, while the other half on the side of Vardan Mamikonyan's monument was still undergoing reconstruction, and a few months before, 350 people who sold secondhand items had been moved to Hrazdan, a market located next to the Hrazdan sports complex, because the goods they sold did not meet the criteria for appropriate goods to be sold at the Vernissage.¹⁹

This transformation was called the Vernissage reconstruction and modernization project (from now on “the reconstruction project”) according to the official announcement and was initiated by the municipality of Yerevan in March 2016. The reconstruction work took place on weekdays and stopped at the weekends when people came to trade, and according to the Vernissage administration, it was planned to be completed in March 2017, although it has not been completed until now. Although the reconstruction and modernization project has led to many changes at the Vernissage, we will look in detail at the transformation of the Vernissage tables and stalls and link it to the commercialization and commodification of space in Yerevan, which can be further connected and compared to similar processes that have been taking place in Yerevan and in the region since the dissolution of the Soviet political system.

Commercialization of Public Space in the 1990s

Melkumyan (2018: 10) in his article “Informal Economy, Politics, and Mutual Support in Armenian Flea Markets” states about the Vernissage that “if political systems that dominate public spaces collapse, then these territories lose their political and symbolic capital, and start to be commercialized.” In other words, he says that the emergence of informal markets in the city, including the Saryan Vernissage and the new Vernissage, was due to the abandonment of public spaces by the political structures of the collapsed Soviet government. This process, however, is typical not only for the Caucasus but also for different post-Soviet cities from Eastern Europe to Central Asia (Humphrey and Skvirskaja 2009; Rekhviashvili 2015; Tsypylma 2014 [2015]; Schröder 2016).

In case of Yerevan, the emergence of growing numbers of informal traders of secondhand goods, souvenirs, and household items around the Saryan

¹⁸ For instance, Melkumyan (2018) describes the removal of the *barakholka*, a flea market, next to the Vernissage. The space where the *barakholka* previously stood is now a *kachkar* (cross-stone) park.

¹⁹ Announcements by the municipality on July 11 and 12 and August 1, 2016.

Vernissage in 1989 and the early 1990s was not a unique case in the city, for it is a known fact that after the collapse of the Soviet government in Armenia, *seghaniks*²⁰ and *budkas*²¹ flourished in the city as people took to the streets—not only to the Saryan public park—to sell whatever they could. To put it differently, in the early years of independence public spaces no longer dominated by the political system started being turned into spaces for commerce; this commercialization occurred as a result of street traders' appropriation of public space and signified their ability and power to appropriate and transform it with their tables. Thus, the commercialization of space as described by Melkumyan (2018) should be understood as the transformation of public space into commercial space by street traders.

This transformation of space into a place of informal commerce can be clearly observed in the square where the Vernissage was relocated after having been removed from the Saryan public park. This square is usually described as “tumble-down” or “unfinished” (*nedostroennyi*) in the literature (Melkumyan 2009: 92; Abrahamian and Melkumyan 2012: 50). In line with this description, traders in 2016 thinking back to the past also described the previous, not-yet-reconstructed market as an “abandoned,” run-down place, where a non-functioning fountain had stood since the dissolution of the Soviet Union. In this regard, we see how an abandoned public space was turned into a space of commerce, that is, a souvenir market. A photograph in a book by an Armenian writer and medical doctor, Grigoriy Harutyunyan (2004: 23), shows the old non-functioning fountain and also the fact that traders used its rims as tables or places to exhibit their goods.

Commodification of Space at the Vernissage Marketplace

On March 14, 2016, when the mayor of the municipality of Yerevan initiated the reconstruction project, one of the main goals was to make the market a comfortable public space and more presentable to tourists.²² Thus, the immediate result was the removal of the remnants of the fountain; now, a visitor to the Vernissage will never suspect that a fountain once stood there. Moreover, besides the removal of the non-functioning fountain, the old portable tables were also replaced with new ones, which were fixed to the ground. Before March 2016, traders brought their own portable tables of different sizes, which were used as stalls. These were replaced by several new types of stalls: 12-meter-long tables; *etazherki*, a stall of cascading shelves; and lines of rods (in

²⁰ *Seghanik* means ‘table’ in Armenian.

²¹ *Budka* means ‘booth’ in Russian. *Budkas* were used for both formal and informal trade in public spaces and backyards starting in the 1990s, and many *budkas* that did well later turned into formal shops and supermarkets all over Armenia.

²² According to the announcements published on the website of the municipality of Yerevan on March 14, April 13 and 28, June 23, and September 8, 2016.

the paintings aisle) where paintings could be hung. Although most of the traders welcomed these changes, as they believed the appearance of the market improved, there were still those who complained about the changes. These complaints ranged from remarks on poor technical implementation to direct accusations of being ripped off. For instance, the occupants of the 12-meter-long stalls²³ complained that they had to walk 12 meters to go in and out, while the *etazherki* were problematic to traders because they had nowhere to sit during the whole day.

Another example of emerging problems going along with the reconstruction is reflected in the case of 40 women who sold needlework along Byuzand Street. Their stalls were abolished, since the administration decided to have a parking lot in that space. In protest, these 40 women wrote a complaint letter to the city mayor asking for help to get better spots at the Vernissage. They also wanted to pay less than the regular fee of 1,000 drams, since their items (embroidered tablecloths, for example) occupied a lot of space and were relatively difficult to sell. One of the women, who signed the letter while talking to one of the authors of this paper about the Vernissage administration, which collects the daily fees, called the administrators “bloodsuckers” and said, “Every month, they earn millions and millions of drams.” Besides these 40 women, some other interlocutors thought that the reconstruction project was an investment by the Vernissage’s leaseholder to make more money by increasing the fee for stalls in the market.

In the context of the government’s statements justifying the reconstruction project as an attempt to beautify and modernize the Vernissage,²⁴ it would be easy to dismiss these complaints as insignificant and not recognize the link between the transformation of the portable tables into fixed tables after the reconstruction and the complaint that these 40 women voice. Our interpretation is that these two observations are intricately linked to each other: portable tables signify traders’ ability, autonomy, or we can even say power to turn any public space into a space of commerce—to commercialize public space. Whereas, their transformation into fixed stalls signifies that with the removal of portable tables traders lost this ability, autonomy, and power to have a say over a public space, thus conferring this power on the administration of the Vernissage, which commodifies the space, measures it, and rents it out accordingly. As of October 2016, when the Vernissage administration leased out 2,000 meters at 1,000 drams per meter, roughly 2,000 traders rented these 2,000 meters of space.

In a certain way of looking at it, the transformation of the “chaotically” placed portable tables into fixed tables and the consequent loss of traders’

²³ These 12-meter-long stalls were not occupied by a single trader but rather by seven or more traders; usually one meter per person.

²⁴ We do not deny the fact that the appearance of the market improved.

Moving to a deeper discussion of the difference between the commercialization of space and the commodification of space, it is surprising that these two concepts have never been juxtaposed and differentiated in the literature about markets and public spaces. For instance, Lela Rekhviashvili's (2015) work focuses on the commodification of space in Tbilisi but does not explicitly differentiate the commodification of space from the commercialization of space. Other works that mention "commercialization" of spaces, like Humphrey and Svirskaja (2009: 62) on markets, also do not compare and analyze these two concepts. Our empirical research on the Vernissage suggests that focusing on, comparing, and analyzing these two concepts—commercialization and commodification of space—is useful in understanding daily life and the transformation of public spaces in Yerevan.



