TITLE: COERCION to VIRTUE: FIRST PRINCIPLES
and SECOND ECONOMY

AUTHOR: Leon Lipson

CONTRACTOR: The University of California, Berkeley

PRINCIPAL INVESTIGATOR: Gregory Grossman

COUNCIL CONTRACT NUMBER: 620-5 DNA

DATE: October 1986

The work leading to this report was supported by funds provided by the National Council for Soviet and East European Research. It is one of several papers originally prepared for a conference on the Soviet Second Economy held in January 1980 at the Kennan Institute for Advanced Russian Studies, in Washington, D.C.
Executive Summary

In reviewing the tenets of Soviet working ideology as they bear on practices and institutions of the second economy, this paper serves to underscore the numerous ways in which second-economy activity controverts the ideological foundations of the Soviet system. The principal tenets of officials, declared Soviet morality, are divided by the author under three headings: the plasticity of human nature, the unity of individual and societal interests, and the absence of social roots of crime under socialism. This basic set of tenets gives rise to a dichotomous attitude on the part of the Soviet political elite towards the second economy: it is feared and needed at the same time. The second economy is feared by the Soviet leadership because it threatens to unsettle several "monopolies" that it cherishes. Specifically, the second economy encroaches on the regime's monopolies over physical resources, management, planning, morality and social structure. In all these areas, the operation of the second economy serves to undermine the Party in its role as the sole source of legitimacy and authority. At the same time, however, the regime has need of the second economy in three principal respects--personally, officially and politically. The personal needs of the ruling elite for the second economy probably vary with level of position; while many privileges go with rank at the top of the hierarchy, lower-level officials rely to a large extent on the second economy to obtain the perquisites which they perceive as necessary to their position. Officially, the authorities must appreciate the role of the second economy in lubricating the unwieldy machinery of the plan, matching urgent needs to scarce resources, and helping the managers meet their quotas. On the political side, the authorities would have to acknowledge privately the function of the second economy in satisfying the needs of consumers, thereby ensuring some degree of political stability.
Taking into consideration the principal tenets of official Soviet morality and the mixture of need and fear with which the regime regards the second economy, the author proceeds to discuss conjecturally the regime's response. Basically, the likely response would seem to be shaped by two key circumstances. Officially, first of all, the second economy is not acknowledged as a major social phenomenon. Secondly, recognition of the ubiquity and pervasiveness of the second economy makes an all-out effort to prosecute all offenses untenable. In light of these considerations, selective prosecution aimed at containing the most disturbing consequences of the second economy and maintaining the system appear's to be a likely response.

The author concludes by speculating on the possibility that the extent of the second economy might in the future vary inversely with the adequacy with which the first economy satisfied the needs of consumers. In this event, official policy might shift in two directions at once, removing certain activities from criminal prosecution while intensifying the severity of punishment for others. Alternately, to the extent that the causes of the second economy are deeply rooted in the Soviet political culture and can't be removed without more fundamental changes in that culture than would be involved in the rationalization of the first economy, a more likely scenario would be the continued growth of the second economy and hence a continued contradiction between socialist ideology and Soviet reality.

(Summary prepared not by the author)
Coercion to Virtue: First Principles and Second Economy

By Leon Lipson

The aim of the paper is to review the tenets of Soviet working ideology as they bear on practices and institutions of the second economy, and vice versa; to consider pertinent shifts in the lines of the long uneasy truce between the regime and the people; and to offer some conjectures on future changes in the varieties of corruption. As a contribution made from the margin to a discussion rightly dominated by considerations of comparative economics, the disputable comparisons will be for the most part implicit; and the disputable economics, assumed. For example, I shall not contrast or assimilate Soviet ideological contradictions to the difficulty felt by many in America or England in reconciling tenets of free enterprise with governmental rescue of large failing firms; nor shall I consider the relationship of morality—in the system or in the mind of the observer—to the decision whether to include or exclude a given activity in estimations of national income (Grossman 1979 and Ofer 1980).

At the outset some assumptions of fact are made about the Soviet present and future. I take as given the overlapping propositions that the first economy will not break down but also will not supply all of the effective demand, that official prices of many consumer's goods will be kept artificially low, that many resources will continue very scarce and many goods and services will continue in short supply. It is also agreed, I gather, that many actions in the second economy, including—perhaps predominantly—practices that Soviet law declares illegal, are not only frequent but routine; not only routine but taken into account by the official planners (e.g., wages in food-shops kept low in reliance on tips to eke them out, or resources devoted to the production of motor cars in the expectation that repair services and garaging will be provided "on the left"); and not only planned for, but planned (e.g.,

-1-
production-quotas knowingly set too high to be achieved without fiddling).

