

SOVIET BUREAUCRATIC BEHAVIOR:
KHOZIAISTVENNIKS, APPARATCHIKS,
AND TECHNOCRATS

Paul R. Gregory
University of Houston

Working Paper #54

DATE: February, 1991

Data for this study were produced by the Soviet Interview Project. The current Working Paper Series is supported by Contract No. 804-13 from the National Council for Soviet and East European Research, James R. Millar, Principal Investigator. International Programs and Studies of the University of Illinois Urbana-Champaign and the Institute for Sino-Soviet Studies of George Washington University have also provided support that is much appreciated. The analysis and interpretations in this study are those of the author, not necessarily of the sponsors.

NCSEER NOTE

*In this paper the author draws a sharp distinction between two types in the Soviet economic bureaucracy: those who do actual resource allocation and are held responsible for production (*khoziaistvennik*); and those who devise and issue instructions and rules (*apparatchik*) with which the former are expected to comply. After a review of the consequent differences in their circumstances and behaviors, the author concludes that it is the latter who stand to lose more from perestroika and are therefore obstacles to it.*

INTRODUCTION

Gorbachev's perestroika program calls for dramatic changes in the Soviet economic bureaucracy. Its size is to be cut; it is to intrude less in enterprise affairs; and bureaucratic actions are to be judged more on the basis of final results. As economic bureaucrats intervene less in enterprise affairs, norms and rules of conduct set by the bureaucracy are to play a more important role. The conventional wisdom suggests that opposition of the economic bureaucracy represents the major threat to perestroika's success. The evidence presented in this paper suggests that the bureaucracy's attitude towards reform is not uniform, but varies according to bureaucratic type.

This paper focuses upon the individuals -- enterprise managers, ministry workers, and state committee officials -- who staff the Soviet economic bureaucracy. It classifies bureaucratic decision makers into two general categories: khoziaistvenniki (persons who do the actual resource allocations and are held responsible for results) and apparatchiks (persons who issue instructions and rules to the khoziaistvenniki). We show that the different reward structure and risk under which the two types operate cause them to behave differently.

This paper describes Soviet bureaucratic behavior on the eve of perestroika. It is based upon Soviet writings on bureaucracy and upon interviews with former members of the Soviet economic bureaucracy

conducted under the auspices of the Soviet Interview Project.¹ The evidencing base of the study is from the mid 1970's to mid 1980's. Because more information can be gathered on middle-level bureaucrats, this is a study of the mid-level Soviet economic bureaucracy. The focus on mid elites is appropriate; the conventional wisdom argues that grass root bureaucratic opposition is just as great a threat to perestroika as is bureaucratic opposition at higher levels. The paper argues against lumping economic bureaucrats together into a single interest group. Bureaucratic behavior differs significantly according to the type of activity the bureaucrat carries out. Any evaluation of the prospects for successful reform in the Soviet economy must assess the differential reactions of various subgroups of the economic bureaucracy to the reform process.

WHO ARE THE SOVIET ECONOMIC BUREAUCRATS?

Soviet references do not provide statistics on the demographic characteristics of the more than one million individuals who make up the Soviet economic bureaucracy. There is no reason to believe that the former

¹ Data for this study were produced by the Soviet Interview Project. This project was supported by Contract No. 701 from the National Council for Soviet and East European Research to the University of Illinois Urbana-Champaign, James R. Millar, Principal Investigator. The analysis and interpretations in this study are those of the author, not necessarily of the sponsors. The author would also like to thank the Volkswagen Foundation's International Fellowship Program For Advanced Soviet and East European Studies for its support of my research on the Soviet Literature on economic bureaucracy at the Bundesinstitut fuer ostwissenschaftliche and internationale Studien, Cologne Germany.

This study is based on interviews with fifty former members of the Soviet economic bureaucracy. A general description of this study can be found in The Soviet Economic Bureaucracy, A Report Delivered to the National Council For Soviet and East European Research, August, 1988.

members of the Soviet economic bureaucracy who served as respondents for this study are representative of mid-level Soviet bureaucrats. Nevertheless, they appear to have some common traits that may hold for the Soviet economic bureaucracy in general. They are persons who had accumulated considerable experience in the economic bureaucracy. If they occupied responsible positions involving the supervision of others, they had completed a higher educational establishment in economics, engineering, finance, or in engineering-economics. Those with higher education would not have strayed from their area of specialty. If trained in finance, they would work in some banking or finance capacity.² Women would have occupied more technical than managerial positions. Young co-workers were rare because it was difficult to attract younger people into work in the bureaucracy.³ A good number of respondents had worked in industry before entering the bureaucracy, but individuals occupying positions in Moscow rarely had factory experience.⁴

² In his autobiography, former finance minister A. G. Zverev, Zapiski ministra (Moscow: Izdatel'stvo politicheskoi literatury, 1973) relates how he was unwilling to accept a high position (offered directly by Stalin) because he had graduated in finance. A number of respondents received their positions through colleagues with whom they had studies. This networking would tend to keep individuals in the field in which they had received their degrees.

³ The statistics on age and status of employment come from a series of articles on the ministry of heavy machine building (mintiazhmash) in Izvestia. The series is entitled "Prospekt Kalinina, 19. Pis'ma iz ministerstva," Izvestia, December 16-20, 1986.

