

Revitalization on the Suprastructure of Traditional Market Institutions

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Abstract. Building the economic institutional model of traditional market is never free from conflicts such as high asymmetric information, high transaction cost, hidden actions (moral hazard and adverse selection), negative externalities, and diminishing trust. They certainly have automatically and instinctively been responded by concerning parties according to their respective characteristics of understanding rationality. As an old economic institution that has been serving for the people for centuries, traditional market has drawn the attention of researchers, making them eager to identify the performance of its actors in regards to the decline of its institutional tradition [1], Analogous to the findings of Thongpanya [2]. According to Fukuyama, social capital does not need any government participation because the characteristics of its approach is formal. Nevertheless, its absence in maintaining social capital has caused the failure of traditional market. Besides formal institution, the government must also strengthen informal institution in running its public policy to protect traditional market from the penetrating modern market [3] that represents the interest of capitalistic economy with higher economic power.

Keywords: *suprastructure, formal institution, traditional market*

INTRODUCTION

Traditional market as the oldest economic institution will sustain and develop if its institutions are healthy [4] - [6]. Although the number of economic actors trading in traditional markets is relatively increasing, they do not improve investment and innovation, which are important for merchants. Those who trade in markets under the authority of Local Government's Market Department are relatively not professional, using conventional accounting in which losses in transaction are not calculated as costs. It is expected that entrepreneurs in traditional markets are able to survive and develop through competition and reciprocity in a network that fosters trust. Mutually beneficial reciprocity, network, and trust follow a set of values and norms embedded in them [7].

Traditional merchants are now determined by market failure situation, trapped in a risk of price offers that maximize profit by striving for margins beyond high selling process through rough transaction negotiations, a transaction pattern that has always been avoided by buyers. Successful merchants are those who apply launch price by not pushing for wide price margin, so the profit is elastic. They use the essence of

this launch price to persuade attention through interpersonal contact and building symmetric information about the product. Such rationality is not or has not well understood by most traditional merchants. The maximum benefit by gaining the highest profit was seized by modern market through market penetration, exploitation on consumer's weakness through sales strategies such as fixed price with close attractiveness, discount, and individual privacy and exclusivity shopping. Mastery in preservation technology for high-cost horticultural commodity needs to be followed by performance changes and institutional strengthening in traditional market by traditional merchants both collectively and cooperatively.

Healthier market economic performances will not be achieved by only renovating the physical building of the market. The institution needs sufficient and obeyed formal regulations, but the regulatory policies must effectively influence the conduct of market operators and merchants [8], [6]. Public economy determines the lives of people. In this case, traditional markets must be managed according to normative paradigm and guarded by ethical values, not merely rationality to simply get own-source revenue. Therefore, market regulators should evaluate the patterns that have existed for too long caused by ignorance to the mechanism of traditional market as public goods providers.

METHOD

This qualitative study explores and reveals facts, data, and information as expressed according to the perspectives of traditional market merchants as the main subjects of market actors using non-positivistic paradigm [9], [10], called as emic perspective. This perspective focuses on the directional tendency of the trading journey of traditional markets in Malang city. Sensuous and empirical non-sensuous reality phenomena is repeatedly and deeply [11] discussed to identify the substantive meaning behind the phenomenon and reality of the idea. As a finding from learning-from-people process that is analytically elaborated by combining, comparing, and confronting paradox versus synthetic matters as well as absorbing various views of behavioral pattern (syncretism inductive) and value bound, the findings of this study are built into a theory resulting from data interpretations as statements of relationship. This

ethical perspective is based on rationalities that present the way of mind, understanding, and attitude of the merchants that become a holistic, systematic, and intact construct. The researchers here act as a defining instrument.

RESULT

The superiority of the values and norms of traditional market merchants observed from a broader economic scale interest will reduce social cost; the economic cost that should be paid by the community, especially people with lower purchasing power, becomes lower. Social capital as a part of formal [8] and non-formal [12] institution contributes to the dynamic movements of people's economy, making it fluent and efficient. A relatively high multiplier effect, in contrast, becomes negative or non-existent if traditional markets do not have value and norm superiority anymore. However, externalities, market penetration by capitalistic network, becomes a justification for the necessity of the government to take part in the management of traditional market, including reducing various market failure potentials in regards to imperfect market information. Market Department needs to work in the context of completing market mechanism, taking actions that encourage the better performance of market, correcting market failure potentials, and, further, becoming the catalyst for an effective market mechanism. Government's action as a regulator is also needed to overcome innovation stagnancy experienced by market actors.