Although we claim that in the early 1990s, the space where the Vernissage stood was commercialized—transformed from a public space into a commercial space—we are not claiming, however, that the space at the Vernissage was never commodified. Traders have been paying fees to the Vernissage administration to occupy their stalls since long before the most

recent changes, although there is no accurate information on when traders actually started paying fees to the Vernissage administration. Different people said different things: for instance, a *kassir*²⁵ who has worked for the administration for 16 years said that in 1993 people paid 50 drams, whereas a person who has been trading there since 1993 said that at the beginning they did not pay anything and that people self-organized everything. Melkumyan (2011: 64) mentioned that “in 2006-2008, traders at the Vernissage paid 500 drams for a table. In 2009, as a result of increasing prices due to the inflation of the dram, the fee for a stall increased to 1,000 drams.”²⁶ Once the fee increased in 2009, traders for the first time started being given receipts with a stamp as proof that they paid the fee for the stall. Presently, the administration’s monthly revenue from leasing 2,000 meters of space is approximately 27,000 euros.²⁷

Moreover, we do not claim that the former portable tables conferred absolute power and autonomy on traders to do anything or move anywhere they wanted—the portable tables conferred only some power and autonomy on traders. Therefore, once the tables were transformed, many artisans were unsatisfied: if the previous portable tables gave them the possibility of displaying their handmade works as an exhibition with its semiotic meaning and left space for creativity, the new stalls did not allow this, thus forcing them to exhibit their works like simple commodities. Many traders would contend that the Vernissage is a cultural event and what they do is an exhibition of their creative skill, claiming that the Vernissage is more than buying and selling and shunning those who work there to make a profit. As for traders’ autonomy to move their tables anywhere they want, we agree that trade at the Vernissage was carried out more or less within the boundary of the market, although we hold that the traders of the Vernissage were or could be viewed as among the street traders who, back in the 1990s, could commercialize any public space with their *seghaniks* and *budkas*. Thus, we argue, the removal of portable tables from the Vernissage not only bureaucratized and completely commodified space, but also removed traders’ autonomy, for instance, to define what kind of place the Vernissage is and is slowly turning the souvenir market (which has usually operated only at the weekends) into a regular daily market as more and more traders start coming to the Vernissage during the week to be able to make a profit and pay the fees. Also, it is putting an end to a period when traders with their magic portable tables could turn any public space into a space of commerce. The removal of the last tables at the Vernissage mirrors a similar

²⁵ A person from the Vernissage administration who collects money from the traders on a daily basis.

²⁶ The quotation is translated from Russian by the authors, as the original article is in Russian.

²⁷ 2,000 meters of stalls x 1,000 drams x 8 days a month (excluding fees from people who trade every day) = 16,000,000 drams (around 27,000 euros: conversion as of January 2018).

process—the commodification of space—that has been taking place in the entire city.

A Bigger Picture: Commodification of Space in the City

In a way, the Vernissage can be perceived as a mirror that reflects changes that are occurring in the city and in the region generally, for the commodification of the Vernissage is part of a larger-scale project. In 2008, the government passed an act on the privatization of the space around the market,²⁸ next to the Republic Square metro station, where according to traders at the Vernissage, a hotel is expected to be built. The same can be observed in the city too. For instance, one painter talking about the increase in the fee for stalls at the Vernissage complained about the commodification of space in the city in general:

The territory of the Vernissage is also rented out. Moreover, now they have red lines along pavements. If you want to park your car, you have to pay money. Why?! During Soviet times, no one would have come up with anything like this. There were special parking lots [during Soviet times], but not like this where I have to pay to be able to park next to my own house.

A visitor to Yerevan today will immediately notice these yellow signs for parking along the streets about which the painter was complaining.



Picture 2: The Yerevan Project plan

These two examples of commodification of space—one at the Vernissage and one in the streets of the city—are not the only examples; an interested and

²⁸ Resolution of the Government of the Republic of Armenia N 119 of 2008 notes that the state recognizes space for a construction project as either an “exclusive public good” or privatized.

willing observer will find many other examples, like the debates around Northern Avenue (Fehlings 2017: 20).²⁹

These accounts demonstrate the shift from the earlier process of the commercialization of public space after the dissolution of the Soviet Union to the more recent process of the commodification of space that has been actively facilitated by an increasingly strong government in recent years.

The Role of the Government in the Commodification of Space at the Vernissage and in Yerevan

If in the 1990s space started being commercialized—transformed from public space into commercial space—because of the weakening of the state after the collapse of the Soviet political system and also partly because the state could not offer alternatives for survival, nowadays commodification of space is largely facilitated by the state or by oligarchs through the state. For instance, at the Vernissage, it is obvious that all the changes at the market have been taking place with the implicit or explicit approval of the municipality. The municipality of Yerevan started leasing the public space where the Vernissage stands now to Harutyun Navasardyan in 1993, when the abandoned boulevard turned into commercial space. The lease contract is expected to be prolonged for another 20 or 30 years.³⁰ If the municipality did not lease the space, the Vernissage might not exist in its current form. As for the facilitation of commodification of space by the government, it was the mayor of the municipality of Yerevan who, at the beginning of 2016, initiated the reconstruction and modernization project and charged the chief architect of the city and the “Yerevan Project”³¹ to develop it in cooperation with Harutyun Navasardyan, the leaseholder of the market.³² Harutyun Navasardyan had to bear all the expenses. As a result, within a month, the “Yerevan Project” developed a project design, and in April 2016, the reconstruction of the Vernissage started. Initially, four proposals for the reconstruction design were submitted and discussed. According to the director of the “Yerevan Project,” Sirekan Oganyan, in the end, the project design that was able to accommodate the largest number of stalls was chosen to be used for the reconstruction. This clearly shows that one of the decisive factors in the selection of design projects

²⁹ Fehlings (2017) mentions in passing how a group of old buildings in Yerevan was demolished to build a brand new district, North Avenue, turned into a center of expensive shops. The construction of North Avenue, owned by members of the city’s economic elite, could also be seen as stemming from the commodification of space in Yerevan.

³⁰ According to an architect working for the “Yerevan Project.”

³¹ “Yerevan Project”, which was founded in 1958, is an institute that was specifically established for urban and residential planning. In the Soviet Union, different Soviet Republics had similar institutes in their capitals.

³² Announcement by the municipality on March 14, 2016.

was profitability, even though in public press releases the municipality kept repeating that one of the main goals of the project was to make the market a comfortable public space and more presentable to tourists.³³

However, this is not to say that the question of aesthetics was completely absent. It was exactly this attempt to make the Vernissage more presentable that led the mayor to order the 12 administrative districts of the city, all the departments of the municipality of Yerevan, and members of the Council of Elders (municipal council) to develop a proposal to regulate trade on the territory of the Vernissage.³⁴ Consequently, as mentioned above, at the end of June 2016, 350 people who previously sold secondhand items at the Vernissage were moved to “Hrazdan,” a market located next to the Hrazdan sports complex, and “Gnuni,” a construction materials bazaar,³⁵ because the goods they sold did not meet the criteria for appropriate goods to be sold at the Vernissage.³⁶

The Council of Elders adopted the final draft of a regulation on trade at the Vernissage on September 13, 2016.³⁷ According to this regulation, the following items may be sold at the Vernissage:

Examples of decorative and applied art, paintings, sculptures, graphics, items of folk art, crafts, and the following assortment of goods [...]: wooden sculptures, silver jewelry, medals, coins, paintings, antiques, carpets, embroidery, books, printed materials for tourists, household items as souvenirs, tools for making jewelry, hunting equipment, animal-care items, natural stones, and audio and video materials.

*In accordance with the decision of the Council, it is not allowed to sell agricultural and food items, cosmetics, perfumes, tobacco, household and computer appliances, home-care chemicals, animals, plants, flowers, medicine and medical equipment, old household items that cannot be considered souvenirs, old clothing and shoes, construction materials, automotive spare parts, fireworks, artifacts, and other goods that are forbidden or restricted by the legislation of the Republic of Armenia.*³⁸

³³ According to the announcements published on the website of the municipality of Yerevan on March 14, April 13 and 28, June 23, and September 8, 2016.

³⁴ Announcements by the municipality on May 2 and 10, 2016.

³⁵ A 10-minute walk from the Vernissage, on a peripheral part of Vardanyants Street, along which the Vernissage is located.

³⁶ Announcements by the municipality on July 11 and 12 and August 1, 2016.

³⁷ Announcement by the municipality on September 13, 2016.

³⁸ This regulation, it seems, was not strictly enforced, since after the regulation was adopted, there were still people who were selling automotive spare parts, dog collars, secondhand Soviet kitchenware, and secondhand tools.

This regulation, besides being understood as the state's concern for aesthetics, could be interpreted as part and parcel of the state's attempt to regulate and commodify space in the city. The Administration of Trade Control and Services (henceforward, the Administration), a structure within the municipality that patrols the city streets to make sure no street trading takes place, justifies its activities on the grounds of concern for aesthetics above all, claiming that street trading disturbs the city's otherwise beautiful appearance. It is true that compared to neighboring Tbilisi, Georgia (Hardenberg and Fehlings 2016: 8; Rekhviashvili 2015: 490),³⁹ presently fewer street traders are visible in the city center of Yerevan. Street traders stay hidden from the police and officers of the Administration in apartment entrances or appear suddenly with a box⁴⁰ of fruits and vegetables here and there, but they disappear quickly from their spots as soon as their boxes are empty or maybe at the sight of the persecuting officers, although they try to negotiate informally with them, as Harutyunyan, a member of the Council of Elders, has noted in a Facebook post (Harutyunyan 2016).