⁴ The Izvestia series points out that ministries located in Moscow have trouble getting entry permits for their employees. Accordingly, it is difficult to bring in workers with factory experience, especially since this ministry has few enterprises in Moscow. I do not know whether this experience can be generalized to other ministries.

The former Soviet economic bureaucrats interviewed expressed satisfaction with their work. Those who attained relatively high-level positions were proud of their relatively high pay and privileges. Many of those occupying lower positions believed their earnings in the bureaucracy exceeded what they would have earned elsewhere, although some of them (especially those employed in banking) complained of low pay. Those who worked in the bureaucracy a long time were proud of their skill and experience and felt that their work was valued by their superiors.

Former Soviet economic bureaucrats described a work atmosphere that was not much different from that likely to be encountered in a Western bureaucracy. They described the usual office politics, scandals, and so on. A surprising number spoke of superiors who dealt abusively with their subordinates, but most spoke with respect of their immediate superiors. Most had worked in the same organization for many years, and they displayed a sense of loyalty to the institution.

THE PRINCIPLE OF EDINONACHALIE

Each Soviet bureaucratic organization is supposed to have a single head (rukovoditel') who issues all orders and bears responsibility for the organization.⁵ The head derives power and authority from the principle of one-man management (edinonachalie) -- the concentration of decision-making authority in one person's hands, the edinonachalnik. The edinonachalnik

⁵ See V. G. Vishniakov, Struktura i shtaty organov sovetskogo gosudarstva i upravleniya (Moscow: Nauka, 1972). .pa

can be an enterprise manager, a minister, the head of a research institute, or the chairman of Gosplan. The edinonachalnik can be either a khoziaistvennik or apparatchik, as defined above.

To say that all decision-making authority is concentrated in the hands of one person does not literally mean that the edinonachalnik personally makes all decisions. The head cannot specialize in all spheres of activity and cannot be everywhere at once. Deputies, who specialize in different aspects of the unit's operations, are responsible for managing various spheres of activity. Deputies are authorized to make executive decisions in the name of the edinonachalnik in specifically designated areas,⁶ but

⁶ Respondents give a number of examples of the work of deputies. Deputies are authorized to make important decisions, but their areas of authority tend to be well-defined. One ministerial official reports that material exchanges among ministries up to a particular level of importance could be handled by the deputy ministers of the two ministries. More important exchange deals had to be approved by the ministers themselves. Another respondent reports that deputy ministers work out the operational details of coordinating major construction projects involving several ministers. The minister had little to do with such negotiations and operations. Another respondent reports that managers of large enterprises assign deputies specific responsibilities, such as overseeing environmental rules or fulfilling scrap metals plans. This respondent noted that enterprise managers give full responsibility to the appointed deputy and do not even wish to know how and by what means the deputy fulfills the task.

the edinonachalnik bears the ultimate responsibility for the decisions of deputies.⁷

The concentration of decision-making authority and responsibility for results on the edinonachalnik dictates a strict hierarchical order. Each edinonachalnik is responsible for a unit, and, if subordinates could deal directly with higher authorities, the head would no longer control decision-making processes for which he bears full responsibility. Soviet law dictates a strict observance of hierarchical order, and interviews confirm that the Soviet economic bureaucracy works according to channels.⁸

⁷ When asked whether an edinonachalnik can pass the blame for poor decisions (even those made by the deputy) to subordinate deputies, one respondent replied that the edinonachalnik's superiors could care less about why things went wrong. It is immaterial from the vantage point of superiors why things went wrong. What is important is that things did go wrong and the edinonachalnik is to blame.

⁸ Within the ministry, for example, construction materials enterprises had to handle all their business through the head of the main administration of construction materials. The head of the main administration had to handle all his business with the deputy minister in charge of that product area. The deputy minister had to handle all his business through the first deputy minister and so on. Anyone who attempted to appeal directly to a higher authority would find the appeal directed back to his immediate superior in the hierarchy. If ministers attempted to appeal over Gosplan's head to the Council of Ministers, their appeals were turned over to Gosplan. Respondents report that they often accompanied their superiors to meetings with higher authorities and, in some cases, they were allowed to go by themselves because "their superior trusted them." Respondents appeared to distinguish between contacts with their boss's superior on purely technical matters, which were allowed, and contacts on policy matters, which were not allowed without permission.

Individuals, however, can report a superior who is violating laws and rules to higher authorities.⁹

CONSULTATIVE BODIES

The edinonachalnik is supposed to seek advice from an organized group of colleagues, called a collegium or a council of experts or some such name. The consultative group is comprised of deputies, department heads, key technical personnel, and worker representatives. The consultative body can be appointed by higher bodies and operate according to highly formal rules or it can be a more informal body. The industrial ministry, for example, has a well-organized collegium (kollegia) whose structure is specified by ministry law and whose members are appointed by higher authorities. Soviet law is so specific with regard to the ministry collegium that it even specifies the maximum size of the collegium. In addition to the collegium or collegium-like consultative body, the edinonachalnik can also consult a scientific-technical council, comprised of the leading scientific and technical personnel of the bureaucratic unit.

⁹ Merle Fainsod, Smolensk Under Soviet Rule (Cambridge, Mass.: Harvard University Press, 1958) describes the manner in which local party organizations received and dealt with such appeals. The Soviet press is full of examples of individuals and organizations that appeal above the heads of their immediate superiors to report wrongdoing. For examples, see "Priniato k ...neispolneniu," Sotsialisticheskaya industriya, May 6, 1987 and "Neumestnye ambitionsii," Sotsialisticheskaya industriya, May 6, 1987. A number of respondents reported on the problems that could be caused by such appeals, especially when the substance of the report was true. In such cases, the edinonachalnik would attempt to take the easiest way out, either admitting guilt and promising it won't happen again or by appealing to important allies in the higher bureaucracy to quash the matter.

