Consumer Protection, Competition, Fair Prices and Agency/Information Institutions

Some of these men would send off the goods from Egypt, others would travel on board with the shipments, and others would remain here in Athens and dispose of the merchandise. Then those who remained here would send letters to those abroad to inform them of the prevailing prices, so that if grain were expensive in Athens they might bring it here, and if the price should fall they might head to some other port. This was the main reason, men of the jury, why the price of grain rose: it was due to such letters and conspiracies.

Demosthenes, 56.8

If the muḥtasib sees someone who has hoarded essential food, which means buying when the prices are high (waqt al-ghalā) and waiting with it, and then its price rises, the muḥtasib must force him to sell it, because hoarding is forbidden, and it is required to prohibit people from doing what is prohibited.¹

Islamic Market Inspector Manuals

Only God establishes prices, and I want to meet God without anyone claiming restitution from me because of an injustice I committed to person or property.

Qu’ran

Consumer protection and competition or antitrust laws (broadly defined to include forestalling and hoarding rules) are commonly found in pre-industrial societies. Legal rules and institutions concerning “unfair prices” also are common, notably with respect to grain and bread. Consumer protection, competition and unfair pricing laws may have been developed by public authorities more on their own initiatives to meet ethical and political objectives than as responses to merchant demands.

Pre-industrial societies also developed rules and institutions to address concerns about agency and incomplete market information. Family and kin,

supplemented by social and professional relations, were probably more important than legal rules in selecting and monitoring agents. Market information in pre-industrial societies was obtained through public and private institutions.

1 Fair Dealing and Consumer Protection

1.1 Ubiquity of Local Markets
From the days of early human settlements, there have been local markets and small shops where a broad variety of foodstuffs, household goods, crafts goods and even luxury goods were sold to consumers or end-users. The ubiquity of local markets is matched by the similarity of rules and institutions commonly found in pre-industrial societies to regulate local markets. Rules and institutions centered principally on the related objectives of fair dealing and consumer protection.²

Markets usually took place in public spaces and near city gates. Men and women began exchanging goods in local markets before states and large collective authorities formed. The latter were not necessary conditions. Indeed, retail commerce might be viewed as the most basic expression of Adam Smith’s “natural propensity to trade,” a propensity that survived political and cultural vicissitudes. Local markets have always been with us and have continued under any and all forms of political and social institutions. Centralized or decentralized political control does not seem to have significantly affected the operation of local markets, if at all.

Pre-literate farmers and pastoralists brought their goods to villages and towns on designated days. Mesopotamian cities had extensive markets in the cities (mahiru in Assyrian and suqu in Babylonian) or at harbors or ports (karum). These markets sold foodstuffs, household goods like ceramics and furniture, and personal articles like clothing and shoes. Egyptian Old Kingdom tombs from Saqqara and Abusir in the mid-third millennium show riverside markets retailing bread, fruit, vegetables, fish, clothing, furniture and fans. The

² Our focus here is on retail commerce as distinguished from wholesale commerce, although intermediation does not seem to have affected the rules and institutions developed to regulate local markets. More focused research might modify that conclusion. For example, it would be interesting to know if consumer protection rules like product warranty operated differently where consumers purchased from intermediaries rather than directly from producers. Another interesting question is whether the same consumer protection rules applied when the seller was a “state” entity like a ruler or temple.

Security of persons and property in local markets is discussed in Chapter 3.