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Commercial Patterns and Spatial Networks in Hanoi’s Old Quarter: A Case Study of Vendors on Lan Ong Street

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Commercial Patterns and Spatial Networks in Hanoi’s Old Quarter

A Case Study of Vendors on Lan Ong Street

Daniel Weiner
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Abstract

Walking the streets of the Hanoi’s Old Quarter, one can easily begin to question the economic viability of the area’s commercial pattern. That is, how can multiple stores that sell the exact same products coexist in such a densely concentrated arena? Why do traders with the same goods choose to locate next to each other? Through a literature review of the history of Hanoi’s Old Quarter as well as a case study of the vendors on Lan Ong Street, I examine the purpose and the functionality of the Old Quarter’s spatial structure. I find that the vendors in the Old Quarter have more or less maintained the feudal-era guild structure and social networks of the Old Quarter that was formed over 1,000 years ago. I also find that vendors in the Old Quarter benefit from the localization externalities of agglomeration- input sharing, knowledge spillovers and labor pooling. Further, the extent to which the externalities of agglomeration are practiced are determined by the strength of social bond between the vendors on a particular street within the Old Quarter. On Lan Ong Street, I find that there exists a positive and cumulative feedback effect between the amount of social capital between the vendors on the street and the visibility of localization externalities.
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Introduction

Just over 1,000 years after its formation, Hanoi’s Old Quarter is a striking representation of the union between Vietnam’s historic roots and present socioeconomic landscape. The Old Quarter, nestled between the northern border of Hoa Kem Lake and the west bank of the Red River, was constructed in 1010 A.D. when Ly Thai To moved his court to the city of Thang Long, or present day Hanoi. Thang Long was a bifurcated city that consisted of a designated area for the royal family and an area for the rest of the population. The Old Quarter area was originally designated as the Commoner’s City, since only the Ly kings were permitted to live inside the royal citadel. Initially settled as a small conscripted labor market that served the Ly Kings, the Old Quarter morphed into a dynamic network of specialized guilds that fashioned the spatial and social arrangement of the neighborhood that can still be seen today. Many of the shops on the ancient streets currently keep true to their namesake, like the jewelry stores on Hang Bac¹ and candy vendors on Hang Duong². Yet, even in the streets that do

¹ Direct Translation= Good (Commodity) Silver
not sell the items that are heralded on their street-sign, the stores remain located in a cluster, preserving the remnants of the feudal era guilds in the Old Quarter. Hang Ga³ Street, once the hub for the poultry trade is now lined with numerous shops that sell wedding invitations.

Walking the streets of the Old Quarter one can easily begin to question the economic viability of the Old Quarter’s structure. That is, how can multiple stores that sell the exact same products coexist in such a densely concentrated arena? Why do traders with the same goods choose to locate next to each other? In 1884, one French officer exclaimed that the organization of the Old Quarter “seems commercially unreasonable” (Nguyen 2002, p. 98). Yet, this structure has persisted for nearly 1,000 years. Why? This paper examines this exact question. Through a literature review of the history of Hanoi’s Old Quarter as well as a case study of the vendors on Lan Ong Street, I examine the purpose and the functionality of the Old Quarter’s spatial structure.

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² Direct Translation= Good (Commodity) Sugar  
³ Direct Translation= Good (Commodity) Chicken
Figure 1- Traditional Medicine Vendors on Lan Ong Street
I present my findings through the framework of two theories widely used in urban economics and sociology. The first explores the benefits, or externalities, of entrepreneurial agglomeration. The second theory, social capital, describes the ways in which family and community bonding help to explain the interactions among a spatial network. The paper is divided into four sections, the first of which provides a short literature review of the paper’s conceptual framework. Section II provides a brief history of the formation and the transformations of the Old Quarter over the past millennium. Section III presents a case study of two blocks of Lan Ong Street in order to illustrate how the structure of the Old Quarter has both developed and preserved the vestiges that characterized commerce in early 20th Century Hanoi. Section IV concludes the paper with some final remarks.

Section I: Conceptual Framework

Clustering

The location decision for a firm is seminal- it is a calculated measurement of cost-minimizing choices that determine how inputs will be assembled and outputs distributed (McDonald and McMillen 2010). Firms locate with respect to transportation costs, market potential, access to labor and complimentary services, among a plethora of other external conditions. This section will provide the conceptual framework to examine why firms in the Old Quarter initially
clustered together and how the concentration of firms in the Old Quarter is beneficial to the individual firms.