Consultative bodies can make decisions and give advice to the edinonachalnik, but their decisions can only be implemented by the edinonachalnik, who is free to ignore their advice. The ministry collegium, for example, has the right to inform higher authorities of differences of opinion with the minister, but the decisions are still made by the minister and by no one else.¹⁰ The existence of a consultative body apparently does not allow the edinonachalnik to shift blame to the consultative body.

The Soviet press is full of complaints about the boring and useless meetings of ministry collegiums, but respondents assess collegium meetings differently.¹¹ In some ministries, collegium meetings were used to resolve major policy issues, to reprimand ministry officials, and to discuss key personnel matters. In other ministries, collegium meetings were described as "gab sessions" in which little was accomplished.

¹⁰ On the rules governing the relationship between the minister and his collegium, see Spravochnoe posobie direktoru proizvodstvennogo obedineniya predpriatiia (Moscow: Ekonomika, 1977), pp. 42-46.

¹¹ For a typical Soviet press complaint about useless, wasteful meetings of a ministry, see "Diktuet vremiia: Zametki s zasedaniia komiteta narodnogo kontrolia SSSR," Izvestia, February 11, 1987. A number of respondents attended ministry collegium meetings, either in management or technical capacities. They presented different versions of the importance of such meetings. One regular participant referred to them as "gab sessions" in which they sat around and complained about supply problems. Another regular participant described them as often heated discussions of basic ministry policy and felt that important matters were resolved by the collegium. Several respondents noted that an invitation to a non-member to appear before the collegium evoked foreboding. Said one respondent: "They never invite you to the collegium to praise you." Collegium meetings were used to reprimand publicly ministry officials whose work was deemed poor. Personnel matters were also discussed in the collegium. It is therefore understandable that an invitation to appear was not greeted with enthusiasm.

Soviet economic bureaucracies use the practice of "signing off" (yizirovanie) to involve lower-level officials in the decision process.¹² Signing off works by having pending decisions circulated to all affected units. These units can then either sign off or express their disagreement with the pending decision. In this manner, local disputes are brought to the attention of the edinonachalnik, who can then make decisions with the knowledge of local circumstances.¹³

RESPONSIBILITY IN LINE AND FUNCTIONAL UNITS

The Soviet literature on state administration states that edinonachalnikis are responsible for final results, no matter what type of unit they manage.¹⁴ To make edinonachalnikis responsible, however, requires an ability to measure results. In some cases, the responsibilities of edinonachalnikis are clearly defined (such as the minister who is responsible for the combined results of the ministry's enterprises). In other cases, responsibilities are poorly defined and results are difficult

¹² For a discussion of "signing off" see Fortescue, The technological Administration of Industrial Ministries, Soviet Industry, Science, and Technology Work Group, CREES, University of Birmingham, February 1986.

¹³ A former Gosplan employee explained that the viza process was used when, for example, Gosplan wishes to change a reporting form. The new form is distributed to all interested parties, and those against the new form can write a memo. The affected deputy must agree to the new form. If there is a sufficient disagreement, the matter can be discussed in the collegium.

¹⁴ D. B. Averianov, Funktsii i organizatsionnaia struktura organov gosudarstvennogo upravleniya (Kiev: Akademiia nauk, 1979), pp. 91-93.

to gauge. Many edinonachalniks have poorly-defined responsibilities and are basically free to define their own duties and responsibilities.

The amount of responsibility borne by the edinonachalnik varies, depending largely upon whether the organization is a functional or line unit. A line unit administers the activities of organizations that engage in production activities. A staff unit does not directly administer production activities. Staff units carry out a variety of tasks. They dispense advice concerning line activities, devise rules, or they issue directives. Typically, they transcend line boundaries. Ministries, for example, are broken up into staff and line units. Staff units such as the finance department prepare financial plans and monitor their fulfillment by all the firm's enterprises. The technical department organizes plans for capital investment for all the enterprises of the ministry. Line units, such as the ministry's main administrations (glavks), manage enterprises that produce the ministry's main product lines. Gosplan is a functional unit because it plans activities that transcend ministerial boundaries and because Gosplan lacks direct ties to production units. Ministries are line units because they deal directly with production units. Gosplan's responsibilities (as a staff unit) are less clearly defined than those of the ministries (as line units).

Soviet sources recognize that staff and line organizations are likely to behave differently. In line organizations, there is a clear pattern of subordination and responsibility. The main administration of a ministry that administers the affairs of reinforced concrete plants is clearly

associated with production outcomes. The manager of an industrial enterprise is held responsible for the results of that enterprise. The financial department of the ministry, on the other hand, gives advice to the minister, monitors the financial health of ministry enterprises, and issues financial rules. The head of the ministry financial administration is less clearly tied to the successes and failures of a particular line unit. Even if the ministry attempted to assess the finance department's contribution to the success or failure of the ministry's program, it is doubtful that these results could be measured.