I. Public Morality.

The tenets of official, declared Soviet morality, insofar as they bear on the problems posed by the second economy are familiar enough to be recalled by brief restatement. They may be drawn from more or less formal sources like the Program of the CPSU, the Constitution(s), or the Moral Code of the Builder of Communism; from the speeches of leaders of the Party and government; from leading articles and feuilletons in the press; from numerous essays and monographs of philosophers, jurists, and social scientists; and from some of the popular published literature, fiction or non-fiction. There is no reason to believe that the complex would be altered if we had better access to the schools or the agitpunkty.³ That they embrace contradictions is not itself a proof of intellectual weakness or of the failure of Soviet Marxism so much as it is a characteristic of every durable moral code. We can note them under three heads; the plasticity of human nature, the unity of individual and societal interests, and the absence of social roots of crime under socialism.

Plasticity of human nature. Confident activism has been an obligatory trait of Marxism ever since Marx's eleventh thesis on Feuerbach (philosophers have busied themselves with interpreting the world, but what matters now is to change it), which itself must be one of the two or three bits of Marx that are most often quoted in Bolshevik and Soviet writing. Mastery is possible for the right class led by the right leaders equipped with the right theory; mastery over circumstances, mastery over enemies, and mastery over nature—human nature included (Cantril 1960; Connor 1972). The victory of "consciousness" over "spontaneity" in the debates that were waged among part of the Russian intelligentsia in the nineteenth century was turned by Lenin and others into the demand for control of (not necessarily in that order) self, comrades, party, and nation (Haimson
1955, 8, 10-11, 209-11). That demand found cognitive resonance and normative support in emphasis on causality that was social, environmental and public, rather than psychological, genetic, or private. The power of psychological causality was belittled by means of Marxist socio-economic determinism, one-sided despite its occasional concessions to Ruckwirkung; that of genetic causality, by hasty telescoping of the dynamics of evolutionism; and that of private motivation, by indirect denial of the ultimate legitimacy of individual concerns and interests.

In keeping with that conception of human nature, the main levers to be worked in order to produce desire conduct are material levers; indeed, Soviet moralists and publicists make frequent use of another Marxian aphorism, to the effect that not consciousness determines being but being determines consciousness, which they extend, consistently with the eleventh thesis, from the realm of description to the realm of policy. These material levers are to be applied by the state, which at least for the (long) time being must monopolize them, so as to create objective conditions under which the individual will behave, and in the best event also believe, rightly. They are predominantly but never wholly negative; more emphasis is always placed on deprivation (imprisonment, docking of wages, forced re-settlement, eviction, . . .), but affirmative levers are stressed more at some times than at others ("material incentives", pardons and paroles, . . .). Under Brezhnev the code word, appropriately connoting both negative and affirmative aspects with the former predominating, was "discipline" (Lipson 1968, 106).

Digression for a comparative note. A rather large fraction of Anglo-American specialists in the philosophy of law have begun their careers in the field of the law of contract; for Soviet philosophers of law the corresponding preliminary has tended to be the criminal law. "This is no accident." In Anglo-American political theory the favorite myth is that of social welfare thrown up as the result of the freest possible interplay of
individuals acting alone or in agreement with others; in Soviet theory the favorite myth is that of concord coercively restored by the official power after victory in a necessary conflict with the necessary enemy.

Unity of individual and societal interests. In their more militant phases, Soviet Marxists exaggerate the contrast between those outside and those inside the society under their control. They understate the elements in common between the two groups, insiders and outsiders, and they overstate the community of interest among those inside. That interest is of course defined by the regime. By a curious twist of the Socratic notion that knowledge brings virtue, Soviet Marxists tend or pretend to attribute resistance of an insider to ignorance of the Right. If the insider persists knowingly in his difference, he is cast outside; or, rather, he is declared to have cast himself outside, and one must then treat him as one would treat an outsider who was within one's power.

Under socialism crime has no roots. According to current Soviet doctrine, the roots of crime are fundamentally social; the society that engenders crime is the society where class exploits class; under socialism exploitation is abolished and surviving classes are not antagonistic to one another; therefore, under socialism crime has no roots. Therefore (a different sort of "therefore"), in the Soviet Union crime is steadily decreasing. That empirical proposition, minus the "therefore", is neither confirmed nor refuted by published Soviet statistics, for they are not published. What is more interesting for the present discussion is the explanation given for that criminal behavior which still is conceded to occur now and then.