In this paper, I will use both Marshall’s (1890) and Porter’s (1990) definition of a cluster. Marshall’s clusters are spatial areas in which firms that sell the same product or service are geographically concentrated. An example of a Marshall cluster would be one specific street in the Old Quarter where a majority of the vendors sell the same product, such as the concentration of traditional medicine vendors on Lan Ong Street. Unlike the firms in a Marshall cluster, a Porter cluster consists of “interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions (e.g., universities, standards agencies, trade associations) in a particular field that compete but also cooperate (Porter 2000, p.1). The Old Quarter, especially during its first few hundred years, was an example of a Porter cluster. Streets with micro clusters of one specialized trade or craft located near streets with complimentary “skills, technology or common input” (Porter 2000). For example, in the Old Quarter, a street of embroiderers located near a street of silk vendors. This location decision of the embroiderers and the silk vendors allowed for the individual firms to take advantage of the localization externalities of agglomeration, which are in the next section.
The reason I use two separate definitions of clustering is because the Old Quarter has a unique spatial organization that requires a macro and micro level examination of agglomeration and clustering. Essentially, the Old Quarter consists tiny Marshall clusters inside of a Porter cluster. That is, a micro-level analysis (Marshall’s clusters) is necessary to explain why the Old Quarter has retained its pattern of similar firm concentration along a single street. However, a macro-level perspective is required to examine why the Marshall clusters located next to other Marshall clusters.

*Economies of Agglomeration and Localization Externalities*

Why do clusters form? Urban economists, beginning with Marshall (1890), have attempted to explain why firms agglomerate. Known as the Marshall-Arrow-Romer (MAR) externalities, the three main components of agglomeration externalities are input sharing, labor pooling and knowledge spillovers. Input sharing occurs when input producers are enticed to locate near output distributors. As a result, “producers can share specialized services, save on transportation costs, or purchase inputs more efficiently” (Martin 2008). Labor externalities occur when a pool of specialized labor can be utilized for production purposes among firms. Labor pooling externalities also lead to increased efficiency when matching labor with producers. Finally, knowledge
spillovers occur when firms share information, ideas and knowledge among themselves. These spillovers increase the capacity of the cluster as a whole, as well as the individual firms, to innovate and develop new technologies and more efficient methods of production. The firm’s access to information within the cluster stems from “the existence of repeated personal relationships and community ties fostering trust facilitate the information flow within clusters” (Porter 2000, p.11). Together, these three externalities provide strong incentives to other firms to locate near other firms. It follows that as more firms agglomerate, the MAR externalities become more powerful. That is, there is a positive marginal product of agglomeration, up to some saturation point (which is not the focus of this paper). This cumulative effect of agglomeration is what drives the growth of cities, or in the case of Hanoi, the Old Quarter.

Porter expands upon the traditional MAR externalities of agglomeration with his addition of complementarities externalities. First, agglomeration allows the consumer to purchase complementary products more efficiently. A clustering of firms leads to a well-organized “product-service coordination” among producers and consumers, thereby generating “internal pressures for improvement among parts of a cluster in ways that can substantially improve overall quality and/or efficiency” (Porter 2000, p11). Complimentary firms in the cluster collectively increase their efficiency according to the demands of the
consumer. Secondly, there are marketing complementarity externalities that are beneficial to the consumer and the supplier. A cluster of firms that provide similar goods or services essentially engage in collective marketing simply because they are located near one another. That is, a consumer is able to view, and compare, an array of similar goods and services without much difficulty. Because there are multiple choices for the buyer in selecting a good, the “perceived buying risk” of the consumer is reduced since the buyer is enabled to “multisource or switch vendors if the need arises” (Porter 2000, p.11). Porter’s complementarity externalities point to a symbiotic relationship between firms and consumers inside of a cluster. Agglomeration creates a pressure among firms that increases efficiency and quality of goods produced. Further, agglomeration benefits buyers and sellers by reducing the perceived risk for the former and marketing costs for the latter.

The MAR localization externalities and Porter’s complementarity externalities both point to the reasons why firms would choose to agglomerate, whether it is in a Marshall or a Porter cluster. But how does a cluster formation begin? Firms will always “seeks locations where the workers with the needed skills are available” (McDonald and McMillen 2010, p.44). That is, firms tend to locate according to the viability of the labor force with respect to the specialized operations of the firm. It follows that if the main input for a firm is specialized
labor, then the cumulative effect of firm location decisions will be the formation of cities (McDonald and McMillen 2010). One cluster of specialized labor will not only attract firms that require the same specialized labor, but will attract firms with complimentary specialized labor into the area. This is the phenomenon that explains the formation of the Old Quarter of Hanoi, as described in detail in the next section of this paper.

**Social Networks and Social Capital**

This paper is also concerned with how the streets on the Old Quarter function on a daily basis. If agglomeration externalities explain why clusters formed in the Old Quarter, then a theory of social networks and social capital will explain how the interactions inside of a cluster in the Old Quarter foster economic sustainability.

In his description of a market in Egypt, Coleman (1988) describes the collective social capital of the market relationships upon which the individual merchants draw upon to successfully complete an economic transaction. He describes a scenario in which the network of the merchants seem so tightly weaved together that doing business with one vendor requires the interaction of several neighboring vendors. For example, a vendor, in order to satisfy a customer’s order, might borrow apples from one neighbor, oranges from another
and rely upon a third to provide the necessary change to the customer. The collective trust of individual actors within a social, or spatial, structure “facilitate certain actions of actors” that in the absence of those norms would not be possible (Coleman 1988).