According to the deputy head of the Administration, within the framework of the Trade and Services Act of the Republic of Armenia, only five items can be sold on the streets of Yerevan: flowers, seedlings, Christmas trees, ice cream, and water, including all other non-alcoholic beverages. People who do not comply with the law will be fined 15,000-20,000 drams (27-36 euros). The deputy head of the Administration boasted that a couple of years ago the city streets were full of street traders, but nowadays 95% of street trading has disappeared thanks to strict control. The Administration has branch departments in all 12 administrative districts of Yerevan that patrol the streets in all districts on a daily basis. In 2016, the Administration reported 309 cases of illegal street trading.⁴¹

Similarly, the mayor of the city took a position that shuns street trading and portrays it as an illegal activity, as can be inferred from this directive from 2015:

We should be strict regarding this question and regulate wholesale and retail trade of agricultural products. There is a misconception that by such measures, we are trying to obstruct sales of farmers' products. However, we demand that trade be organized within certain areas determined by law. Consequently, in cooperation with the police, keep [imperative form] on

³⁹ Rekhviashvili states that before 2012, the Georgian government actively barred street traders from public spaces. However, after 2012 when the government changed, previously strict controls on street trading were relaxed. Nowadays, there are more traders selling goods on the streets of Tbilisi, whereas in Yerevan there are none.

⁴⁰ In line with our argument, it is clear that because people are not allowed to trade on the streets, they use boxes and not tables like previous street traders.

⁴¹ Announcement by the municipality accessed on June 8, 2017.

*regulating so that trade is operating within the framework of the law. Control and patrol should be carried out until this porochnoye yavleniye [vicious, evil phenomenon] is eradicated.*⁴²

Thus, we see the drastic changes that have occurred at the Vernissage and on the streets of Yerevan. It is quite obvious that the government is actively involved in regulating, managing, measuring, making exclusive and allocating, and commodifying space in Yerevan through its constituent bodies such as the Administration of Trade Control and Services and the “Yerevan Project.” In light of all these changes, we can ask what the government’s goals and rationales are for this strict regulation, management, and commodification of space in Yerevan. Why does the government actively facilitate the commodification of space in the city?

Writing about the commodification of space in Tbilisi, a neighboring capital, Lela Rekhviashvili (2015) also describes in her article “Marketization and the Public-Private Divide” how the Georgian government attempted to evict traders from streets and public spaces. This seemed illogical and shallow to some scholars, considering that the neoliberal government had to encourage trade and not ban it. She goes on to argue that government activities aimed at evicting street vendors from public spaces were not illogical but rather “in line with the overall neoliberal direction of the post-revolutionary changes” (ibid.: 480). The Georgian government was facilitating the creation of private property—by ejecting traders from public spaces and confining them to private spaces—and, therefore, commodification of urban space.

Is it possible that the Armenian government, like the Georgian government, is aiming to create public and private property in Yerevan? Is it implementing neoliberal policies in order to increase the role of the private sector in the country and attract foreign investment to the country, like in Georgia, or is it a local deal between the state and local oligarchs and businessmen, who mostly think about their own pockets and profits (Humphrey and Skvirskaja 2009; Stefes 2008; Iskandaryan 2013: 461-462)? Since the 2000s, the issue of commodification of public spaces in Yerevan has become a hotly debated topic in public discourse. In recent years, several civic initiatives have protested against the state and the oligarchs’ occupation (“Mashtots Park,” “Park Shuka”) of urban public spaces (Shirinian 2017), which is leading to their commodification. Although we cannot presently answer the questions posed above, the cited texts suggest that a deeper look into the public protests and into the general contexts of development and the functioning of the Armenian government would make it possible to find the answers. This, however, is a separate topic to be researched, one that could enable us to compare and draw

⁴² Announcement by the municipality on August 24, 2015.

parallels between the two Caucasian governments, which are actively involved in the commodification of public spaces in their respective capitals.

Conclusion

To summarize, this paper focuses on the reconstruction and modernization project at the Vernissage, which was initiated by the municipality of Yerevan at the beginning of 2016. Specifically, it looks at the transformation of portable tables into fixed stalls, a change introduced as a result of the reconstruction, and goes on to argue that this transformation is not just physical but also symbolic: it sheds light on the shift from the commercialization of space to the commodification of space. To clarify, we contend that in order to better understand ongoing processes around public spaces at the Vernissage and in Yerevan in general, it is necessary to differentiate between the commercialization of public spaces that occurred in the first years of independence and the commodification of space that recently started being facilitated by the Armenian government. We believe that portable tables signify traders' autonomy and power to commercialize any public space, as was the case right after the collapse of the Soviet Union. By replacing portable tables at the Vernissage with planned, measured, and fixed-to-the-ground stalls as a result of the reconstruction project, the Vernissage administration, we argue, has bureaucratized and completely commodified the space, thus removing any potential for traders' autonomy and power and putting an end to a period when a public space could be turned into a commercial space at the whim of traders' portable tables. Moreover, we go on to argue that the reconstruction and modernization of the Vernissage, which led to layered processes of change at the market—removal of an old non-functioning Soviet fountain, improvement of the physical space of the market, an end to traders' autonomy and power to transform public spaces, and bureaucratization and commodification of space, to name a few—is not an isolated event but rather part and parcel of the government's attempts to commodify space in the capital. Finally, in our attempt to draw parallels between Tbilisi and Yerevan, having established that the governments in both capitals are aggressively commodifying space, we come to the conclusion that in order to do that—to draw parallels between Yerevan and Tbilisi in order to understand what propels the commodification of space—a comparative study that will look into the goals and rationales of these two governments is needed.

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**Interplay between the Formal and the Informal: Marketing
Religious Festivals in Contemporary Armenia⁴³**

Introduction: Market Space and a Globalized Festival

The formation of post-Soviet capitalisms and modernities⁴⁴ challenges researchers to go deep into contextualized economic and market processes, sometimes entirely veiled by forms of the modern market economy imported from the Western context. The process of globalized market consumption is one of these forms. However, once placed within specific cultural frames, it reveals its hidden contexts and meanings. This paper is about market processes that take place in Armenia during the main festivals, Christmas and Easter. These festivals are commonly considered religious ones, but at the same time, they have been strongly affected by Soviet secularism and globalized capitalist markets and consumption. This article discusses how formal and informal market structures convey globalized trends and impact local festivals.

In a market framework, social processes are usually embedded within the context of consumption, which is according to Baudrillard a process of creation of meanings, communications, classifications, and social differentiation (Baudrillard 1998: 86). Festive periods usually are ones of drastically increased consumption (Douglas 2006), when the main goal of the industrial economy, as Baudrillard puts it, is “enforced enjoyment” (Baudrillard 1998: 80), meaning that the market forces an individual to construct his or her own festival pattern by replicating structural models provided by the consumption system (Baudrillard 1998: 95-96).

Currently existing discourse on the formal and the informal in economic anthropology and sociology is represented by numerous publications.⁴⁵ Most of them identify the difference between the formal and the informal as that between the institutionalized and the non-institutionalized, the regulated and the unregulated, acting within the written law and acting outside it, etc. To make clear my own understanding of the formal and the informal, I refer to a paper by Giordano, who emphasizes several important points. He thinks that the clear separation of formality and informality is a deceptive construct, because both the formal and the informal can easily co-exist in the same structure. Giordano

⁴³ The research was conducted in the framework of the international and interdisciplinary project “Informal Markets and Trade in Central Asia and the Caucasus,” funded by the Volkswagen Foundation.

⁴⁴ Following Hefner, who demonstrates how different capitalisms and modernities embedded in different cultural and social contexts can be (Hefner 1998a, 1998b).

⁴⁵ A detailed overview and analysis of these theories and publications can be found in Hardenberg & Fehlings 2016.

also stresses the importance of informality as a principle of social organization in societies characterized by public mistrust (Giordano 2013: 27-45). In accordance with these points (inseparability of the formal and the informal and the importance of informality in societies characterized by public mistrust) I will try to analyze social and cultural specifics of the festival trade in Armenia, and especially in Yerevan.