First, a brief excursus on "criminal behavior." Marxism-Leninism, like some other systems of belief in the twentieth century, combines elements of positivism and moralism while affecting to repudiate both. Soviet criminology in some ways treats criminal behavior as having a ground of being that is independent of
the circumstance that the Soviet state has declared such behavior to be criminal; in other ways it accepts the positive criminal law as laying down not only an exhaustive definition of what is illegal but also an authoritative definition of what must as a corollary be antisocial and immoral.

Criminal behavior occurring under socialism cannot have social roots; but in a rational world, as interpreted by rationalist ideologists, it must have causes. These, according to the standard formula, are to be found in survivals of capitalism in people's consciousness. Those survivals in turn are of two kinds; domestic pre-socialist, primarily transmitted in the family (private-property psychology), and foreign non-socialist, primarily transmitted through travelers and "media" (easy life, false values). It follows that the struggle against the causes of crime should be waged against those sources of criminal influence.

This formula has sufficiently august credentials to withstand direct assault. The most that Soviet sociologists and criminologists have been able to do in public is to put it on a high shelf safely out of reach while trying to go about their work (Sakharov 1961; Kudriatsev 1976). Thus, it has been said that by virtue of its very masterly comprehensiveness the standard formula cannot be expected to provide answers to particular questions such as the question why one of two brothers should turn criminal while the other obeys the law, or the question why the baneful influences should lead one impressionable youth into robbery, another into rape, and a third into speculation. Looking sympathetically at the efforts of Soviet social scientists to slide out from under the stifling blanket of political dogma, the bystander must reflect that conspicuous success in accounting for crime, justifying its punishment, or helping to diminish its incidence has also eluded social scientists working elsewhere, relatively free from Soviet handicaps.

The role of exhortation. If materialist theories of social
psychology were not forced to make room for other, conflicting ideas, one might expect that a fitting rhetoric by which the regime communicated information, intention, and commands to the people it governed would be bleakly instrumental, affectively neutral, and devoid of menace, boast, or entreaty. The great bulk of the communication would comprise factual reports, instructions, and contingent prediction of the conditions under which this or that governmental step would be taken. Anger, objugation, exultation, scorn would find no place. What was left of the Bolshevik self-image of the calm, resolute planner/actor—controlling but self-controlled, moving but self-moved, refusing to exhibit emotion unless sober calculation indicated that the exhibition would be advantageous (Leites 1953, 46–47)—would reinforce the rhetorical self-restraint. The second-order message would be didactic but not hortatory.

Some Soviet messages to the people did and do conform to that model. Beside and over it, however, one often hears a tone of hectoring expostulatory moralism, which occasionally conveys an implication that the speaker is reaching the limit of his patience with the audience, as though, despite the use of the material levers, despite the objective unity of individual interests and the public interest as they are defined by the official guides, and despite the severance of the social roots of criminal behavior, a part of the public is in danger of failing to learn the lessons offered. What we hear, in fact, is something close to the tone of an exasperated, self-righteous petty-bourgeois parent, admonishing and exhorting the wayward adolescent.

The dissonance between the two prevailing tones corresponds to a clash among several contradictory factors within Soviet ideology. Materialist mechanism in social psychology clashes with a usually unacknowledged voluntarism in official personal ideals (in the heroic variant, this holds that there are no fortresses that Bolsheviks cannot
storm); determinist objectivism clashes with practical assumptions of free will; and the theory of coercion to virtue, which assumes that the citizen should arrive and remain at a stage at which he practices virtue without believing he has been coerced, clashes with the principle that the price of mastery is eternal vigilance and continual intervention.

II. Official Morality Facing the Second Economy.

Working from such a set of values, the Soviet political elite must regard the second economy with mixed feelings. They fear it but they need it. They fear it because, though it does not dramatically or imminently jeopardize their hold on power, it does threaten to unsettle several monopolies that they cherish. Yet they need it officially, personally, and politically. This section will treat—conjecturally—those fears and needs; responses will be considered in the next section.

Threatened monopolies. We can array the fears in order of roughly decreasing concreteness. In the first place, the Soviet leadership must consider the physical resources of the country to be theirs to command in the interest of . . . the nation, or the people, or the Party, or the Cause. To the extent that the second economy drains off or diverts some of those resources, the disposable stock has been diminished; if their uses in their second economy career could be located, then presumably other resources that were allocated in the plan to those uses could be freed and transferred, but the bookkeeping would be cumbersome and the slippage must be great, for many of these resources, almost by definition, are in short supply on the scale of the national economy. As a special separate case, illegal dealings in foreign currency must, if the volume is high, disturb the leadership in their fiduciary capacity whatever benefits they may apprehend personally. The second economy also absorbs a considerable amount of executive, managerial, and financial talent which presumably would be of use in the first economy if there were no second.