Robert Putnam describes social capital as the “features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit” (Putnam 1995, p. 66). Though Putnam’s writing mainly focuses on social capital and its relationship to civic engagement, his framework is easily accessible to study the “networks of collaboration among workers and small entrepreneurs” inside of business district (Putnam 1995, p.66). Putnam (2000) explains the formation of two types of social capital- bonding and bridging. Bonding social capital refers to the capital within a socially, or economically homogenous network or group. A homogenous network can be described as a closed group whose relations are based upon a commonality, such as family ties or ethnic and minority enclaves. Bridging social capital refers to the networks between socially heterogeneous communities. Bridging social capital can exist among the relationships built across communities, such as Putnam’s example of a bowling league. Both bonding and bridging social capital have strong effects on economic development, civil participation and individual welfare. However, scholars
(Woolcock and Narayan, Turner and Nguyen) have found that in the developing world, bonding capital may be the source upon which many individuals draw upon for socioeconomic prosperity.

In her study on young entrepreneurs in post-Doi Moi Vietnam, Turner and Nguyen (2005) finds that bonding social capital among the “family remains the focus of social and economic life in Vietnam, with trust being apparent amongst only a limited number of acquaintances” (Turner and Nguyen 2005 p. 1706). Further, Woolcock and Narayan (2000) find that in the absence of effective institutions in the developing world, the “norms and networks that enable people to act collectively” act “as the primary means of protection against risk and vulnerability” (Woolcock and Narayan 2000). The strength of bonding ties, especially in developing countries where access to institutional capital is limited or nonexistent, seemingly is the strongest determinant in the individual’s ability to accumulate human and physical capital.

Turner and Nguyen (2005) suggest that the significance of bonding social capital in Vietnam has its roots in Confucian teachings on trust. Since “Confucian traditions often encourage trust amongst only a limited number of acquaintances... traditional family or kinship networks are still being heavily relied upon for the establishment and growth of an enterprise” (Turner and Nguyen 2005, p. 1704). Further, in his study of cultural entrepreneurship in
Vietnam, Vuong and Tran (2009) explain “traders and entrepreneurs, have for long been ranked lowest in terms of dignity in [Vietnamese] society” (Vuong and Tran 2009, p. 13). The Confucian perception of business and entrepreneurship casted a dark shadow among tradesmen as greedy and immodest members of society. Seemingly shunned by the social hierarchy of Vietnamese society, these tradesmen could only rely upon each other for both economic and social support. Though the business climate and the perception of entrepreneurship is rapidly changing in Vietnam, especially through evidence of the emerging SME sector (Vuong and Tran 2009), the remnants of the Confucian attitude towards business are still evident in Turner and Nguyen’s findings. A general mutual distrust among tradesmen and the rest of Vietnamese society created a path-dependency for the necessity of bonding social capital among family members and similar tradesmen.

In the next two sections of this paper, I explore how the above framework played a role in the formation of the Old Quarter and facilitates the current interactions among the traders still living in the area.

Section II: Formation and Development of the Old Quarter
In 1010, Ly Thai To moved Vietnam’s capital to present day Hanoi. He named the city Thang Long⁴ after he saw a golden dragon ascending from the Red River. The Ly King created two cities within Thang Long- a royal citadel that would serve as his personal dwelling and a commoner’s city that would house everyone else, including Court officials, mandarins and migrant workers. Soon after his initial settlement in his citadel, Ly Thai To ordered a mass expansion of Thang Long. He directed his Court to construct palaces, pagodas, bathhouses and pavilions, which required mass amounts of laborers and artisans to migrate into the commoner’s city (Goodman 2010). Most of the workers required for the construction migrated into Thang Long from rural villages in the surrounding area. Some workers were day migrants who returned to their villages at night; others were permanent migrants who would quickly start to expand the commoner’s city’s network of workers.

Subsequent Ly kings continued the “construction spree” of temples, palaces and other public works project that they “practically emptied the treasury” of the city (Goodman 2010, p.48). The construction projects required many specialized workers to fulfill the lavish orders of the Ly Kings. First, wood carvers and bronze casters moved into the city to provide the initial raw

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⁴ Translation= Soaring Dragon
materials to fulfill the Kings’ orders. Since the works required decoration, artisans who specialized in ceramics, pottery and other ornamental and novelty goods moved into the city (Goodman 2010, Turner 2008). The city developed an intertwined network of merchants and traders as poured into the city to provide complimentary services and goods to the already established commodities in Thang Long. As silk merchants moved into the city, so followed weavers and embroiderers to expand on the array of products that could be produced within the city (Goodman 2010). By the 13th century, the Old Quarter had developed into a hub for craftsmen and entrepreneurs in Vietnam.