The Soviet literature raises the perplexing problem of the relationship between functional and line organizations.¹⁵ The line organization needs to be subject to efficient rules, norms, and directives devised by functional units (such as rules concerning wage payments, capital allocation, or profitability targets). Without the constraints imposed by rules and norms, line units would have the freedom to engage in "local norm creation" (lokal'noe normotvorchestvo), and they would tend to operate without central direction. On the other hand, functional organizations cannot be held responsible for their rules, directives, and norms; lacking responsibility, there is no assurance that functional units will do their jobs well. If functional units are given too much authority over line units, they could hamper the ability of line units to meet their responsibilities without suffering the consequences.

¹⁵ D. B. Averianov, Funktsii i organizationannaia struktura organov gosudar'stvennogo upravleniya (Kiev: Akademiia nauk, 1979), pp. 58-80.

To exercise authority over line units, functional units have to rely on their technical expertise, rule-making authority, and powers of persuasion. They are not given direct decision-making authority over line units largely because they are not held accountable for the outcomes of their decisions.¹⁶

Soviet sources recognize that the accuracy of information generated by line and functional units may vary.¹⁷ Because the line unit has a clear line of responsibility, it attempts to present the affairs of the line unit in a rosy light. The functional unit, not having clear responsibility for outcomes, is more apt to give a balanced opinion. The need to gather accurate information may be a rationale for not judging functional units on the basis of final results (even if they could be measured). To do so might reduce the reliability of information and advice generated by the functional units.

THE KHOZIAISTVENNIK

Khoziaistvenniki are administrators who occupy responsible positions in line administrative units and are held responsible for their results. If the line unit does not complete its tasks in a successful manner, the khoziaistvennik stands to lose bonuses, to receive a reprimand, or to lose his position. Examples of khoziaistvenniki are enterprise directors and

¹⁶ Vishniakov, Struktura i shtaty organov sovetskogo gosudarstva i upravleniya, chap. 3.

¹⁷ On this, see Vyshniakov, Struktura i shtaty organov sovetskogo gosudarstva i upravleniya, chap. 3.

their key deputies, heads of industrial ministry "line" main administrations (glavks) and their deputies, ministers and their deputies.

Persons in responsible positions in state committees who work directly with line units (such as branch planning officials in Gosplan or in branch administrations of Gossnab) are not khoziaistvenniks because they are not held responsible (except in rare cases) for the successes or failures of the branches they plan.¹⁸

The Juggler Analogy

Respondents describe the successful khoziaistvennik as an adept "juggler." The khoziaistvennik is the Soviet counterpart of the capitalist entrepreneur, whose special skill is finding profit opportunities. Most likely, the khoziaistvennik is trained as an engineer; most of the issues with which he has to grapple are engineering issues.¹⁹ The khoziaistvennik

¹⁸ Respondents in "line" administrations of Gossnab reported they were not totally immune from responsibility. When a ministry failed to reach a production goal, it could complain to the Council of Ministers that its failure was due to the poor supply work of Gossnab. Such complaints could lead to unpleasantness, but they appeared to happen rarely, perhaps because the ministry would not want to "spoil relations" with Gossnab. Gosplan could experience trouble if serious supply bottlenecks arose that threatened the national economic plan. The ministries could complain that this was the consequence of bad planning by Gosplan. When asked whether their departments were held responsible for their planning and distribution work, virtually all respondent replied that they were not. Only in circumstances of extreme failure would higher authorities look beyond the ministries for scapegoats within the state committees.

¹⁹ Aron Katsenelinboigen, Studies in Soviet Economic Planning (White Plains, New York: M.E. Sharpe, 1978), chapter 1 discusses why bureaucratic managers tend to be engineers and how this affects Soviet bureaucratic thinking. Any number of respondents stressed the importance of being a good engineer and were scornful of those members of the economic bureaucracy who did not understand engineering matters.

"juggler" knows where the resources are, has connections that transcend ministry boundaries, knows how to secure powerful patrons, and is able to come up with innovative solutions. If the khozaiastvennik's construction project requires extra bulldozers to complete on time, he will figure out how to exchange trucks for bulldozers. If plan completion is threatened by a labor shortage, he will charter a plane to transport workers. The khozaiastvennik knows how to keep skilled personnel. He will find them living quarters and make sure they always receive bonuses. The juggler can persuade suppliers to ship supplies to him instead of others who have a stronger legal claim to the materials.²⁰ The khozaiastvennik is a tireless worker--a workaholic who lives, eats, and drinks at his job.²¹

Knowing What Superiors Want

The khozaiastvennik knows how to complete those tasks which his superiors deem important. Part of his skill is the ability to sense what his superiors want (and what he can get away with). As stated by one respondent, the khozaiastvennik knows how to juggle resources so that his

²⁰ All of these cases are actual examples of a good khozaiastvennik that were related by respondents.

²¹ Both the Soviet literature and interview respondents repeatedly emphasized the workaholic traits of admired khozaiastvenniki. For an example in the Soviet literature, see A. G. Zverev, Zapiski ministra (Moscow: Izdatel'stvo politicheskoi literatury, 1973), p. 229.

superiors always pat him on the back with a "well done." To earn a "well done," however, the khozaiastvennik must break a number of rules and laws. The khozaiastvennik must work with the rules, norms, and directives of functional agencies. The State Committee on Labor and Wages tells him what pay he can offer, and the Ministry of Finance dictates employment limits. The State Committee on Material Technical Supply tells him that he cannot exchange materials with other administrative units. Local government committees must sign papers affirming that a construction project has been completed. A functional department of the railway ministry sets a rule that freight containers cannot be shipped until a certain weight limit has been reached.