In the second place, coping with the first economy imposes a cost in
time and strain on the officials connected with the first economy. Apart from the costs of enforcement, to be considered briefly in the next section, a plant director or kolkhoz chairman must have a complicated perspective when striving to meet his quota. Given that Honesty may be the worst Policy, in the sense that it may bring him the ignominy of failure without any external compensations, the local manager must keep in mind—besides the technical, logistic, administrative, and bureaucratic problems of his ordinary aboveboard business—the equations of viscosity.

(Whom do you bribe? At how many levels of the ministerial bureaucracy? Who commands a higher price: a Party official or a functionary in the ministry? Will protection-money paid to the organs of law enforcement keep things quiet, or does it risk a prosecution for attempted bribery that could have been avoided if the circle of krugovaia poruka had been kept smaller?)

In the third place, if the second economy tends toward a net transfer of resources from investment to consumption, its operation not only disrupts by subtraction a sector to which the Soviet leaders have devoted special attention for fifty years; it also disrupts by addition a sector whose contours and limits they have political motives for wishing to keep in firm control. This tendency, combined with the tendency (mentioned above) toward aggravating officially undesired material imbalance, implicitly undermines the time-scales that are presupposed in the work of national planning. It is the Party, and the Party only, that has entrusted to itself the function of determining at what rate the future is to be discounted, of deciding what is to be done in the short term and what is to be put off to the long term; indeed, of deciding what a short term is (Douglas and Isherwood 1979, 36). As increased accessibility to the Soviet public of information from abroad begins by threatening the Party's monopoly of the past, so a flourishing second economy ends by enroaching on the Party's monopoly of the future.

In the fourth place, the second economy, again implicitly, tends to
invalidate the role of the leadership as moral preceptor, and this in several different ways. The very fact of its growth renders ludicrous the proclaimed achievement of an end to scarcity and privation, and indirectly the official claims to deserve the support of the public so far as they are based on that accomplishment. Again, the central place assigned to Toil (trud) in the morality prescribed for the people by the Party depends on that Toil's being "honest" and "conscientious", that is, regular and within the law; if Toil on the left yields higher rewards than Toil in the center, the citizen is not likely to be kept in line by the sour consolation that virtue is its own reward. More comprehensively, both producers and consumers in the second economy attest the persistence of a private interest held prior to the officially defined public interest, of Eigennutz vor Gemeinnutz.

Besides the inroads it makes on the regime's monopolies of resources, management, planing, and morality, the second economy portends a threat to the monopoly on social structure. No feature of Soviet life has been more durable than the claim of the Party to be the sole legitimator of association. The networks of the second economy--differing though they do in scope, purpose, intensity, and duration--evade, thus implicitly defy, that legitimation (Bauman 1980). All associations, even the lawful ones, are a source of potential trouble to a leadership which, if it could, would let no mediate structures intervene between the individual and the authorities. When the regime, by not shutting down the open-air housing exchanges or curtailing the tolkachi, signals that it is still in the legitimating business if only through tacit approval, it is making the best of a bad situation. Still worse from the regime's viewpoint are the networks that connect workers occupied in part-time dishonesty; worse yet, the underground enterprises, some of which may in turn be connected with, or have themselves evolved, a set of unofficial and thus almost certainly illegal institutions of financing, of resolving disputes, and of enforcing
decisions in trouble-cases.

The gravity of all these threats depends in some measure on the regime's perception of them and on the flexibility with which the regime acts to allay its fears. Before mentioning the most salient responses, however, we should have in mind the regime's needs for the fruits, and even for the processes, of the second economy.

Usefulness to the authorities. There is no need to recite here in detail the benefits conferred by the second economy in the Soviet Union. From the standpoint of the leadership its most important utility can be divided, not without some overlap, into the personal, the official, and the political. Combined, these aspects may help us understand why the authorities do not, even if they believe they could, do more to put down the second economy and eliminate the various fears it engenders in them.

The personal needs of the ruling elite for the fruits of the second economy probably vary with position, especially with level of position. At the top, surely, many privileges go with the rank, and there are few who would put awkward questions. A lieutenant-general in a peacetime army--say, in the United States--makes a much smaller salary than a senior vice president of a large corporation, but his perquisites make up much of the difference in the economic foundations of their life-styles with the exception of retirement-savings and transmission of wealth to surviving family. So, too, we used to think that in the Soviet Union, the Utopian promises of abundance and of the dwindling importance of money had come true for the people at the summit. The scandals of Mme. Furtseva and the leaders of some Caucasian republics, however, seem to show—if they are based on real offenses—that even at the top it is possible to wish for goods that official position will not lawfully command. Certainly when we look at lower levels, while staying within the confines of those who in a relevant sense can be said to make policy toward the second economy, we can see that their personal needs as they may well perceive them require a
second economy to deliver foreign currency for travel and imports; admission, credentials and good grades at educational research institutions for themselves or relatives; some hard goods that they cannot procure legally, even in their special shops, without unacceptable queuing; housing of a quality/spaciousness/location more desirable than official channels provide; food specialties, automotive supplies, and a host of services both with "lawful" counterparts (home repairs, garaging, clothes-cleaning; religion?) and without (prostitution, drugs, mimeography, ...). We are far gone from the Loyolan, or Dzerzhinskian, side of early Leninism when the Party member was supposed to set an example of modesty and austerity in his way of life.