What was unique about the demographic changes of Thang Long was the spatial allocation of the newly arrived migrants. Many of the workers who migrated into Thang Long originated from the same village, where they learned their specialized trade. As they moved into the city, they settled amongst themselves in a particular area of the city. They called their area phuongs, which translates into guilds, wards, or “little villages within the town” (Turner 2008). Most historians estimate that during the 13th Century, the Old Quarter consisted of 61 different phuongs that each specialized in a specific trade or craft. Each phuong consisted of a few streets, or hangs. Hang, which means “good” or “commodity”, was the prefix of most streets inside of the phuong. However, under the Le Dynasty in the 15th Century, the number of phuongs reduced to 36,
with each *phuong* roughly consisting of two *hangs* (Goodman 2010). The spatial structure of the Old Quarter in the 15th Century is the most similar to the Old Quarter’s current formation, hence the current colloquial term, the “36 *pho phuong*” used when referencing the Old Quarter.

The *phuong* structure was similar to that of a medieval European guild in that inhabitants of a certain *phuong* originated from the same location and typically specialized in the same craft. The *phuongs* not only acted as economic guilds, but they served as an administrative unit that provided “a combination of political, economic and cultural systems of the traditional rural spiritual life” (Nguyen 2000 p.93). Each *phuong* attempted to retain many cultural and social elements of their home village by building temples, pagodas, shrines, meeting houses and *dinh* within their neighborhood. The *dinh* were temples that housed the relics of the *phuong*'s home-village deities. Further, the *dinh* also served as a the central point within the *phuong* where inhabitants could come to pray to their villages’ ancestors and keep company with their village cohorts (Goodman 2010).
Tradesmen relied strongly upon bonding social capital to find employment opportunities. Migration from the phuong to the home-village was
extremely fluid, with family members constantly moving in and out of the
phuong. The tradesmen not only brought their supplies and their skills into the
phuong, but also stories and news from the home village that allowed “life in the
village community [to be] continued within an individual street” (Waibel 2000,
p.2). The houses in the Old Quarter, called “tube houses” because of their narrow,
but elongated style, typically housed a few families, with each family consisting
of two or three generations. Shops were set up in front of the tube houses, where
the family members could produce, trade or sell their products. The strong bond
between the home village and the phuong allowed for accessible employment
opportunities for the villagers. Information exchanges between the two
“villages” created a strong network of families that essentially created two sets of
jobs in two different locations. Inhabitants of the home village would learn the
specialized skill of the village and could work in the village to teach others the
skill or transport the materials for production into the Old Quarter. Then, some
villagers could easily migrate into the city to become tradesmen or entrepreneurs
and set up their own family shop to sell their goods. In turn, the tradesmen could
send money, or remittances, back to the home-village. The bonding social capital
among the phuong and the home-village economically benefited both “villages.”

The array of commerce seen in the Old Quarter today did not exist until
the 19th Century. Until the Royal Court moved to Hue in 1802, much of the labor
and the goods produced inside of the Old Quarter were conscripted to the Court. That is, many of the tradesmen inside of the Old Quarter solely produced for the Court and did not produce their goods for retail purposes. Though some markets existed at the gates of the Old Quarter, most of the trade before the 19th Century was intra-regional among the citizens of Hanoi (Nguyen 2000). After the Royal Court’s move to Hue, many Chinese migrants moved into the Old Quarter to take advantage of the existing market potential established inside the phuongs. The Chinese set up their own retail streets to begin to sell goods like pottery, ceramics and tobacco (Goodman 2010). As more retailers moved into the Old Quarter, the 36 pho phuong became a focal point for inter-regional trade. Almost all stages of production occurred within the Old Quarter, so traders and entrepreneurs flocked into the area in order to take advantage of the externalities of agglomeration- sharing of inputs, a large pool of specialized labor, and knowledge and information exchanges between the phuongs to increase efficiency and productivity.

Until 1956, trade in the Old Quarter continued to flourish as more traders and vendors migrated into the city to start their own businesses. During French Colonial times, Hanoi, and the Old Quarter specifically, became a central point of trade in Indochina. After the French were completely driven out of Hanoi in 1956, trade in the Old Quarter was given a makeover by the newly autonomous
Vietnamese government. The state began to control migration into the city and awarded houses in the Old Quarter to those Vietnamese who had been instrumental in defeating the French, thereby displacing many of the original traders in the area (Turner 2008). The new government also stripped away many of the permits to engage in private enterprise and created joint-stock ventures with a majority of the businesses within the Old Quarter. By 1960, 95% of traders in the Old Quarter were members of a co-operative, where they barely earned subsistence wages (Turner 2008). After Reunification in 1976, the co-operative system was still in place, but trade substantially declined as people were crippled by staggering hyperinflation and a generally weak and closed Vietnamese economy. Conditions in the Old Quarter rapidly changed with the economic reforms of Doi Moi in 1984. Trade flourished as people were once again allowed to open private enterprises and businessmen could start trading with other Asian and Western countries. The vibrancy of the Old Quarter returned to full-strength after the reforms and still retained much of its original commercial pattern and spatial organization.