If we try to describe a festival in a contemporary Armenian city, then most likely the main metaphor we will use will be that of the “market”; more precisely, the market on these days extends far beyond its everyday limits. On ordinary days the market space is mostly formalized and represented by shops, minimarkets, and supermarkets. Informal street trading has been under serious pressure from the government in the last decade. It is now regulated by a law on street trading, and the informal segment of the market has been mostly confined to courtyards and peripheral districts, “intimate” spots, as described by Fehlings, that are separated from apparent public space (Fehlings 2015: 521), and is dwindling yearly. However, during festive periods, street trading usually receives official temporary indulgence and drastically increases in volume and the space occupied. The city (meaning Yerevan in this particular paper) transforms into a huge market with formal and informal segments. So one of the main characteristics of festive periods is the increased informality of markets.

To be specific, we can mention two festivals during the celebration of which informal street trading increases dramatically: New Year/Christmas (a semantic pair) and Easter (including the holy week).⁴⁶ Christmas and Easter both are formally religious holidays in Armenia. Their religious meaning is similar to that in most Christian denominations. However, the informal hierarchy of the most important Christian events (the Birth of Christ and His Resurrection) in the Armenian Apostolic Church may be different than in some other Christian Churches. In this hierarchy Easter stands first, and Christmas comes next, as is well articulated through festival trade. Armenian Christmas coincides with Epiphany, the celebration of Christ’s Baptism and the blessing of the water. During Soviet times Christmas became apparently secondary to the New Year, and its celebration is usually more modest than that of New Year’s Eve.

As we may understand from previous studies of the processes of marketing religion and religious festivals (Kitiarsa 2008; Tocheva 2015; Gudeman & Hann 2015; Kormina 2016; etc.), religious festivals make use of two “languages” of the market. One represents the recognizable symbolism of the event through the meaningful forms of ritual/festive goods, and the other addresses its socio-economic context through hierarchies of marketed goods and

⁴⁶ Trade can be specifically transformed on other festive days too, e.g., Valentine’s Day or March 8 (International Women’s Day), but in market terms these holidays cannot be compared to the Christmas/New Year and Easter seasons.

marketplaces. Further, in this paper I will try to demonstrate how these two “languages” act through formal and informal market structures.

Market “Languages” of Religious Holidays (Christmas and Easter)

Globalized commercialization of the main Christian holidays started back in the 19th century, as shown in Miller’s introduction to a collection of papers dedicated to the sociological and anthropological analysis of Christmas (Miller 1995). This was a period of “massive industrialization, commercialization and urgent discussions over the continued significance (or otherwise) of religion in the society” (Coleman 2005: 351). Mass commoditization of religious holidays resulted in, on the one hand, the loss of previous meanings and practices and the appearance of new ones, and on the other hand, increased visibility of the holiday and increased participation by the population (also passive participation through mere consumption of goods and attractions) (Carrier 1993). All this is true for the Armenian context as well.

Economic globalization resulting in the worldwide expansion of Christmas and Easter consumption can take some hybrid forms (as in Japan, where a crucified figure of “Father Christmas” became a festive symbol; see Coleman 2005: 351). The Christian cultural context and local traditions of celebrations of Christmas in Armenia permit the easy adoption of Western European commercialized models, but their adaptation has led to new, similarly hybrid forms of celebration and “consumption” of Christmas here too.

The Western (American and Western European) type of visualization and commodification of the New Year and Christmas holidays not only brought in new social meanings and symbolism, but also shifted and extended the temporal borders of the holiday seasons. The Armenian Christmas is celebrated after New Year’s Day, on January 6, and since Soviet times it has mostly fused with the New Year celebration. The latter, in turn, being secular in character, in the process of its construction by Soviet officials and Soviet mass culture institutions absorbed all the main attributes of the Orthodox Christmas, after having changed their meanings and social connotations. Currently, the commoditized “text” of the Armenian Christmas has also absorbed specific elements of the Catholic and Protestant Christmases.⁴⁷ Thus, it is visualized through commodities exported from the West or Russia and their replicas or adapted versions handmade in Armenia, and through Christmas production of mass culture (films, cartoons, books, images, advertisements, mythological characters, etc.). One of the newest introductions into the celebration is the Christmas fair, organized formally or semi-formally. The very idea of Christmas fairs comes as a reproduction of Western European urban models. Following globalized trends, the Christmas fairs along with other components of the

⁴⁷ The history and anthropology of the European Christmas, as well as its market- and consumption-related meanings and connotations, are unraveled in Miller (1993).

Christmas celebration extend the temporal borders of the seasonal celebration, because they start long before the holiday season usually started in Soviet and early post-Soviet times. Their structure and content seem to be mostly adopted from the West; however, as will be revealed below, the Christmas and Easter fairs have been embedded into the local social and economic context and become one of the socially meaningful gears of the local market system.



Picture 1: Easter market: the usual assortment of goods is complemented by homemade and imported holiday items

According to my field observations, urban festival trade is represented by several types of formal, semi-formal, and informal structures, including formal shops and markets (supermarkets and minimarkets), occasionally organized formal and semi-formal fairs, and spontaneously emerging temporary marketplaces such as short-term bazaars and groups of mobile traders moving across the city throughout the day. Though these structures vary in status and in their relationships with the state,⁴⁸ the main difference between these constituents of the festival market is the commodities they sell.

The formal market is dependent on several large local manufacturing or food-producing/ processing firms and large commercial enterprises (often appropriated by oligarchs) importing festive products from Europe, Russia, Arab countries, and Turkey (through Georgia, as a rule). Informal street trading represents mostly the production of local medium and small enterprises, local household and handmade production, and low-cost production from China and other developing countries, imported by individual traders or just bought in the wholesale markets and resold.

Although the principal variety of goods is the same everywhere, there are also eye-catching differences between trade structures. Metaphorically, it can be said that the formal market units are the festival's front door, and the informal ones are its commercial back door. Formal market institutions (mini- and supermarkets, shops) pay more attention to the "prestigious" part of the ritual and celebration (gifts, expensive ritual supplies like luxury Christmas-tree decorations, alcohol, prestigious and expensive food like exotic fruits, meat, seafood, sweets, dried fruit, etc.). The informal street market is more focused on commodities and food of relatively low cost and, therefore, low prestige—local fruits and vegetables, cheap or handmade decorations, unsophisticated sweets and other processed foods, handmade dyes for Easter eggs, sprouted seeds as a decoration for the Easter table, etc.).

This division evokes parallels with the differentiation of goods into those that are exposed for "conspicuous" and "not conspicuous" consumption in Veblen's theory (Veblen 2007).⁴⁹ More "prestigious" and less "prestigious" goods are a result of the social context and internal hierarchies of the informal market players. Those having a higher status because of more powerful connections or kin relations usually have better places and larger spaces and usually sell more "prestigious" goods than those who are short of connections and kin. Among the seasonal "prestigious" goods are natural Christmas trees,

⁴⁸ Some of them are organized by state institutions, like fairs and Christmas-tree bazaars; some of them are fully informal phenomena, like street traders, who would be considered illegal on ordinary days.

⁴⁹ Veblen's theory of conspicuous consumption is related to the specific form of consumption, which seems to be irrational and unproductive, because it exceeds major subsistence needs, but is considered honorable and prestigious and serves as a means of asserting reputability (Veblen 2007: 49-69).

sold at formally (by the mayor) organized bazaars located in rather prestigious places (in the city center, at the crossroads of important streets, near the big supermarkets). They are sold almost exclusively by men who import them “from Europe, mostly Germany.”⁵⁰ Goods of low prestige are mostly sold by women, often old women, and also by old men and poor people, and their market stands are usually located in less attractive (and correspondingly cheaper) places. The less prestigious goods are petty decorative items like candles, festive plastic bags, napkins, pens, cards, and calendars. Religious goods like crosses, icons, etc. are sold by aged people (both women and men), strongly reminiscent of beggars. Many people feel morally obliged to buy something from them “to help the poor grandma.”

Festival fairs occupy a separate place in the hierarchy of the units of festival trade. Historically, fairs have been occasionally organized temporary markets (usually during holidays), located on trade or pilgrimage routes and aimed at promoting interregional trade (see, e.g., Braudel 1988: 67-81). Today, as we can see, festival fairs are temporary markets organized on the occasion of a holiday by community authorities or other organizations, where manufacturers or artisans themselves are encouraged to sell their products. The assortment of goods offered is either irrationally expensive (especially food and alcohol) or of not very good quality (like some handmade items).⁵¹ According to my observations and occasional conversations, few people go to the fairs to buy something really functional, except for gifts. People (at least those whom I talked to) buy goods at the fairs to become a part of the festival’s enjoyment and relaxation through consumption and sometimes charity.