If the khozaiastvennik observed all these rules and laws, he would find it impossible to please his superiors with his results. He therefore has to break rules and even laws. The superiors of the khozaiastvennik tell him to use any means possible to achieve success. That, in fact, is his job. The Soviet literature stresses the inherent riskiness of being a khozaiastvennik and the need to break rules and laws.²² These risks elicit the systematic khozaiastvennik behavior patterns explained below.

²² In his memoirs, I. V. Paramonov, Uchitsia upravliat' (Moscow: Izdatel'stvo Ekonomika, 1970), pp. 115-120, clearly states that a good khozaiastvennik must be willing to take risks (including the risk of breaking rules and laws) to succeed. Paramonov taunts those who were unwilling to take risks and run all the time to higher authorities to cover themselves. The notion that line administrators must use innovative means (often of an extra-legal nature) to achieve success is a clear trend running through the interviews. A typical example is to be told by your boss: "It is your job to get the materials (fulfill the plan) by using your own devices. Otherwise you are of no use to me." What counts is results, not excuses.

Insurance

The khozaiastvennik runs two risks. The first is the risk of poor performance. The second is the risk of being punished for wrongdoing. The wrongdoing can range from a technical violation (narushenie) for which the khozaiastvennik might be deprived of a bonus or reprimanded, to a violation of criminal law (ugolovnoe delo) for which the khozaiastvennik could be imprisoned.²³ If a law were broken (such as in the common practice of paying fictitious workers to accumulate funds for higher pay for existing workers), the khozaiastvennik would be subject to criminal penalties even if the money had been used for the good of the unit. If the head of a ministry main administration authorizes higher prices for subordinate enterprises that violate existing pricing statutes (but allow the enterprises to reach called-for value targets), the ministry official has violated established rules and can be punished. As respondents explained, it is virtually impossible to prove that illegal actions were taken for the good of the unit and not for personal gain.²⁴

²³ Respondents reported on a formal system of reprimands. The first reprimand was called a vygovor. The second reprimand would be called a severe reprimand (strogy vygovor). After a severe reprimand, the administrator stood the risk of job loss or worse if caught at another violation. Respondents report that some reprimands were indeed signals of serious trouble. Other reprimands were given on a more formal basis simply for the record. One khozaiastvennik, having been caught in a violation, was given a reprimand by his superior, who then told him with a wink that the reprimand would be removed from the respondent's record after a few weeks.

²⁴ Any number of respondents indicated that they had to engage in activities that would have been subject to prison sentences if detected. One "good" khozaiastvennik who had arranged incentive funds by paying fictional workers explained it as follows: "How would I have been able to prove that I had not taken the money for myself? It would have been impossible."

A skillful khoziaistvennik arranges insurance to guard against reprimands, bonus losses, and prosecution. The first insurance scheme is to operate within a limited trusted circle of associates, all of whom are to some degree implicated or dependent upon your results. This circle of associates occupies positions both subordinate and superior to the khoziaistvennik. This circle is recruited from old school friends, persons for whom past favors were done, and persons whom the khoziaistvennik has bribed.²⁵ Some members enter the circle automatically through their hierarchical relation to the khoziaistvennik. These are administrators whose own performance depends upon the performance of the khoziaistvennik. The head of a main administration (glavk) of a ministry, for example, has a strong interest in having the administration's largest trust turn in a good performance. Local party officials have the same interest because they are judged on the output performance of the largest enterprises in the region.²⁶ Such officials have a strong interest in avoiding scandals. If

25 A common occurrence cited in the interviews is that respondents got their jobs through old school ties. A number of respondents obtained patrons in higher levels by writing dissertations for them (a surprisingly common means of obtaining patrons). Other patrons were recruited by doing favors for them, either of a semi-legal or illegal nature. Bank officials could gain patrons by authorizing enterprises to buy material in stores special accounts.

26 The protection of subordinates by higher levels of the bureaucracy is reported regularly in the Soviet press, often in amusing form. For example, see the account of how ministry officials attempt to manipulate plan performance indicators in "Sprosim korrektirovat' plan," Izvestia, September 2, 1986. One of the most common occurrences is for a local control committee (komitet narodnogo kontrolia) to uncover some incorrect or illegal practice and attempt to bring it to the attention of higher authorities. The higher authorities in turn try to quash the inquiry (by forming a fact-finding commission) and then the local committee brings the

the khoziaistvennik were implicated in serious wrongdoing, they would be blamed for poor monitoring. The practice by the khoziaistvennik of using a circle of associates to protect himself is well documented in the literature and is called a "collective guarantee" (krugovaia poruka).

Respondents gave numerous examples of how khoziaistvennicks use collective guarantees to protect themselves. Commenting on the intricate system of banking controls, a former banking official commented with disdain that complicated external banking controls are ineffective because the parties responsible for enforcing rules usually belong to the same local party organization and socialize together. To expect one of them to side with an external authority would be unrealistic.