On the official and political side the authorities have to acknowledge privately the function of the economy in meeting for other citizens some of the needs that they themselves feel in their capacity as consumers. Beyond that, they must appreciate the role of the second economy in lubricating the unwieldy machinery of the Plan, matching urgent needs to scarce resources, and helping the managers meet their quotas. We may doubt how much they esteem as a source of popular contentment and thus of political stability the personal networks that operate the second economy (Bauman 1980, 10-12); in any case it is unlikely that a Russian, say, even though he derives some satisfaction from his own personal second economy network, looks with approval on the second economy networks of Georgians or Armenians, or even of those Russians in the next province who are holding him up for ever higher prices for whatever he wants. But they surely recognize that the precarious legal status of most activities in the second economy affords an occasion for imposing stability through intimidation. That is one of the possible responses that the Soviet leadership, with these attitudes, can make to the second economy.

III. Responses.
When the late Mr. Kosygin made his observation about the average family's illegal "take", it might have been construed in three ways:

first, as a lament over the inability of the State system to do anything about the offenses; second, as a summons to a campaign of prosecution; third, as a note on a fact of life with which planners have to reckon. It is most probable that he meant the third. His is not the only voice or attitude, but what his point has in common with other likely responses of the present generation of Soviet leaders is the proensity to try to manage disturbing events so as to contain their consequences and maintain the system.

**Declaratory severity.** The mixture of fears and needs, or the balancing of perceived cost and benefit, suggested above in Section II must not be taken for a report of overt Soviet response to the problems by the second economy. On the surface it is not acknowledged as a major, complex but conceptually integrated, social phenomenon: there are only honest citizens, criminals, laws, and The Law. Honest citizens--so runs the declared line--make up the vast majority; The Law pursues the few criminals with the full rigor of the laws. If there are not more prosecutions, it is because there are so few crimes. All offenses are serious, within the categories and respective penalties fixed. From time to time, against the general background of steadily decreasing criminality, isolated and transitory circumstances make it necessary for the Supreme Soviet to enact laws that increase the maximum possible sentences, or for the Procuracy to prosecute a relatively large number of individual or grouped offenders, or for our independent courts to move actual sentencing practices toward the upper limit of the range; this took place, for example, with certain economic crimes in the early 1960's, and there have been a few collective prosecutions in connection with food enterprises in Leningrad, economic banditry in underground manufacturing elsewhere in Russia, and a few instances of official corruption in the
early 1970's in certain outlying national republics. The People overwhelmingly approve our principled severity.

What relation does that line have to the facts?

Although it is beyond the scope of this paper to delve into particulars, we can indicate here the elements of a more differentiated and a more realistic picture.

De facto selectivity. In the perspective of Soviet law enforcement, the point of departure for a policy toward the second economy must be a recognition of its ubiquity and pervasiveness. Thoroughgoing, non-discriminatory prosecution of all probable offenses--on what the Germans call Legalitatsprinzip--is out of the question under existing conditions. One might conceive of the following policies, not all exclusive of one another and not exhaustive of all the possibilities:

(a) to prosecute everything in sight up to the limit of the available resources;
(b) to prosecute selectively in accordance with the political and administrative imperatives of the day;
(c) to try to reduce the incidence of offenses by making penalties more drastic, both on the statute-book and the courtroom;
(d) to increase the resources dedicated to the second economy enforcement, including detection, investigation, prosecution, and adjudication;
(e) to reduce the apparent size of the problem by "de-criminalizing" some activities in the second economy;
(f) to try to reduce the incidence of offenses by increasing the resources devoted to preventive inspection, audit, inventory, reporting, physical security of goods and premises, etc.;
(g) to alleviate or remedy the economic and other conditions that make the second economy profitable;
(h) to muddle through, without important change.

Only a very rough answer can be given to the question which of these is/are most likely in the near future. One personal conservative guess is a combination of (b) and (h), with a little of (c), (d), and (f) added for
seasoning, but no early action under (e) or (g). Part of the reasoning behind the guess is an appraisal of the Soviet appraisal of the balance of factors considered in Section II above; part rests on an estimate of the popular attitudes as seen by the leadership.