If Christmas is influenced by Western patterns of celebration and festive consumption, then the consumption “canon” and “languages” of Easter come literally from the “East,” Orthodox Russia. In Eastern Christianity, including the Armenian Apostolic and Orthodox traditions, Easter is the most important holiday in the yearly cycle of Christian holidays. One of the bizarre turnabouts of globalization is that most of the Orthodox production of Easter items such as decorations and dyes for eggs, etc., is made in China, and imported from there either directly from China by wholesale traders or through Russian partners or middlemen.

⁵⁰ There have been a number of journalists’ reports about the Christmas-tree trade, divulging all the specifics of this market sector (Chilingaryan 2011).

⁵¹ Let me mention an autoethnographic example. Once I was lucky to be in Vienna in the pre-Christmas period. The locals advised me not to buy anything in the Christmas fairs dispersed here and there throughout the city: “Everything you may want to buy you can find in supermarkets, but at a much lower cost.” However, keeping this in mind, I could not help buying some souvenirs from a fair just to commemorate my being in Vienna at Christmas. Back in Yerevan, I became a faithful visitor to such fairs just to revive the festive feelings I had once experienced in Vienna.

Both formal and informal markets enlarge the gamut of Easter-related commodities from year to year. Most ritual components of the Easter celebration, like colored eggs, Easter pastries, and decorations in the form of trays with green sprouts of wheat and tiny toy chickens, previously handmade as part of preparation rituals, are now sold everywhere in the markets. According to ethnographic data, Easter and Christmas preparations were previously considered separate rituals and were not less important than the holidays themselves.⁵² Currently, in fact, consumption of readymade ritual products makes the ritual time of the holiday shorter and preparations less important in the religious sense. And again, the principle of “prestige” of goods works here. If formal markets sell highly prestigious imported goods more characteristic of the Orthodox Easter (like Russian “kulich”-s⁵³ and Easter religious objects (e.g. icons)), the informal street markets offer local or homemade products like local natural plant dyes (“toron” (dye’s madder or *Rubia tinctorum*), onionskins), diverse greens, local fish, etc.

Gradation of local and imported commodities by the criteria of prestige and cost (the imported ones or at least handmade replicas of foreign Christmas and Easter commodities are always at the top of the scale) forms new categories of prestige for the festive rituals and, thus, contributes to their transformation. Thus, commercialization of the festivals has led to changes in festival time periods, transformation and globalization of rituals, and changes in the social “language” of the festival. These globalized trends are inculcated mostly through the formal market sector. In modern globalized communities, new forms and meanings are often brought to the culture by informal groups of immigrants or merchants bypassing official and formal institutions (state, church, etc.). This process has been called “globalization from below” by Portes (2000) or “grass-root globalization” by Appadurai (2000). Normally, “globalization from below” is actively going on in Armenia in many spheres of everyday and business life due to the high level of seasonal migration, cultural exchange between emigrants and their relatives remaining in Armenia, and recent migrants from Syria. However, in the case of religious and festive consumption, globalized trends are first introduced mainly by formal trade institutions. The informal street market stays more conservative and adapts slowly to the newest introductions. This happens partly because the street market’s main consumers are the poorer segments of the population. As Portes

⁵² Thus, every preparatory activity, like cleaning and decorating the house, baking ritual breads and cakes, dyeing eggs, slaughtering animals, etc., had to be done on a particular day and at a particular time, by particular family or clan members, with accompanying rites, prohibitions, and folklore. See the ethnographic descriptions of the Armenian traditional holidays in Kharatyan-Arakelyan 2005.

⁵³ *Kulich* is the original Russian (Orthodox) Easter cake. In the days before Easter, the bakery of one of the Yerevan supermarket chains, “SAS,” always makes kuliches in the Russian way.

indicates, “the process of remoulding of popular culture on the basis of external forms [...] paradoxically, [...] does not affect the very poor in peripheral societies, as working and middle-class sectors are [...] the most exposed to marketing messages and cultural symbols” (Portes 2000: 257). Another explanation may be a higher extent of religious traditionalism in socially low strata of the population.

Formal Charity or Informal Business? The “Prestige Economy” of the Christmas and Easter Fairs

This case study of festival fairs in Yerevan is a good example of the fusion of the formal and the informal, or as Hart puts it, an informal economy emerging within the formal bureaucracy (Hart 2005).

The organization of Christmas and Easter fairs is getting to become a tradition in Yerevan. Short-term markets selling handmade products are opened during the festive periods in significant locations within the urban space (like Swan Lake, Northern Avenue, Mashtots Park, etc.) or in the best hotels (like Marriott and Ani). Some of these markets are organized through formal structures such as the municipal government, schools, and the church, and the rest by NGOs or individuals. The main Christmas fair on Northern Avenue in Yerevan has been organized for more than several years already by the municipality. The Diaspora Ministry was responsible for the organization of some charity Christmas fairs with the participation of Syrian-Armenian refugees. In 2018, the city Christmas fair was opened for the first time in Gyumri by the Armenian Catholic Church jointly with the Caritas charitable organization. For more than ten years, a public Christmas fair has been organized at the local “Aregnazan” Waldorf School. In the Easter period, festival fairs are organized by the Association of Young Women of Armenia and other NGOs or individuals for charitable purposes.

Formally, almost all the Christmas and Easter fairs are supposed to convey the idea of charity. It is assumed that income from these fairs should be spent on charitable purposes, or that fair participants should be related to vulnerable or overlooked segments of the population like refugees, women, children, and people with disabilities, or that the main purpose should be the promotion of local entrepreneurship and production. And on the formal level, these terms seem to be observed. Thus, participants in the main city Christmas fair include some NGOs and charitable organizations, as well as church eparchies, representing charity-oriented products produced by church-based youth organizations.

However, if the organizational mechanisms of most of the fairs are closely examined, it becomes clear that formal goals and purposes are intertwined with informal mechanisms of economic interaction. All my interviews and talks with the participants in festival fairs have revealed the

following situation. As a rule, all these fairs are very poorly advertised and publicized. When I asked how the participants learned about the fair and what the application process was, I was told that either they got information through their social channels (friends, kin, etc.) or they were directly contacted, because they had already previously participated in such fairs. At the “Aregnazan” Waldorf School the participants are selected on the basis of recommendations by teachers, parents, or previous participants in the fair (“they wouldn’t accept anyone off the street”). Social channels play an important role in this process. The closed circle of participants in and the “elitism” of fairs makes the prestige of participation higher, even if they are proved not to be economically effective. Such selection provokes the formation of conveniently elitist communities of master artisans producing handmade items and their clientele, where everyone knows each other.



Picture 2: A Christmas fair on Northern Avenue: the Youth Union of the Tavush diocese is selling homemade jams and herbal teas

Another specific element of the process is poor advertisement of the fair for potential consumers. Surprisingly small numbers of buyers can be seen at such fairs, especially if they are held in closed spaces. But even the open-air fairs (except for the main city Christmas fair) are attended by occasional passers-by or friends who come to show support. The reason is that the organizers’ income comes from the “sale” of stands. Participants pay a fixed

amount of money (usually rather high) for the stands and then keep the proceeds from their own sales. In fact, advertising expenses diminish the organizers' income, so they are not interested in spending the money, and they seem to not care about the participants' income. Sometimes, buyers are so few that organizers close the market before the designated time. To obtain maximal benefit, organizers "play" with prices. For example, participants may share one stand between two participants to decrease their expenses. Therefore, organizers increase the price for half of a stand. For instance, if a stand costs 30,000 drams (approximately 60 dollars), then half would cost not 15,000 drams, but 20,000. One of my informants complained that she was forced to withdraw her participation after she learned about such tricks.

Poor advertising of fairs becomes a reason for low sales, and often the participants return home with zero income. However, interest in the fairs is not fading. As I was told by one of the participants in such fairs, a designer of cloth and accessories, even if the sales were too low, she would be able to actively socialize, make new connections, meet new clientele, and advertise her "name," and eventually it would be beneficial for her business. She even gave me several examples of benefits of this kind that have come true.