Section III: Case Study of Lan Ong Street

Introduction

In order to thoroughly survey the organization of the commercial pattern within the Old Quarter, it is important to examine how the current business
owners interact and operate on a daily basis. Over a three week period, a case study was conducted on two blocks of Lang Ong street in Hanoi’s Old Quarter. The two blocks studied exhibit the traditional characteristics of a Marshall cluster- businesses that sell similar, or the exact same goods, located in a spatially concentrated area. The first block of Lang Ong Street studied has approximately $539$ stores that sell traditional medicine goods. The second block studied has approximately $10$ stores that sell a selection of baby products, most notably diapers, towels and baby wipes.

Selection Process

Traditional medicine vendors have located in a cluster on Lan Ong Street for centuries, acting as the hub for traditional medicine in Vietnam. Chinese traditional medicine traders from Fujian Province were the original settlers on the street (Jardine 2011). They called the street Phu Kien, which is a transliteration of their home province, Fujian, or Fukian. Like most of the phuongs in the Old Quarter, Phu Kien had a dinh that was specific to their home deity. The Fujian migrants dedicated their dinh to the Queen Mother of the Sung Dynasty

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$5$ It is difficult to discern the exact number of separate businesses on a single street. Some shops only sell their goods inside of their house, whereas some vendors only sell their goods from a small case that they keep on the sidewalk. Further, some families will have multiple small cases spread across the street. The approximation of the number of stores does not take into account the possibility of one family owning multiple cases. However, the calculation is based on the aggregate number of “brick and mortar” shops and “sidewalk stalls” on a single street.
who was the savior of the Fujian people (Jardine 2011). During the 18th Century, Vietnamese migrants from the village of Da Nguu in Hung Yen Province began to move onto the street to sell more Vietnamese-influenced traditional medicines. Throughout French occupation, Vietnamese migrants increasingly supplanted Chinese influence on the street, which was now called Rue de Phu Kien. When the French left Hanoi in 1956, the street, which was now completely run by Vietnamese traders, was renamed Hai Thuong Lan Ong, or Lan Ong for short, after a famous 18th Century Vietnamese traditional medicine scholar and physician.

Many of the families currently living on Lan Ong Street have lived on the street their entire lives and have been involved with traditional medicine for generations. Unlike many of the commodities currently being traded inside of the Old Quarter, the goods sold on Lan Ong have remained fairly static over time. By choosing the traditional medicine block of Lang Ong Street, this case study benefits from the perspective of vendors who have witnessed the rich history of the Old Quarter and retained many of the cultural elements that defined pre-20th Century commerce in Hanoi.

On the other hand, just a few meters from the traditional medicine vendors are the newly established baby-good vendors. These vendors only started selling baby-goods in the past decade, yet still their stores still retain the
Old Quarter’s traditional spatial concentration. Further, like the traditional medicine vendors, the baby-goods businesspeople and their families have lived on the same block for many generations. However, since the 1950’s, these businessmen have responded to changing market preferences by collectively altering their supply of goods- from stationary, to books and magazines and finally to baby-goods. A comparison of the two blocks of vendors on Lang Ong street shows how many of the elements of the guild-period in the Old Quarter have adapted, or remained the same, with respect to the changing economic demands of the 21st Century.

Methodology

The data for the case study was collected through eight in-depth interviews with vendors on both blocks of Lan Ong Street. The interviews were conducted in Vietnamese and were translated simultaneously with the help of two translators. The interviewees were approached on a “cold-call” basis and were asked if they wanted to participate in a study regarding the economics of the Old Quarter. Nearly every vendor on the two streets was asked to be interviewed, though only a small minority agreed to participate in the study. Many of the vendors did not wish to participate in the study for various reasons, including the position that their business practices were secret. For privacy
reasons, all of the names of the vendors who participated in the study have been changed and specific addresses of the vendors are not included in the case study.

The findings of the case study are presented within the framework described in the first section of this paper. The case study is divided into two parts. The first presents the findings of the traditional medicine vendors and the second of the baby-good vendors.

Traditional Medicine Vendors on Lan Ong Street

“When we buy, we buy with friends. When we sell, we sell in a group.”

Though some of the vendors expressed different views about certain aspects of their business and the relationships on the street, the assertion that there was no competition between the vendors was a sentiment that was shared by all interviewees. All of the vendors explained that even though their stores were not related (there was no profit-sharing or collectivization on the street) they all “cooperated” on a daily basis. Much of the cooperation resulted from implicit norms among the vendors regarding pricing and customers. There seemed to be a set bracket of prices that a vendor could charge for good and under no circumstances could one vendor attempt to poach a customer from another vendor by offering a lower price. One vendor explained that the only
time conflict arises on the street is when a vendor attempts to go below the “price threshold” set by a neighboring vendor.

These implicit norms have established a relationship among the vendors that fosters cooperation instead of competition. A vendor explained that each store has its habitual customers who have been coming to the same shop for generations and that many of the new customers that come to a shop are based on word-of-mouth-referrals. Customer poaching seems almost unnecessary since stores seem to have a steady flow of customers due to their established reputation.