Therefore, to restore the superiority of traditional market, it is necessary to strengthen the institution through strong collectivity and togetherness [13]. Organizations of merchants can serve as an alternative for them to improve their bargaining position against other market actors. Whenever insufficient social capital exists in a social community, hierarchies are needed, or vice versa: hierarchies are needed in the absence of social capital [14]. In this context, the non-formal holders of hierarchies are merchant organizations, and the formal holders are the Market Department, since traditional markets are public institutions. The hierarchies held by Market Department that are expected to become alternative solutions for various interests of the public (buyer, seller, and private agent) [15] in regards to market has not been present in maintaining the performance of traditional market. Market regulators need to evaluate its working pattern in accompanying traditional market mechanism as a public good because so far market merchants have been able to contribute to the government's cash acceptance through retribution and business opportunities.

With its egalitarian characteristics, market must be transparent in its work, where all actors are involved in transactions, but it does not mean that they do not need to be regulated. Traditional market management requires strengthening in a fundamental hierarchical

market penetration capacity to preserve a competitive people's economy [16], not for liberalization of people's economy. Traditional market is a people's economy that relies on retail and small-scale segment that involves many small economic actors. Competitiveness is the fulcrum of traditional market's success. Thereby, the formulated policies are not those which cause domination of majority (small merchants) over minority (big merchants) or those which cause tyranny of minority (big merchant's greed) over majority (weak small merchants). Competitive retail market arrangement and regulation are needed because retail market consists of modern and traditional markets. Their objective is to make traditional markets competitive and different retail markets, not changing them into modern ones.

The theorization in conventional economy about market efficiency that adheres the presumption that private markets are free from government's interventions and are competitive market in the economy is not relevant with the basic idea for a healthy market [17]. Government's intervention that is considered as unnecessary with the assumption of market efficiency has caused competition among unequally capable economic actors, creating unfair competition and making weaker economic actors even weaker. The government, especially the municipal government in local autonomy, must have basic conceptional and operational policies that provide rooms for traditional market development. The widespread of modern retails in residential areas based on the understanding of economic democratization to create competitive markets, in its application, cannot be separated from its main objective, i.e. strengthening the economy of the people. The degradation on the performance of traditional market is not caused by protectionism that causes stagnancy or liberalization that plays in the field of community-level economy, but it is caused by the application of rules of game that are inappropriate with the competitiveness of community-level economy. The governments must create a fair and healthy competition climate between modern retail and traditional (retail) market. Upgrades in the physical infrastructure of service facilities will not be sufficient without suprastructure improvements [18], [6], [19] such as local regulations that proportionally stand in favor of traditional merchant's term of trade and enhancement of competitiveness in capital and marketing along with various derivations of quality control of market.

Various phenomena of (1) interaction between merchants and consumers as well as agents, (2) the organization of norms and rules for market merchants in their relationship with market managers, and (3) the history of trading in market are evidences that the economic institutions around traditional market will not be optimal if each institution work autonomously. In its practice, the three institutions in traditional markets, i.e. the market, government, and community, with their own flaws do not productively synergized

toward a more creative performance. Trading transactions, as the core of market institution, cannot be separated from comfortability as a place for interaction. Trading transactions in real market do not only refer to a transaction place as market infrastructure but it also needs formal and non-formal institutional suprastructure that involves market regulators as the holders of traditional market mechanism power hierarchy.

Through the established trading rules and ethical norms, merchants will be able to maintain the sustainability of their traditional ventures because they will have wider business networks and strong trust from their consumers, customers, and suppliers. Such productive culture and norm need to be built in traditional markets [16], [5] by traditional market communities, and they need to be strengthened and accompanied by traditional market operators and regulators, i.e. Market Department and Local Government. The empirical realities have shown that non-formal institutions have been replaced by signs and symbols which are formal in nature so that the social capital persists. Social, economic, and cultural changes in various aspects of life have brought changes in paradigm that social capital which is initially seen as

something non-formal and spontaneous becomes something formal and structured in the hierarchy.

CONCLUSION

Fukuyama have theorized that norm and network are parts of social capital that emerge without being created by bureaucrats or government because it is founded from the assumption that the government always uses formal approach. The believers of classical mainstream economy, as well as more extreme adherents of positivism with its norm-and-value-free utilitarianism, firmly hold the opinion that, for the sake of effectiveness and efficiency, any economic policies must not be intervened by the government. Thus, government does not need what is called as social capital in managing traditional market.

