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# The 'middle man' is not always a rent-seeker

**T**HE middle man is almost an 'untouchable' dimension of development. Who are they? Middlemen are a natural aspect of any business, providing raw material, support services and market linkages. In fact, the secret of successful clusters lies in market-determined specialisation, which requires value-added linkages by middlemen. But when it comes to micro-enterprise clusters, the perception is that middlemen (traders for a weaver or a handicraft producing artisan, for instance) constitute a class earning rent at the cost of the 'small men'—the marginal producers.

However, while the rent-earning role of these middlemen is perfectly possible, it is not necessarily an all-pervasive phenomenon. In fact, wherever rent-earning exists, it may be due to lack of quality value adding linkage providers to the cluster. And, while the problem lies in limitation, the answer is in elimination. As a corollary, those who dismiss the role of these natural actors have no option but to create a neo-champion, the 'sponsored big man' who faces a formidable challenge—learn the business process, earn profit and provide socially fair returns to the small man—an area not his natural forte. Thus emerges a 'big man-small man' syndrome, with no place for the middleman.

However, over the years, at least a section of the so-called middlemen have matured significantly. They not only provide linkages, but also various value added services. These include designs, understanding the needs of the market and guiding the artisan community, ensuring timely delivery, organising appropriate



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salesmanship and presenting an overall sense of market responsibility, which new-generation consumers would appreciate. They follow market mechanics, which enables the small man to understand market needs. Such business acumen cannot be earned

**Middlemen who can be value adders for micro enterprise clusters must be identified and linkage promotion incentives should be designed**

overnight. It is a process that comes organically to an entity, which is by definition a 'business maximiser.'

A question on addressing the non-business social security needs of the small man arises here. Wherever it has actually been addressed by middlemen, to whatever extent, critique has interpreted it as a trap, ensuring the small man becomes a permanent source of rent provision. In reality, these two are overlapping sets

in a complex relationship.

In contrast, when the 'big man' enters business, he starts with elimination of rent—his stated objective. He supports the small man to enhance his business, away from a chain, considered as rent-earning. But in doing so, he often ignores the positivities of the business process of that otherwise rent-earning model.

Irrespective of the model, at the end of the chain there stands a consumer dipped in market economy. In the face of relentless business pressure from the end of the chain, these neo-marketing agencies at times start behaving like middlemen themselves. But, in the absence of the in-built business knowledge, often mess up issues, to be rescued through subsidy measures.

Hence, it is imperative to redefine the perceived role of middlemen, understand their value-adding potential and assign them incentives to perform professionally. Often, such potential value providers tend to keep out of this market oriented developmental role due to lack of time and energy to organise the small men into a rent-less business model. It is here that developmental agencies can play a vital role.

But identification of such middlemen might not always come from within the cluster. What is also required is to identify such value adders and work out appropriate linkage promotion incentives that lead to such investment in the micro enterprise clusters. This will check rent-earning middlemen and leave room only for wealth creators.

*The writer is with Unido's Cluster Development Programme. The views are personal*

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