The cooperation and the norms among the vendors can even be observed during a short visit to the shops on Lan Ong. The levels of cooperation can be divided into three types: pecuniary, input and information. A few small anecdotes will provide a good insight into how the three types of cooperation affect the operations on the street.

Many of the vendors’ daily interactions with one another include monetary exchanges. Men and women from across the street can frequently be seen handing wads of cash to one another, for a multitude of reasons. Sometimes, one vendor will simply provide the adequate change to a customer who is completing an order with another vendor. Other times, vendors “loan” each other money, or extend a small line of credit, in order to purchase or borrow goods from one another. During one interview with a 45-
year old man, an older woman who was also a vendor on the street came over and wanted to repay him for some mushrooms she had borrowed from him the prior day. The older woman had needed the mushrooms to complete an order with a customer the day before and simply forgot to pay her neighbor for the mushrooms she borrowed. The man explained that since he bought a larger quantity of these mushrooms, he received a lower price from the wholesale vendor. He would then allow his neighbors to buy small quantities of the mushrooms at cost- he would receive no profit for being the “middle man” of the mushroom transactions.

Figure 3- Traditional Medicine Vendor on Lan Ong
This short story is a very typical representation of the relationship between the vendors on Lan Ong. The interactions between the two vendors were based on a level trust and reliance that was rooted in the understood norms of the street. The man essentially provided the woman with a non-interest bearing loan without any fungible or tangible form of collateral. The only form of collateral seemed to be a mutual level of trust between the two vendors. Seemingly, this was not an unusual interaction and the rules of the transaction were understood between the two parties involved.

Cooperation on the street was not limited to pecuniary exchanges. The “loan” that the man gave to the woman was to buy his own goods- this transaction is a form of input sharing. Vendors on the street frequently trade and borrow goods in order to complete a transaction. Further, as the above store indicates, some stores buy larger amounts of certain goods and then become the secondary-distributor of the good. It did not appear that the secondary-distributor was making on a profit off these transactions but that he was allowing his neighbors to take advantage of his good deal with his supplier. This process of a single shop buying a certain product in bulk and then distributing it to the other vendors on the street was the way in which many of the vendors, especially the smaller ones who only had stalls on the street, received their goods. A woman vendor explained that almost every shop on the street was
known for having the best or the largest quality of a certain good. She said that if
one vendor ran out of a certain type of Korean mushroom, then they would
probably borrow some from the shop at the corner of the street. That shop, she
said, always had the best quality of the certain mushroom and would always
share with the other vendors.

The high degree of input sharing can in part be attributed to the spatial
allocation of the vendors. The concentration of the shops allows for vendors to
easily trade and borrow goods, with minimal, if not zero, transportation costs.
Further, the levels of trust, evidenced by the “loans” and input sharing, points to
a high level of social capital between the families on the street. All of the vendors
interviewed on the traditional medicine block of the street came from families
that had been in the traditional medicine business for multiple generations.
Further, most of the families currently living on the block have lived in the same
homes since the 1950s. The cumulative build-up of daily interactions for the past
seventy years, plus a rich history of traditional medicine among the families
creates a large pool of social capital that in turn fosters a high degree of trust
among the vendors. That trust, in turn, increases the ability of the vendors to
share inputs and knowledge, subsequently leading to more interactions among
the vendors. There is a feedback effect between social capital and the externalities
of agglomeration- a higher frequency of interactions, which increases the pool of
social capital, creates more trust among the vendors and subsequently leads to more exchanges of goods, skills and knowledge.
Kim is 80 years old and has lived in the same house on Lan Ong Street since 1952. He comes from a long-line of traditional medicine men—members of his family have been involved in the business for nine generations. Kim is well known vendor on the street and many of the younger vendors admire his dedication to traditional medicine. His store walls are lined with framed magazine poster covers that bear his face. He says that he is retired and spends most of his day writing poetry; but, throughout the interview, four men come into the shop for various reasons. The first man who comes in is Kim’s next-door neighbor who also sells traditional medicine. He talks with Kim for a few minutes and then hands him a pamphlet with some news about traditional medicine. After he leaves, Kim explains that sometimes this neighbor will do some small favors for him, like pick him up food from the market. The next two men who come rush up to Kim
and ask him to translate the Chinese characters on a bottle of some sort. Kim is one of the few residents on the street who speaks fluent Chinese and is frequently used as a translator, since many of the products that the vendors receive are from China. The fourth man has been waiting outside, drinking a cup of tea, during the entire interview.

The two old men embrace like they are old friends and Kim pulls out a variety of herbs from different bags and drawers to sell to his friend.