I assume that the artificially constructed social importance and prestige of these fairs eventually leads to their economic validity even in the absence of direct economic income from sales. I argue that this is a very interesting example of a prestige economy in a market-oriented, industrial society.

There is one more thing. Few people ask whether the expectation of charity really works. Most of my informants assume that NGOs are more likely to really spend money received on charitable purposes, while individual organizers are likely to appropriate the income. I assume that few "actors" in this market performance are really interested in charity. It is more important to make the idea of charity appear valid. It may just be mentioned in the title of the event, or embodied in various actions that appear senseless at first glance. For instance, a drawing is held among the participants, and the winner has to make a gift to children in orphanages. Sometimes it has no expected effect. "Usually I don't agree to give out my handmade stuff for free. It is too expensive for that, I can't afford gifting it, taking into account the low sales and almost no income coming directly from the fair," I was told by one of my informants. But sometimes sellers agree to give away some inexpensive handmade items for social or emotional reasons, or to get more publicity for their businesses.

Thus, even formally organized fairs have their informal aspects, which make them a sort of informal business for the organizers, on the one hand, and a rather effective social mechanism of marketing for the artisans, on the other. It is only surprising that the Armenian Apostolic Church employs this social instrument of economic activity in a rather limited way; only a few of the eparchies organize fairs or participate in them, unlike their counterparts in the

Russian Orthodox Church, who organize special “Orthodox fairs” (Kormina 2017). I am inclined to explain this by the need to engage in more profitable ritual activities during the Christmas (which in Armenian Apostolic Christianity coincides with the celebration of Christ’s Baptism and the water-blessing ritual) and Easter periods and by their ability to benefit from charity of other kinds, through the church’s close collaboration with affluent benefactors who give directly to the church (see, e.g., Antonyan 2015).

Conclusion

We have discussed the role of formal and informal institutions and structures in the organization of festival trade. Festival trade operates according to all the principles of formal/informal business and the globalized economy, on the one hand, and demonstrates more cultural authenticity and specificity than usual, on the other hand. The social and economic context of consumption is becoming more visible during festive periods. Some other specific features, like charity-targeted trade or trade intermingled with ritual events that take place uniquely during the period of religious festivals, may be considered markers of festival trade. This suggests an answer to the question of whether the religious context and religious meanings of festivals play any role in festive consumption. For the social and economic mechanisms of the fairs to operate successfully, the pertinence and the timeliness of charity events are necessary. The idea of charity works well during the period of festivals, and at religious festivals in particular. First, they incite an increased demand for consumption of various types of commodities, and second, they provide spiritual, moral, and emotional foundations for giving (Carrier 1993; Zaidman & Lowengart 2001; Meyer 2002; Kormina 2016).

The cultural specificity and traditional content of religious events are undergoing the influence of globalization. However, while the informal street marketplace is quick to demonstrate traditionalist trends, formal market structures are more flexible with regard to festive products and more at ease with introducing new elements, forms, and meanings into the festive consumption process, which makes it look like consumption in any other country with a dominant Christian culture. Among the promoters of globalized trends among artisans are fairs, formally or semi-formally organized on the occasion of religious festivals. They also may be regarded as a good example of trade structures in which formal and informal aims, mechanisms, and relationships are interwoven and cannot be separated.

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Informal Entrepreneurship or “Survivalship”?
Results of an Empirical Study of Self-Employment, Micro-, and
Small Businesses in Georgia

Introduction

The integration of informal economic activities into the formal economy is an important part of the “transition” process of former communist countries and one of the biggest challenges in building a market economy from scratch (Freeland 2000). But the language of reform tends to mask the difficulty of such a process and prevents recognition of the fact that market economies in former Soviet countries needed to be created and not simply fixed. “Transitioning” to a market economy is not a smooth and linear process, as actors tend to rely on old routines in the face of increasing uncertainty. The waves of privatization should be considered in this light, because privatization is more than the simple transfer of ownership from state-owned enterprises to private ones (Zahra et al. 2000). The structure of incentives within which entrepreneurs in transition countries evolve is influenced by mismatches between supply and demand and the restructuring of formerly planned economies, creating a wide range of opportunities. On top of that, rapid changes and fragile institutions oblige entrepreneurs to cope with a high level of uncertainty (Aidis & Estrin 2006, 5). By the same token, the phenomenon of entrepreneurship, without which privatization would be meaningless, must also be considered in this context of “transition.”

This “transition” from planned to market economies centered around the development of the private sector therefore also rests on the transformation of informal entrepreneurs into formal ones. Although the size of the informal economy is difficult to measure accurately, a recent study released by the International Monetary Fund (IMF) estimates it at around 26 percent of GDP in Kyrgyzstan, 35 percent of GDP in Armenia, 33 percent of GDP in Kazakhstan, 32.8 percent of GDP in Tajikistan, 31.5 percent of GDP in Azerbaijan, and 30.1 percent of GDP in Georgia (Abdih & Medina 2013). Indeed, more than 50 percent of the labor force in Georgia is considered to be self-employed and informally employed, contributing approximately 20 percent of GDP.⁵⁴ The drastic reforms that followed the Rose Revolution did not manage to integrate the informal sector better into the formal one. Taxes and procedures have been reduced and streamlined without increasing the level of tax compliance among the self-employed (Torosyan & Filer 2014). There is very little mobility

⁵⁴ According to Geostat and the author’s own calculations.

between different economic occupational statuses (Bernabè & Stampini 2009), which is an indication of a segmented labor market.

Georgia's informal economy is not covered by the usual statistical measures of business activity but only by social surveys of the Georgian statistical agency: the persons active in this statistically unobserved part of Georgia's economy are defined as "self-employed." Little is known about the mode of activity of these self-employed individuals except that they live mainly in rural areas and that some may *de facto* run micro-enterprises. Yet self-employment amounts to about two-thirds of total employment and according to the author's estimate generates about 18 percent of GDP. In other words, this part of the population has a very low level of income per capita.

This article uses data from a research project whose objective was to examine whether and how self-employment enterprises and micro-firms in Georgia (of which the informal sector mostly consists) evolve into small firms. It studied the transition from entrepreneurship by default to entrepreneurship by choice and opportunity over two years' time. The first section of this article details the definitions used for entrepreneurship as well as the methodology of the study. Section two gives some basic information about the population surveyed. Section three presents the formal/informal dimension of entrepreneurship for the different cohorts of enterprises surveyed. It shows the grey areas between informality and formality along the path to full formal entrepreneurship. Micro-enterprises, which are supposed to belong to the formal economy, share some common characteristics with self-employment enterprises, and these characteristics are typical of informal-sector activities. This section of the article gives an indication of the degree of formality of the diverse entities surveyed from the point of view of their organization. Most importantly, it shows that between 2013 and 2015 the degree of formality did not change. In fact, it actually slightly decreased among micro-enterprises.

This was in spite of a business-friendly regulatory environment, the lowest level of corruption in the region, a low level of taxation, the establishment of one-stop registration sites, and streamlined administrative procedures. The liberal reforms of the Rose Revolution and their implementation by the Saakashvili administration are considered textbook examples of liberal economic reforms, so the informal sector should have retreated in the face of efficient economic institutions (Schneider, Buehn, & Montenegro 2010).

Entrepreneurship and the Informal Economy: Definition and Approach

Entrepreneurship is a multidimensional phenomenon (Dembinski 2006) that is difficult to capture with a single definition. The development of entrepreneurship comprises many factors: demographic, technological, industrial, and economic. Government intervention and culture can also shape

entrepreneurial activity (Verheul et al. 2001). To complicate things further, entrepreneurship in emerging and transition countries appears to be different. The incentive structure in which entrepreneurs in transition countries evolve implies rapid change and extreme uncertainty, restructuring, weak market institutions, and numerous informal rules and norms inherited from the previous regime. Different commitments to growth can distinguish between “proprietors” and “business owners,” or between those who are entrepreneurs by default, to survive, and those who are entrepreneurs by choice (Estrin et al. 2005).

Entrepreneurship in this article implies “processes of discovery, evaluation and exploitation of opportunities” (Shane & Venkataraman 2000, 218). It supposes the establishment of an organizational unit, which can be a legal entity or not, and it supposes as well that the discovery and exploitation of opportunity is influenced by the institutional framework in which entrepreneurs are embedded.