Maintaining "good relations" is a second form of insurance. Collective guarantees do not protect against unknown or unpredictable risks. Respondents emphasize that khoziaistvennicks operate under constant threat of accusations of wrongdoing. The trust director, who has succeeded in wresting supplies from a supplier, may be charged by the customer firm left without supplies. The ministry glavk head who redistributes funded goods may be accused of bribe-taking by the enterprise that has had to sacrifice resources. If a deputy minister alienates a high local party official, the ministry official may find himself accused of some obscure offense. The khoziaistvennik can insure himself against such risks by

matter to the attention of Moscow authorities. For such as case, see "Diktuet vremia, zametki s zasedaniia komiteta narodnogo kontrolia SSSR," Izvestiia, February 11, 1987. For a case of a ministry covering up for one of its main administrations, see "Byla li pripiski?" Pravda, June 10, 1987.

staying on good terms with as many responsible persons as possible. Respondents repeatedly stressed the crucial importance of "not spoiling relations" (ne isportit' otnoshenia) because of the constant fear of complaints that could originate from almost anywhere.

One former ministry official who was involved in resource redistribution among enterprises indicated the care with which he handled such redistributions (so as not to "spoil relations"). It was best to work out a consensus for redistributions, offering the enterprise that was to lose resources some kind of concession. Although ministerial officials have broad powers to redistribute resources among enterprises, they nevertheless exercise this power with delicacy to maintain good relations with their enterprises. The Soviet press is full of accounts of enterprises that publicly complain about redistributions which they consider unfair and illegal.²⁷ Such complaints can spell unpleasantness (nepriyatnosti) for their ministerial superiors.

Maintaining good relations within one's own circle is also vital because higher authorities apparently dislike mediating disputes among subordinates. If a dispute cannot be handled internally and has to be referred to higher authorities, higher officials may decide not to worry about guilt or innocence, but to get rid of both parties.

²⁷ On this, see "Nam ne nuzhen takoi glavk," Izvestiia, October 26, 1986. Ministry officials in charge of line operations even find it important to maintain good relations with heads of telegraph offices over whose lines confirmation of sales and plan fulfillment is transmitted. On this, see "Prospekt Kalinina, 19. Pis'ma iz ministerstva."

The third insurance scheme is designed not to protect the khoziaistvennik from detection of violations, but to demonstrate innocence in case of plan failure. To achieve this goal, khoziaistvennicks prepare a meticulous "paper trail" to document their lack of responsibility for failure. If the khoziaistvennik anticipates a reasonable probability of plan failure, he will prepare convincing documentation on why he is not to blame. The khoziaistvennik bombards Gosplan, Gossnab, and ministry officials with letters and documents warning them of the dire consequences of their not meeting obligations to his unit. He writes to local party officials, to the central committee of the republic and to the Moscow Central Committee to explain that if materials are not sent or if a promised factory is not completed, his obligations cannot conceivably be met. Respondents emphasized that a paper trail must exist. Telephone calls do not "fix" (fiksirovat') the khoziaistvennik's case.

A fourth form of insurance is the practice of "insuring with superiors." Of all the insurance forms, this practice limits the flexibility of the khoziaistvennik most severely. Accordingly, it is practiced least by the successful khoziaistvennik. Insuring oneself with one's superiors means going to superiors to get advance approval for various actions. If being a good khoziaistvennik means having to be flexible and break rules, it is unlikely that a khoziaistvennik can maneuver well if he has to obtain the advance approval of superiors. Respondents spoke with disdain of timid khoziaistvennicks who frequently ran to superiors for insurance.²⁸

²⁸ Paramonov in his above-cited memoirs speaks derisively of those indecisive khoziaistvennicks who had to run to their superiors to get approval for every small decision.

One of the surprising results of interviews was the frequency of dealings of mid-level bureaucrats with the highest-level of the Soviet economic bureaucracy -- such as the Council of Ministers -- often on routine matters. This pattern may be the result of routine decisions being pushed up the bureaucratic ladder as khoziaistvenniki attempt to insure themselves with their superiors.

The Admit and Ignore Strategy

Insurance schemes do not provide absolute protection, and even the able khoziaistvennik is sometimes caught. There appears to be a common strategy used by khoziaistvenniki in this situation. The clever khoziaistvennik will look his accusers in the eye, admit guilt, and assure that the matter is being taken care of and will not happen again. Both the interviews and the Soviet press are packed with examples of this "admit and ignore" strategy. The khoziaistvennik can more safely follow the "admit and ignore" strategy if he knows that the disposition of the case lies within his circle of protectors.²⁹ If the khoziaistvennik has built a good protective circle, chances are that the matter will be referred to someone

²⁹ The Soviet press is full of examples of what happens when a khoziaistvennik is caught in wrongdoing. A typical case: Chemical trusts were caught faking plan fulfillment figures so as to pay bonuses. This matter was brought to the attention of the ministry by the State Arbitration Committee (Gosarbitrash). In this case (with the silent approval of the ministry), the guilty trusts admitted guilt but simply failed to pay the fines. Apparently, firms are often not required to ante up the fine by the responsible government commission. For this case, see Dogovornaia rabota, "Gosudarstvo i pravo", January 1985, pp. 23-26.

belonging to the circle.³⁰ The good strategist takes his punishment if necessary to get the matter behind him. The worst possible strategy appears to be to fight against the charge. The khoziaistvennik who stubbornly fights can end up losing his position.³¹

THE APPARATCHIK

The apparatchik occupies a responsible position in a functional unit of the Soviet economic bureaucracy, but bears little responsibility for the results of line organizations. Examples of apparatchik positions would be the directorship of functional departments of a ministry or state committee, the head of a financial department of the ministry of finance, or a responsible position in a planning department of Gosplan or Gossnab. The apparatchik's work could involve technical documentation, norm setting, or output or supply planning.