Figure 4- Kim in his shop

This story illustrates the externality of agglomeration that is quite possibly the most difficult to quantify and observe- knowledge spillovers. The external exchange of ideas and information is a process that is crucial for growth within a
business. Kim’s shop is like a node in the network of traditional medicine vendors- his shop acts as a connection point for the distribution of knowledge about traditional medicine. Many vendors on the street know that they can turn to Kim for help with Chinese translation, which is extremely vital to understand the elements of Eastern traditional medicine. By helping other vendors with Chinese translation and interpretation, Kim is passing down his skills to the other vendors of traditional medicine, thereby increasing the pool of intellectual capital on the street. Further, Kim’s store acts a connection point where new and more modern ideas about traditional medicine are combined his experience and history. Kim explained that he frequently discusses medicine with his neighbors- sometimes about the new developments in medicine and how traditional medicine is changing. But Kim’s store is not the only node of information on the street. A doctor named Lam, who has his Ph.D. in traditional medicine and his M.D in modern medicine, explained that he talks with his clients and his neighbors about the benefits of using a combination of both traditional and modern medicine. Further, Lam explained that his neighbors always know that they can come and discuss the different options when treating a patient.

Many of the stores on the street act as connection points where information, knowledge and expertise are exchanged to create a larger pool of knowledge among the vendors on the street. There is certainly no semblance of
competition with regard to knowledge spillovers. There is an ever-growing stock of social capital among the vendors that is created by the everyday interactions of the vendors, coupled with the historical ties of the families currently living on the street, that leads to the creation of human and intellectual capital by facilitating the exchanges of ideas among the vendors.

**Baby-Good Vendors on Lan Ong Street**

![Figure 5- Row of Baby-Good Vendors on Lan Ong Street](image)

The commerce on the second block of Lan Ong Street is a relatively new way of life that was spawned by the reforms of *Doi Moi*. Before 1976, the families
on both blocks of Lan Ong sold traditional medicine goods. However, after the Reunification of Vietnam in 1976 and the implementation of the nation-wide economic plans, the traditional medicine industry became regulated by the state and many of the stores became joint ventures with the Vietnamese government (Jardine 2011). The plans only allowed for a certain amount of vendors and most of the families who sold traditional medicine on the second block of Lan Ong were forced to cease selling traditional medicine. Until economic reforms in 1986 that allowed for private entrepreneurship, the families on the second block were not formal\textsuperscript{6} members of a cooperative or joint venture that sold a specific good. In 1986, the families on the street set up shops that sold stationary, old books and magazines. Then, about fifteen years after that, everyone on the street started selling baby-goods. The following story is an interesting indicator of the differences and similarities between the vendors on “baby-good street” and “traditional medicine street.”

\textit{Most stores on this block of Lan Ong street have two or three women who sit in front of their goods; some stores have only one woman who guards the products by herself. Today, only one of the stores has a man sitting in front of a pile of baby-goods.}

\textsuperscript{6} From 1976-1986, a black market for many consumer goods existed within the Old Quarter. Though many of the businesses in the Old Quarter were members of a cooperative and were joint ventures with the state, many families continued to operate small, privately owned businesses out of their homes to provide essential consumer goods that were in short supply during the times of rationing (Jardine 2011).
The man, named Truc, is in his mid-50s and explains that he does not work at the store all of time. During the interview, a woman and her toddler approach Truc to buy some diapers. Truc hardly says anything to the customer as he watches her inspect the quality of the diapers he is selling today. The woman who runs the shop next door points to a brand of diapers named “Bobby Fresh” and tells the customer that these are the best quality. Another one of Truc’s customers who is sitting on her motorbike confirms that the “Bobby Fresh” diapers are the best. The customer asks Truc how much the “Bobby Fresh” diapers cost but Truc does not know. He says that he has to go check with his wife who is working on something else in the back of the store. After a few minutes, he returns to the front of the store with the price information and completes the transaction with the customer. After the customer leaves, the woman vendor who recommended the “Bobby Fresh” diapers to the customer hands Truc a wad of cash to repay him for some “Bobby Fresh” diapers she had borrowed the previous day to sell to a customer. Truc says that she should pay his wife when she comes back out since she borrowed the diapers from her and he does not know exactly how much she owes. The woman vendor laughs and hands Truc the cash, which he readily accepts.
The most observable difference between the two blocks of Lan Ong Street is the gender breakdown of the vendors. Many of the shops on a daily basis on “traditional medicine street” are filled with many generations of the same family- aunts, uncles, grandparents and children. However, most of the vendors...
on “baby-good street” are women who describe themselves as “retired.” One vendor on the street explained that selling the baby-goods is only a form of supplemental income, compared to the traditional medicine vendors who rely solely upon their shops for their income. Most of the women on the second block of Lan Ong explained that their husbands were businessmen who did not work on Lan Ong Street and who earned a majority of their family’s income.

Like the traditional medicine vendors, the baby-good vendors observably benefit from input sharing and knowledge spillovers. The input sharing on the street is similar to that of the traditional medicine vendors- the vendors constantly trade and borrow goods in order to complete a transaction. Further, pecuniary cooperation, like the small loans and lines of credit that are exchanged on “traditional medicine street”, also exist among the baby-good members. Truc’s interaction with his neighboring vendor also points to a high degree of trust and social capital that the vendors frequently draw upon.