We do not know either the "true" state of Soviet public opinion or the regime's estimate of it. It seems reasonable however to believe that the opinions held by their own public do matter to the Soviet leaders, though less to them than to leaders in some other countries, less to some Soviet leaders than to others, less at certain times than at others, and less for some sectors of the public than for others. It is of some importance to them, one would suppose, to know whether the relevant Soviet public thinks of major producers, middlemen, and officials engaged in the second economy as enterprising businessmen whose actions are mala prohibita but not mala in se; or as success-stories worthy of emulation if not respect; or as wrong-doers who would for profit put themselves on the wrong side of the law no matter where the line was drawn. Perhaps popular attitudes are ranged along a continuum. Least offensive, most tolerable, might be the violations of laws that limit the activity of collective-farm workers on their private plots (use of "company time", use of kolkhoz resources, fiscal concealment, etc.) and the minor moonlighting of repair services. Near that same end might be the practice of proffering or accepting prinoshenie, in traditional relationships. Next might come the attitude toward part-time "fiddlers". Then, perhaps, around the middle of the continuum, the retail clerks who give short weight and short change; though they are to blame for bilking the public, they too have to make a living, and the thumb on the scale has an ancient history. (Adulteration and cheating on quality probably belong farther over toward the "bad" end.) Worse yet, perhaps, the high officials "on the take", the large-scale underground entrepreneurs, the currency dealers, and traffickers in drugs or flesh.
Theft of goods or materials from state warehouses seems to be regarded with a shrug by the populace; prosecution is frequent but the crime is almost surely much more frequent. Though the officials and the press keep saying that what belongs to the state belongs to everybody and so must be protected by everybody, the popular sentiment seems to be rather that what belongs to everybody belongs to nobody and so is fair game for anybody.

It would be useful to find other conceivably pertinent continua to which this projected continuum might correspond. There is a rough correspondence, perhaps, with the typical size of individual transactions; the bigger, the worse. Another is with the probability--in popular perception--that the given activity is mainly in the hands of non-Russians; the less "Russian", the worse. That correspondence may break down for attitudes toward high officials who take large bribes; but perhaps the Russian public believes that those practices are proportionately more prevalent "on the periphery".

The bureaucrats of law enforcement are themselves ranged along a vertical ladder reaching down to popular attitudes and up to elite policies. Their routine but necessarily selective decisions on the detection, prosecution, and punishment of offenders in the second economy are influenced generally by both. More concretely, however, they must of course follow or make a good show of following orders from above, including assigned quotas of convictions, sporadic campaigns, and occasional settling of individual scores by influential superiors or other leaders. They must also react, at least some of the time, to "signals" that come in from victims; and competent law-enforcement agencies usually build up a store of local knowledge and acquaintance that enables them to sense many departures from the ordinary tolerated level of the second economy criminality.

To local officers of The Law the official ideology must seem remote, though they cannot safely ignore it and must publicly defer to it. They
too are in the business not of honoring the chiliastic promissory notes issued by this or that vozhd', but of helping to keep the system on the rails. They have little trouble managing the discrepancy between ideological rigidity and operational flexibility. They understand the secondary gains from the present situation of the second economy; the system-maintaining uses of semeinichestvo, the stabilizing weight of widespread, unprosecuted, unforgiven, unforgotten criminality. If now and then they find themselves repressing in others the same conduct in which they or their circle engage with impunity, other aspects of their life have provided them with means of denying or excusing a double standard. When they compare the present with the past of a generation go, they may feel that, if a modest decline in the high level of official brutality has been purchased with a modest rise in the high level of official hypocrisy, the bargain is a good one.

IV. Conclusion.

The size, pervasiveness, and social effects of the second economy furnish ironic amusement to connoisseurs of official Soviet dogma. One sees the pains taken by Marxist-Leninist ideologists to pretend that "in the last analysis" economics determines politics, at the same time as they celebrate the wisdom of a government that behaves as though power determined everything. Now the second economy seems to bear witness to the fact that economics does determine politics after all, though in a sense not intended by the ideologists (Babaev and Shliapnikov 1979).

(During Prohibition in the United States the comedian W.C. Fields used to carry in his golf-bag, for refreshment while out on the links, a container primly labeled "Pineapple Juice" but in fact full of dry martini. Once a prankish friend surreptitiously replaced the liquor with pineapple juice. When Fields took his first swallow, he roared indignantly, "Some * * * has put pineapple juice into my Pineapple Juice!"