From this point of view, the enterprise is actually the result of a process of entrepreneurship, and not the beginning of it. In other words, reducing the number of days needed to register a company might facilitate the registration procedure, but it does nothing to promote “entrepreneurship” per se. Second, this perspective places both the enterprise and the process of entrepreneurship in their post-communist social and economic environment, in which networks and interpersonal relations are important. Parallel circuits, *blat*,⁵⁵ and networks are entrepreneurial responses to the shortages of centrally planned economies and part of the resources available to entrepreneurs (Smallbone & Welter 2001). This conception of entrepreneurship is therefore also well adapted to the study of informal sectors. In fact, these dimensions of entrepreneurship overlap with the two dimensions of informality identified by Guha-Khasnobis, Kanbur, and Ostrom (Guha-Khasnobis et al. 2006), namely, the degree of structuring of enterprises and the reach of official governance. The first dimension relates to the organization of an activity and the predictability of the framework according to which individuals in the organization act. The second dimension relates to the interaction of this organization with the structure of official governance.

A longitudinal study consisting of four surveys of the same panel of 350 self-employed individuals, 150 micro-firms, and 100 small firms was conducted in three regions of Georgia (Tbilisi, Kakheti, and Adjara). Longitudinal studies try to establish the sequences of a process and are thus suitable to the study of entrepreneurship (Rajulton 2001).

The Ministry of Finance of Georgia, which administers the Georgian tax code, recognizes micro-businesses as those with an annual turnover below GEL 30,000 (approx. 18,000 USD) and small business as those with an annual turnover below GEL 100,000 (approx. USD 60,000). It has no definition of medium firms. According to GeoStat, the national statistical office, small firms

⁵⁵ A system of informal contacts and personal networks (Ledeneva 1998).

are those that employ fewer than 20 persons and have an annual turnover of less than GEL 500,000 (approx. USD 300,000). Medium enterprises are those that employ fewer than 100 persons and generate a turnover of less than GEL 1,500,000 (approx. USD 900,000). So to form the sampling frame for micro-entrepreneurs, a database received from the Revenue Service (tax office) was used. Internal sources from the Georgian Statistical Agency were used to form the sampling frame for small enterprises. The sampling frame for the self-employed was formed on the basis of household survey results. A stratified random sampling method was used for the survey study. Sampling was conducted for the first round, and selected respondents participated in all rounds. Strictly speaking, the sample is only representative of the enterprise population in the regions of Kakheti, Adjara, and Tbilisi.

A Glance at Georgian Self-Employed and Micro-Entrepreneurs

The overwhelming majority of the self-employed interviewed are active in agriculture, reflecting the structure of the Georgian economy (60 percent of the respondents make their living from agricultural activities). This is a “default” activity for a majority of Georgians. Only 8 percent of the self-employed surveyed are active in trading, and 4 percent of them get revenue from manufacturing and construction. 30 percent are active in “services,” which comprises activities such as domestic service in private households, education, transport, and communications. The individual farmers interviewed by this study constitute the overwhelming majority in Adjara and Kakheti, where they represent 50 and 70 percent respectively. On the other hand, 90 percent of the self-employed interviewed in Tbilisi are active in services and trading. Unsurprisingly, entrepreneurship by default is the major type of entrepreneurship in Georgia. Indeed, 67 percent of the self-employed state that they started their activities since there was nothing else to do. Agriculture is then the default activity of “default entrepreneurs.”

If agriculture seems to be the default activity for the self-employed in Georgia, micro- and small firms surveyed show a more diverse picture. 20 percent of them are active in manufacture, 38 percent engage in trade, and 40 percent are in the service sector, which includes transport and communication, education, and domestic staff for private households. It is difficult to identify one single category of motivation of micro- and small firms for doing what they do. “Entrepreneurship by default” is still a prevalent answer, but contrary to the case among the self-employed, it is mixed with the desire to make more money (an equally frequent response). However, taking advantage of possible opportunities is still not a very common response. Micro- and small firms do not believe that there have been positive changes over the past two years; more than 70 percent say that the situation has not improved compared to summer 2013. 70 percent of the micro- and small firms surveyed have a turnover of less

than 30,000 GEL per year, which corresponds more or less to 1,500 USD per month. By the same token, 70 percent of micro- and small firms do not reinvest some of their revenue into their businesses. Unsurprisingly, earning more increases the likelihood of reinvesting, as table 1 below shows.

Table 1: Annual turnover of surveyed micro- and small enterprises (first round)

Percentage of those who reinvest	less than 30,000 GEL (approx. 13,000 USD)	30,000-100,000 GEL (13,000-45,000 USD)	more than 100,000 GEL (more than 45,000 USD)
	25	33	50

While the majority of the self-employed are “necessity-driven entrepreneurs” at all ages, the oldest segment in this study clearly differentiates itself from the youngest one when it comes to motivation, confidence, and attitude to risks. There is a higher percentage of younger self-employed who plan to sell more over the next six months to two years. By the same token, 74 percent of the self-employed under 39 would be ready to take training courses to improve their businesses, while only 20 percent of those over 60 would agree to do so. Similarly, 57 percent of those under 39 are willing to take more financial risk for a chance to produce more. Only 14 percent of those over 60 would take that risk. Half of the self-employed under 39 feel confident about their ability to start another activity with the skills they have, against 32 percent of those over 60. By the same token, fear of failure would prevent 39 percent of the younger self-employed from starting another activity, while it would prevent 60 percent of the older group.

Informality does not end with Keeping Accounts

The degree of formalization of Georgian self-employment, micro-, and small enterprises can be captured using the answers to a set of four questions:

- Do you maintain accounting records?
- At this time, do you have a bank account?
- Do you operate with contracts and written terms of agreement?
- What type of persons do you listen to for advice?

Bank accounts, accounting records, and operation with written terms of agreement are indicators of a formal way of organizing an enterprise. They show entrepreneurs’ willingness to benefit from formal institutions such as banks, accounting rules, and commercial law. Less obvious and perhaps more debatable is the last question. Many different people can give advice on how to run a business (parents and/or other relatives, a former boss, a contact living

abroad, etc.). The following answers were deemed to indicate a certain degree of formality in the organization of a business: possible investors, banks, development agencies, public services advising businesses, clients. It is possible to establish informal relationships with persons working for formal institutions, which is why such a question can introduce a bias. Nonetheless, if an entrepreneur's network includes a formal institution that is used as a source of information and advice, this was considered to reflect a formal organization. Each positive answer to one of the first three questions would increase the degree of formality by one point. Including one of the "formal sources of advice" cited above as an answer to the fourth question would also add one point.

In our study, obtaining two or more points out of four indicates a high degree of formalization. This wide-angle approach to the organization of the economic activity of the self-employed allows us to see that the overwhelming majority of self-employment enterprises have a very low level of formality. Indeed, only 3 percent of self-employment enterprises attained a high degree of formalization. So not only can formality not be defined by business registration, it cannot even be reduced to keeping accounts. What is more, only 20 percent of the micro-firms surveyed show a high degree of formalization, and this is mostly due to the fact that micro-firms have a legal obligation to maintain accounting records.

Indeed, micro-enterprises, which are made up of individual entrepreneurs registered as micro-enterprises but benefit from a special tax regime, display many similar characteristics to self-employment enterprises. Maintaining account books stems from being registered, so half of micro-firms keep accounting records of their business, while only 4 percent of the self-employed do so. However, like the self-employed, 70 percent of responding micro-firms do not have bank accounts, and 90 percent of them conduct their business without written contracts.

Table 2: Degree of formalization of self-employment, micro-, and small enterprises

		Round 1	Round 2	Round 3	Round 4
Self-employed	low formalization	97	97	97	97
	high formalization	3	3	3	3
Micro-firms	low formalization	79	79	85	82
	high formalization	21	21	15	18
Small firms	low formalization	10	6	8	5
	high formalization	90	94	92	95

Informality, from this point of view, is determined not only by tax compliance, but also by a certain way of organizing business activities. The low score of the self-employed group for these variables should not come as a surprise. However, we can observe that registration does not make the business operation of micro-enterprises more formal. From that point of view, self-employment and micro-enterprises should be grouped together.

We can also observe that the degree of formalization was stable for the self-employed over two years and that formalization receded, albeit not significantly, in the case of micro-firms. On the other hand, the degree of formalization of the cohort of small firms surveyed was high and continued to grow between 2013 and 2015.