³⁰ One respondent who worked in a republican ministry told about a revision (revizii) of a trust that was prompted by a complaint filed with Moscow division of the ministry. When asked whether the revision was particularly worrisome, the respondent replied that the revision was actually being directed by two officials from the republic office of the ministry. The Moscow representative had been included because the complaint had gone to Moscow. The respondent noted that the local ministry officials were able to manage the revision without any serious consequences to the ministry's trust.

³¹ One respondent tells the story of an enterprise director caught clearly making a false claim to plan fulfillment by banking officials. For some reason, the enterprise director chose to fight the charge, rather than follow the normal strategy of admitting his guilt and promising never to do it again. As a result of his decision to fight, the enterprise director was retired in disgrace.

Difficulty of Evaluating Performance

Interviews with former members of the economic bureaucracy explain why it is difficult to evaluate the apparatchik's work. Some apparatchiks report to a number of superiors. For example, the technical documentation work performed by various departments of the State Committee for Construction Affairs (Gosstroj) is done for a number of ministries and state committees. Even if the apparatchik reports to only one superior, the effect of the apparatchik's work on economic outcomes is difficult to establish.³² The apparatchik's superior would be hard pressed to determine whether the apparatchik has produced "good" norms, plans or rules because these activities are not directly tied to specific, measurable economic outcomes. One former Gosplan employee stated the problem as follows: "Planning is a joint effort of the ministries and of the responsible Gosplan branch department. In the planning process, different people make suggestions, compromises are made, and the plan draft is altered many times. It is virtually impossible to associate a single individual or group of individuals with a specific plan outcome. Hence if the plan goes wrong, it is difficult to know whom to blame."

³² Soviet texts distinguish between the shtatnoe functional department, which reports only to one person (such as the finance administration of a ministry which reports only to the minister), and functional departments that report to various superiors. An example of the latter would be the State Committee for Construction Affairs (Gosstroj) which reports to Gosplan, the Construction Bank (Stroibank), and to the construction ministries. On this point, see Vyshniakov, Struktura i shtaty organov sovetskogo gosudarstva i upravleniya, chap. 3.

The apparatchik's work, while difficult to evaluate, is nevertheless important to economic outcomes. The apparatchik sets the rules and issues the directives under which the khoziaistvenniki operate. It is the apparatchik who constrains the khoziaistvennik by issuing restrictive norms, rules, and plans. In effect, the apparatchik sets the operating rules under which the khoziaistvenniki work. The efficiency with which the khoziaistvennik operates hinges upon the working environment created by the apparatchik.

What Do the Apparatchiks Want?

The goal of the apparatchik is the same as that of the khoziaistvennik: to look good in the eyes of his superior. The khoziaistvennik impresses superiors by delivering good production results. The apparatchik cannot be judged on the same criterion. Moreover, the apparatchik's superiors may want to keep him independent of production results to preserve impartiality.³³

The apparatchik's superiors must consider other performance criteria. One simple criterion is to judge the apparatchik according to formal compliance with the instructions handed down by the superior. The apparatchik's task may be to prepare scientific input norms, write rules for determining the effectiveness of capital investments, draw up a

³³ Soviet authors also recognize that if the apparatchik is independent of outcomes, while the khoziaistvenniki are judged by outcomes, the apparatchik pays no price by looking the other way when khoziaistvenniki violate rules and laws. On this see Vishniakov, Struktura i shtaty organov sovetskogo gosudarstva i upravleniya, chap. 3.

material balance of coal resources or an operational plan for the distribution of cement to the economy's construction enterprises. The apparatchik's instructions give a deadline for completion of the task and supply a general description of work to be done. The superior might set a page target to make sure that the apparatchik does not do too a hasty job.³⁴

To be in compliance, the apparatchik must complete the assignment on time and in a form superiors find satisfactory. With established deadlines, it is easy for superiors to determine whether the apparatchik has completed his task on a timely basis. It is more difficult to decide if the apparatchik's work is well done. Superiors would find it difficult to judge whether the devised rules or norms are good or bad (such as rules concerning compensation or capital investment).

Respondents who worked at norm-setting or rule-setting held a jaded view of the value of their work. One respondent reported a multi-year effort to set new rules for evaluating new technologies that resulted in only a minor modification of the existing set of rules (a set of rules

³⁴ Soviet planning authorities do use page targets to judge the work of apparatchiks. This practice has come to be called "paper output" (bumazhny val). Respondents gave a number of examples of the manner in which rule-making tasks were carried out. In one case, the respondent's boss was given the task of devising a new set of rules for judging the effectiveness of new technology. The group ended up taking the old rules and introducing a number of minor amendments. When the rules were reviewed internally, it was discovered that there were sections that no one could understand. This did not prevent the rules from being passed. The Soviet press is full of similar accounts of rules being passed that no one can understand. See "Ne bez ogrekhov," Eko, no. 3, 1985, pp. 209-212 and "Kvartira za bumazhnym bar'erom," Sotsialisticheskaya industriya, May 21, 1987.

that few could even understand). Other respondents reported working out complex engineering norms for various industries knowing that in actual practice rough rules of thumb would actually be used. A ministerial official reported that the jargon of most rules was so dense that he was able to interpret rules to his own benefit without being challenged.