As for the future, it might seem reasonable to suppose that the
extent of the second economy over time would vary inversely with the adequacy with which the first economy was meeting the needs of the public in respect of quality, service, distribution, and quantity. Insofar as that was true, then one might conjecture, as Aron Katzenelinboigen did a few years ago, that in several of its most important manifestations ("boot", sales from under the counter, tolkachestvo) the second economy would begin to wither away if and as prices became more realistic, licit markets expanded, the standard of living rose, and queues for everything grew shorter (Katzenelinboigen 1977). One might in prudence have to limit the fantasy; for example, one would not readily imagine the Soviet government's making lawful, in general, private dealings and holdings in foreign currencies or freely permitting foreign travel, emigration and im- (or re-im-) migration. Even so, on the theory that the main causes of the second economy were economic conditions and economic policies, one might envisage its being reduced to areas of official restriction; valuta, emigration permits, certain imports especially of books/journals/records/tapes, and discretionary official decisions (criminal prosecution, admission to hospitals/universities, granting of degrees, conscription, etc.), on one hand; and, on the other, the inveterate practice of prinoshenie.

It is not out of the question that something close to that may emerge from the various episodes to be expected in the succession to the present leaders. Official policy towards the second economy, in line with similar shifts of policy in other fields, may then move in two directions at once, carrot and stick, removing certain activities from the realm of criminality while intensifying the severity of declared or even actual punishment for others (policies (d) and (e) envisaged in Section III above). To judge from the verbal form displayed over the past twenty years, the public justification in that event would look like this:
"A. In its unswerving devotion to the interests of the people the Party under the leadership of N.N.N. has taken decisive steps at and since the nth Congress of the CPSU in the direction of a significant acceleration of the continuing process of satisfying ever more abundantly the material needs of the population. The production of $[a,b,\ldots,g]$ in the last five years alone has risen by $[p,q,\ldots,v]$. In the same period of time the provision of services $[i,j,\ldots,o]$ has improved by $[p/10,q/10,\ldots,v/10]$.

"B. However, in certain isolated areas, regions, and sectors mistakes were committed. There has been too little improvement in so vital an area as housing, for example, because of a criminally negligent policy of so-called 'restraint', promulgated through the deliberate design of certain responsible officials and connived at by others whose vigilance was impermissibly relaxed. This has resulted in a situation where, despite the collossal efforts made by the Party and the Government to improve the housing stock, some individual citizens have been required to wait in queues for weeks or even months before they could obtain an allotment of adequate space in a convenient location with all necessary facilities. Other citizens, for similar reasons, have isolated occasions found difficulty in procuring the equipment, materials, and technically qualified manpower to make repairs and necessary alterations in their living quarters. It was in these circumstances that a swamp was created in which malaki, shabashniki, middlement and dealers of all kinds could grow. Similar phenomena have been observed in certain other sectors of the national economy.

"C. Now, thanks to the timely efforts of the Party, these practices have been cut short. Officials responsible for the mistaken policy have been sharply rebuked or removed from their
posts; a few of them, who were proved on the basis of national-
chauvinistic or other ties to have been objectively allied with
criminal entrepreneurs, have been subjected to criminal liability.
Givers as well as takers of bribes have been punished with the full
force of the law. At the same time, the Supreme Soviet at its
recently concluded session has adopted measures to encourage new
private initiative in many sectors . . . These measures prove yet
again that the full-scale construction of Communism does not inhibit
the growth of individual freedom but on the contrary fosters it.

"D. As it becomes more and more evident that abundant
opportunity exists to satisfy material needs within the bounds set by
law, the overwhelming majority of the Soviet people not only continue
to obey the law themselves but manifest a principled intolerance for
the insignificant and constantly decreasing number of offenders,
swindlers, private entrepreneurs, bribers, bribe-takers,
pushers, and cheats of all kinds. Meeting their righteous
indignation half-way, the lawgiver has increased the severity of
punishment for crimes of this type to \([p,q,\ldots,v]\) years of
depprivation of freedom, respectively, while reserving, as an
exceptional measure of social defense pending its abolition, the
supreme punishment (death by shooting) for the following
additional categories of offense: . . . ."

Only with much more difficulty could the speculative imagination
envisage a paragraph in such a decree reading like this:

"E. In order to create the objective conditions necessary for
the complete elimination of tolkachestvo, pripiski, and associated
irregularities, the Presidium of the Supreme Soviet has decreed that
henceforth every enterprise operating under a plan, if it can show
that it was prevented from producing/delivering/furnishing the
targeted amount and sort only by circumstances beyond its control
after taking legal measures possible to secure adequate supplies of labor, raw materials, machinery, etc., shall be deemed to have met is quota in this way shall suffer any discrimination by comparison with other quota-fulfilling enterprises in bonuses, promotions, allotments, or in any other advantages or exemptions."