If micro-firms differ from self-employment enterprises in their activities and in the educational level of their owners—micro-entrepreneurs are better educated, even having university degrees, and are more active in trade and services, while the self-employed are mostly active in agriculture—they display the same motivation and attitude to risk. Fear of failure would prevent more than 50 percent of both groups from starting new activities or proposing new services or products. Half of both self-employed and micro-entrepreneurs would be ready to take training courses if it could improve their businesses, but 70 percent of them would not be ready to take more financial risks to further develop their activities. Asked about the main reason for their activities, 85 percent of both self-employed and micro-entrepreneurs declared that they do what they do because there was no other choice. Seizing opportunities is a motivation for only 5-10 percent of both groups.

These were the variables chosen to form a scale measuring the motivation of the owners of self-employment enterprises and micro- and small firms. A high degree of motivation was attributed to entrepreneurs who met four or more criteria out of eight. Half of self-employed and micro-entrepreneurs had a high degree of motivation, while about 88 percent of small-firm owners had a high degree of motivation. The degree of motivation shows that entrepreneurship by default is still prevalent among self-employed and micro-entrepreneurs. But they are confident and motivated to improve the state of their businesses provided that this does not lead them to take more financial risks. No fundamental change in terms of motivation was observed during the two-year period of the study.

As table 3 below shows, the overwhelming majority of self-employed and micro-entrepreneurs are not planning to develop their businesses, nor are they ready to take more financial risks to do so. Only a slight majority would be ready to take training courses. But perhaps most importantly, self-employed and micro-entrepreneurs are both just surviving. Revenue is perceived as highly unstable, more than half of both groups earn just enough to survive, and their markets do not extend beyond the municipality.

Table 3: Planning and risk variables, self-employed and micro-entrepreneurs

Planning and risk variables	Self-employed in Georgia	Micro-business in Georgia
Do you plan to expand your business?	%	%
No	90	94
During the next three months	2	2
During the next six months	3	2
Within two years	5	2
Do you plan to sell new products or services, or products or services of better quality?		
No	95	96
New products or services	4	2.5
Products or services of better quality	1	1.5
Would you be ready to take training courses if it could improve your business?		
Yes	35	45
No	55	55
Would you be ready to take more financial risks to develop your business?		
Yes	19	19
No	69	81

Table 4: “Success” variables, self-employed and micro-entrepreneurs

“Success” variables	Self-employed in Georgia	Micro-business in Georgia
Do you think that you earn enough income from your business?	%	%
To live comfortably	0	0
To live very simply	12	15
To live normally	31	31
To survive	57	55
Do you think that your revenue is?		
Very stable	1	1
More or less stable	27	36
Not stable at all	72	63
Where do you sell most of your products and services?		
Village	39	4
Municipality	44	93
Other regions in Georgia/Armenia	6	2
Outside of Georgia/Armenia	0	0

Thus formality and active entrepreneurship seem to start with small enterprises, which show very distinct characteristics when compared to self-employment enterprises and micro-firms with regard to both formality and other dimensions of entrepreneurship (motivation, risk, and success variables). They all maintain accounting records and have bank accounts, but they also tend to plan the development of their activities, show more willingness to take risks, and are better informed and have access to larger markets.

Our first conclusion can be that micro-firms are much more similar to self-employment enterprises than to small ones. This grey zone in which micro-enterprises exist suggests that registration and accounting do not constitute triggers to full formalization.

Independence tests⁵⁶ reveal that the degree of formality of self-employment and micro-enterprises and their degree of motivation, the extent to which they plan future activities, and the resources they rely on are all significantly associated. For self-employment and micro-enterprises, formalization was strongly linked to the other dimensions of entrepreneurship in all four rounds of the survey, whereas this was not at all the case for small firms. This further consolidates the argument that micro-firms should be grouped with informal self-employment enterprises.

These results should be contextualized against the background of Georgia's political and economic evolution since the turn of the century. The development of the SME sector started steadily and efficiently, but it was hindered in the early 2000s by high levels of corruption, an unfavorable tax regime, and budget deficits. In other words, economic policy took the specificities of SMEs into account, but the institutional environment was not business-friendly. The situation changed radically after 2006. Georgia embarked on radical reforms to change the economic environment and as a result developed several measures that made entrepreneurial activities easier to undertake. By the same token, corruption levels went down as well. The chosen course of economic policy, influenced by neoliberalism, got rid of government interference in the economic sphere.

The contribution of SMEs to employment and business turnover and their share of overall production has dropped during the last twelve years. The Russian embargo, the 2008 war, and the global financial crisis impacted this performance. The "policy vacuum" created by the government retreat from the economic sphere gave rise to numerous measures and development projects sponsored by national and international agencies and NGOs. Liberalization and the streamlining of bureaucratic procedures lightened companies' administrative burden. Georgia successfully implemented and enforced anti-corruption laws. The Grapht Index, reflecting the number of times firms were asked or expected to pay bribes to officials, is twice as low as in Eastern and Central Asia (IFC

⁵⁶ Kendall B and Spearman Rho.

2013). Georgia appears to provide better infrastructure (in terms of infrastructure service delays and water and electricity provision) than its counterparts (IFC 2013). Public-private consultations (PPC) emerged, and the quality of the dialogue improved. Business incubators and support units, financed by donor organizations, do exist. Access to capital has improved, even if progress in this area is mostly visible for large companies.

But the informal sector should have retreated in the face of efficient economic institutions. Yet, the degree of formalization of self-employment and micro-enterprises did not change. Such an interpretation of this empirical evidence suggests that the informal economy is not only related to economic development, but also to institutions and state-building. That would also explain why, in many transition countries, the informal economy has grown in spite of many reforms (Krstic & Sanfey 2011).

Conclusion

This article contributes to this debate by using a recent dataset from a two-year longitudinal cohort study of 350 self-employed, 150 micro-, and 100 small entrepreneurs in Georgia⁵⁷ to examine the linkages between the informal sector and entrepreneurship. The survey offers a look at the heterogeneity of Georgia's informal economy. Strictly speaking, most of the self-employed are in agriculture. But we have to consider micro-firms as well.

This study shows that Georgia's informal self-employed display the same characteristics with regard to informality as registered micro-firms. Registration and the maintenance of accounting records do not provide satisfactory indicators of the boundaries of the informal economy. In Georgia, the informal economy encompasses the activities of registered micro-enterprises. Indeed, self-employed and micro-entrepreneurs share many similarities in the way they are organized and in their motivation and the risks they are prepared to take.

The dynamic picture provided by the four rounds of surveys shows, however, that even if the business environment has improved, the degree of formality of self-employment and micro-enterprises has not changed. In fact, it has actually slightly decreased among micro-enterprises. In other words, self-employed and micro-entrepreneurs did not formalize, but also did not evolve with regard to the other dimensions of entrepreneurship (motivation, planning, risk-taking, and performance).

Based on the results of this two-year study, it cannot be concluded that the informal economy is a building block for formal private-sector development. Since the 1970s, development literature has begun to acknowledge that many workers are self-employed businesspeople who operate

⁵⁷ "The Emergence and Evolution of Entrepreneurship in Georgia," a research project financed by the Gebert R f Stiftung and part of Academic Swiss Caucasus Net, University of Fribourg, Switzerland.

in the informal sector. Entrepreneurship literature has started to view them as entrepreneurs since the turn of the millennium. The old view of the informal sector was that it was going to wane in the face of economic development and that it rested on unregistered, sometimes illegal, activities. The new view of the informal economy recognizes that it contributes significantly to GDP and employment and that it is made up of diverse activities (Chen 2007). This article adds to this new perspective by using a dataset produced by a two-year longitudinal study of a cohort of self-employment, micro-, and small enterprises to show the extent to which they are structured. Entrepreneurship in the strict sense, defined as the process of “discovery and exploitation of profitable opportunities” (Shane & Venkataraman 2000, 17), starts with small enterprises. The degree of formalization of the self-employed and micro-entrepreneurs surveyed did not evolve over the two years during which the study took place. In other words, self-employed and micro-entrepreneurs did not grow their businesses and did not formalize their activity. From this point of view, the informal sector does not seem to be a building block for formal private-sector development. We must therefore conclude that the informal sector in Georgia is still unproductive and stagnant. Informal entities do not transition to formality, viewed broadly as the way enterprises structure their activities. This confirms La Porta and Shleifer’s (La Porta & Shleifer 2014) view of the informal sector as separated from the rest of the economy and supports a dual view of the informal economy.

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