The relationship between the vendors and the distributors is also different on the two blocks. On the traditional medicine block, most of the shops buy individually from the suppliers and sometimes rely upon other stores to buy specialty items that they did not purchase themselves. However, on the second block, it seems as if a few women on the street control the entire street’s distribution of products. One woman, named Yen, who was interviewed, did not
identify herself as a distributor or wholesaler. Nonetheless, throughout the day, many of the women would come up to her shop and take a pile of goods or give her a wad of cash. In the previous story, the man who Truc identifies as the wholesaler is Yen. Truc described that many of the vendors rely on Yen to buy a few of their products, including “Bobby Fresh” diapers.

It also appears that many of the vendors on the block, who worked in different stores, are related to one another. A woman named Hoa, as she pointed to a few shops down the block, said that many of her relatives also owned stores on the street. Though she would not explicitly say if she shared her profit with her relatives, she did imply that the shops were the same entity. That is, Hoa operated one branch of the business and her relatives spread across the street operated other branches of the shop. Further, whenever Hoa talked about her relatives, she only pointed down the street and never across. When asked if she had any business or familial relationships across the street, she chuckled and said no. Along the same lines, Truc and Yen only mentioned vendors on their side of the street when discussing family and business relationships.

Though drawing any finite conclusions is impossible due to the limited scale of research, it is possible that there are two main “cooperative suppliers” of baby-goods, one located on each side of the streets. This strategy could prove beneficial to the vendors assuming the costumers did not know that that the
individual shops were one in the same. That is, the creation of multiple branches of the same shop in a clustered area generates Porter’s marketing complementarity externalities—it gives the customer the perception that there are more buying options on the street, thereby increasing the probability that he purchases his goods at one of the branches of the same store. Even if this is not the case, there does appear to be a more tightly woven network of vendors on “baby-good street” compared to the network of vendors on “traditional medicine street.” Each side of the street seemingly has a high level of social capital upon which the vendors can draw from on a daily basis—be it through pecuniary cooperation, input sharing or knowledge spillovers.

Section IV: Concluding Remarks

The past thousand years of Vietnam’s past have been turbulent, to say the least—multiple and brutal Chinese invasions, brief spouts of autonomy stripped away by the French Colonials, devastating wars with France and America, a failed economic plan after Reunification and the sweeping reforms of Doi Moi that opened up the Vietnamese market to the rest of the world all left their distinctive marks on Vietnamese history and society. Today, Vietnam is one of the fastest growing countries in world and has become a hub for foreign investment in Southeast Asia. But, even with all of the changes to Vietnam, the
landscape of Hanoi’s Old Quarter survives as a vestige of Vietnam’s past and the country’s transformation into a developed economy. Though many of the goods sold in the Old Quarter have adapted to the changing economy, like swapping bicycle shops for motorbike repair garages, the commercial pattern of concentration has remained imbedded in the 36 pho phuong.

The vendors in the Old Quarter have for the past 1,000 years benefitted from the localization externalities of agglomeration. Initially, the vast amount of labor conscripted by the Ly Court precipitated a large market for traders and laborers to move into the Old City and take advantage of the advantages of locating in a spatially concentrated area. By continuing their vast construction projects around Hanoi, the Court created a large pool of specialized labor pool, which in turn drew complimentary specialized labor into the city. One of the main benefits of having an agglomerated labor pool is that perspective employers, such as the King’s Court, can more efficiently locate the appropriate labor for certain jobs. Since Old Quarter developed into a self-sustained city that was capable of every stage of production, the spatial concentration of vendors in the Old Quarter allowed for an efficient matching of laborers and employers with vast cooperation between and within the guild-like phuongs. As revealed by the case study, the spatial structure of the Old Quarter lends itself to the continuation of the guild-like attributes of commerce within a particular street.
Perhaps, the most encapsulating explanation for the spatial retention is the path dependency of commerce in the Old Quarter. The guilds were founded in the Old Quarter not just for the economic benefits, but also as a way of maintaining cultural ties to their home-village. By creating the *phuong*, the migrant workers created a space where they could practice their specialized trade, benefit from the externalities of localization due to their proximity to other *phuongs*, and retain many elements of their home culture. Interactions within the *phuong* were not limited to business transactions, but included daily social and religious interactions between the families living on the street. The social networks between the families within the *phuong* fostered the creation of large pools of social capital upon which the family members, in the village and in the Old Quarter, could use to better themselves socially and economically. This structure has remained fairly stable over the past thousand years, with families on a particular street in the Old Quarter using their social connections to benefit the aggregate business practices on the street.

The vendors on Lan Ong Street have continued the tradition of cooperation over competition through their daily business and social interactions. The observable level of cooperation on the street is heavily dependent upon the degree of trust between the vendors, which in turn is contingent upon the success of previous social and business transactions. Thus,
there exists a strong feedback effect between levels of trust and the norms on the street and the amount of cooperation on the street. That is, the degree to which the localization externalities are effectively practiced are heavily dependent upon the amount of social capital that exists between the vendors, which in turn fosters the creation of stronger bonds and norms on the street.

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