Some script such as paragraphs A-D, if not perhaps also E, would seem plausible if (1) the second economy has only economic causes. Suppose instead, however, that (2) the second economy yields secondary gains to the leadership (such as the stability that comes from reciprocal latent blackmail round a circle of violators hoping to avoid punishment) in excess of its primary losses; or that (3) large impersonal bureaucracies must somehow be offset by personal client-patron networks as Bauman suggests; or that (4) whatever material shortages are filled, individuals in the Soviet Union will always have wide differentials in power, and some of those who have more will be asked and willing to exert it in favor of others for money.

Suppose, in short, that the causes of the second economy lie deep in Soviet political culture and will not be removed without more fundamental changes in that culture than would be implied by the mere rationalization of the first economy, difficult and improbable as that is. Then we may expect to see, not a gradual withering of the second economy but rather continued growth of popular cynicism; continued contradictions between declaratory piety and selectivity of prosecution; and continued progress toward easy convertibility between the corruption of privilege and perquisites and the corruption of money. A new leader, proceeding toward a limited ideological re-mobilization, may change the terms of trade by repressive measures that will have the effect of making corruption more expensive in rubles; but if a new leadership really undertakes the effort necessary to make privilege and money mutually inconvertible, it will either change the heart—-not merely the face--of Soviet society or bring on
the Days of Wrath.

Notes

1. In writing this paper I have profited from the opportunity of attending a planning conference on the second economy held in January 1976, from the reading of other papers prepared for the 1980 Research Conference on the second economy, and from discussions with other observers, in particular Professor M.J. Damaska, and Mr. Igor Krol.

2. Note the remark that Kosygin is said to have made in the 1960's to a closed Party audience that Soviet families steal enough to make up an average income of 250 rubles a month; the large though fragmentary estimates assembled in Grossman (1979); and anecdotal reports to the effect that hardly anyone below the level of upper officialdom gets a desirable flat, or obtains a new (nominally, used) motor car, without paying "boot".

3. *Agitpunky*: local centers for the dissemination of official propaganda.

4. See Karpets (1976, 68-9, 86, 92) especially his references to G.E. Glezerman.

5. A similar observation with slightly different evaluation was made thirty years ago by Karl N. Llewellyn in lectures on jurisprudence, partly on the basis of his studies of procedures among American Indians, the medieval Inquisition, and Soviet political trials. Cf. Berman (1950, 203-06, 307-08).

6. No opinion is implied here on the question whether there is an optimal size for the second economy or whether, if there is, the Soviet Union has found it (cf. Pickersgill 1980, 30).

7. *Krugovaia poruka*: reciprocal protection, as by silence, concealment, vouching for one another's honesty, etc.

9. The decision faced by Soviet managers is illuminated on its strategic if not its ethical side by the comments of two American athletic coaches on the reported practice of arranging spurious academic credits for collegiate athletes whose eligibility is necessary for participation, thus for victories, thus for revenues: "For a lot of coaches the only way to survive in this game is to break the rules." "They'll fire you for losing before they'll fire you for cheating." "Faking..." 1980:B2.

10. See note 2 Supra

11. In a criminal trial observed by this writer in Moscow in 1963 the judge asked a co-defendant who was testifying: "Now you've been in trouble before, haven't you? This isn't the first time you've been charged with a crime, is it?" "Only under the petty decree." (Tol'ko po melkomu ukazu; melkii means little, minor, petty.) "You mustn't say that. That's not a little decree. We have laws or decrees against melkii larceny, against melkii speculation; but we don't have any melkii decrees."

12. For a recent sortie in the direction of (c) and (d), see a leading article in Sotsialisticheskai Zakonnost' 1981 reporting on a conference held under the chairmanship of the late Roman Rudenko, Procurator-General of the U.S.S.R. V. Naidenov, Deputy Procurator General, delivered a report on the battle against theft of state and public property, false materials reports in enterprises (pripiski), and "other violations of state discipline". A gloomy appraisal of the incidence of offenses—without numbers—was followed by exhortation to courts to make fuller use of sanctions such as confiscation of property, garnishment of wages to effect restitution, and exclusion from certain occupations and positions.

13. Prinoshenie: presenting something of value, not necessarily money, to one who performs a legal or illegal service.

14. Semeinichestvo: keeping things within the (literal or figurative)
family.

15. **Malaki**: informal brokers. **Shabashniki**: moonlighting handymen, rough but ready.
References Cited


Pickersgill, Joyce. "Repressed Inflation and Price Controls in the Soviet Household Sector." In this volume.