Through thorough examinations based on the understanding of convincing empirical realities, government as the owner of power hierarchy is still obliged to create value, norm, and network as the elements of social capital institution. Therefore, they still need ethical (moral) capital and legal compliance in addition to merely calculative economic interest. Formally institutionalized government policies will be

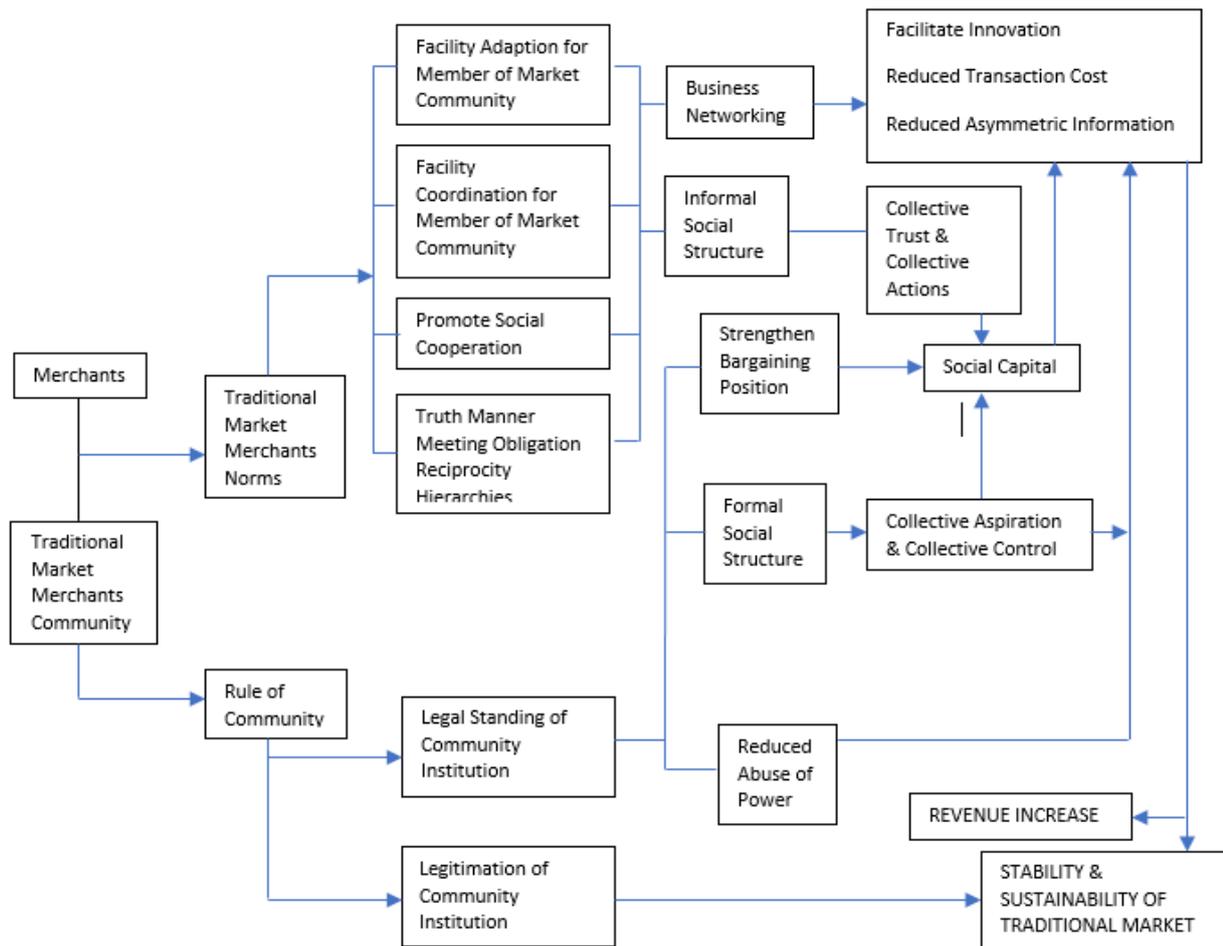


Figure 1. Traditional market mechanism power hierarchy.

effective if they receive social audit or assessment from the public. Because institutions do not stop on factual and concrete things but go on those which are beneficial for public and reduce unnecessary social cost as the effect of various negative deviation and externalities, they improve social benefit.

Market needs to be well protected by law enforcement system (also learn [20], [21]) that should be maintained by market regulators to create multiplier effect and positive externalities, so the institutions of traditional market becomes stronger, which finally improve the economic growth of small medium-sized economic actors and create good markets for local farmers who produce food commodity, considering that (traditional) market failure results in the absence of investment incentives for both market actors and market authorities.

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