The closer the functional unit comes to production outcomes, the easier it is for its work to be tied to the performance of line units. If the apparatchik is involved in planning outputs or inputs for line units, the superior could conceivably evaluate the apparatchik's planning in light of final outcomes. For example, if the apparatchik is in charge of allocating building materials and there is a flood of complaints about the maldistribution of building materials, the apparatchik's superiors may determine that this is not a job well done.

Respondents report that when apparatchiks engage in work that could be tied to a production result, such as the preparation of feasibility studies for construction projects, apparatchiks exhibit many of the behavior patterns of the khoziaistvennik. The apparatchik would prepare multiple variants of the design (to demonstrate that all eventualities had been considered) and would insure himself with his superiors by means of frequent consultations on even small matters. Officials who worked in Gossnab's distribution departments could also make mistakes for which they could be held personally responsible (such as sending machinery to the wrong address). They too exhibited many of the behavior patterns of khoziaistvennicks.

Respondents who worked for Gosplan and Gossnab reported that there could be "unpleasantness" in the case of major branch plan failures or material distribution failures (in which they would be blamed specifically by the ministries), but under normal circumstances it was not necessary to look beyond the ministry for a convenient scapegoat. The plan outcome had to be disastrous before one would look inside Gosplan and Gossnab.

As a generalization, I conclude that it is rare for output and supply planners in functional organizations to be held responsible for "bad" planning. I would suggest three reasons why this is so. First, as noted above, planning is a collective effort, involving much negotiation and concession, and it is difficult to assess responsibility for a "bad" plan. Second, the state needs "honest" economic agents. If functional units were judged on the basis of production outcomes, they would join the circle of collective protection of the line unit. Third, many planning failures are the consequence of political directives. Functional planners may well know that political directives to increase the production of their branch by X percent will lead to an inconsistent plan, but they have no choice but to implement the political directive.

Respondents from functional units were asked how they were evaluated and rewarded by their superiors. The most common response was that rewards (if any) were based upon adherence to formal deadlines. Those individuals who worked in planning offices relate that the office worked under intense pressure to meet formal deadlines concerning planning balances and material allocations. Most respondents had no difficulty remembering the various

phases of planning and the specific dates by which phases of their work had to be completed.

Respondents from functional units either did not remember the bonus system under which they operated or shrugged it off as unimportant. Their income was not tied to the results of their work.³⁵ Their superiors did not see fit to construct a results-oriented reward system. In general respondents reacted with amusement to questions about how superiors judged their work. Apparently, this was the first time they had ever been asked to consider this issue.

Respondents emphasized that apparatchiks occupied privileged positions and that their prime concern was to keep their positions. A common expression was that everyone "feared for their chairs" (boitsia za svoi stul). To keep their positions, apparatchiks had to be steady performers and had to be willing to carry out any task that their superiors handed them, no matter how impossible or senseless. Respondents repeatedly emphasized that the apparatchik survives and gets ahead by saying: "Yes, it will be done" (budet sdelano) to all tasks handed down by superiors.

Respondents also spoke scornfully about the need to appear "progressive." An apparatchik could appear progressive by supporting new ways of doing things, such as trying out new management systems or devising new sets of rules. A number of respondents reported cases of apparatchiks

³⁵ David Dyker, The Process of Investment in the Soviet Union (Cambridge: Cambridge University Press, 1983), chap. 3 concludes from his study of ministry design organizations that their results are not tied to final results and that bonuses are not important.

supporting harebrained schemes simply because this would look good on their records. If the harebrained scheme failed to bear fruit, its failure would scarcely be recognized.

BUREAUCRATIC TYPES, TRANSACTIONS COSTS, AND RESISTANCE TO REFORM

The khozaiastvennik is the true risk bearer in the Soviet economic bureaucracy, and these risks dictate a distinctive pattern of behavior. The khozaiastvennik must produce results, while violating rules and laws, and he must avoid detection too. The khozaiastvennik conducts his affairs within a narrow circle of participants because the transactions costs (in the form of creating the necessary insurance) of dealing outside the circle are high. The khozaiastvennik must devote real resources to creating paper trails, cultivating a protective circle, and maintaining good relations. Rather than devoting effort to discovering better resource combinations or better products, the khozaiastvennik must devote time to avoiding detection.

The apparatchiks' rules of the game impose transaction costs on khozaiastvenniks. Because rules must be broken to achieve good results, the khozaiastvennik's economic transactions must be limited to a narrow group of trusted associates. The risks of making rule-breaking transactions outside the collective guarantee can be high. Moreover, reliance on outsiders in an uncertain supply situation increases the risk of not fulfilling targets. The transaction costs that khozaiastvenniks face are reflected in the well-documented autarkic tendencies of enterprises and ministries. Enterprises and ministries engage in high-cost

self supply (machine builders producing their own high-cost steel, for example) and forego the advantages of specialization. The self-supply decision signifies that the transaction costs faced by khoziaistvenniks exceed the cost advantages offered by specialization and exchange.

The apparatchik sets the rules of the game by which the khoziaistvennik operates. There appear to be no strong incentives for the apparatchik to create rules of the game that would allow the khoziaistvennik to operate more efficiently. The practice of using the apparatchik to create the rules of the game while holding the khoziaistvennik responsible for final results creates problems. On the one hand, the system's directors do not wish to have line units operate unconstrained by rules and norms. On the other hand, rules and norms, if improperly devised, reduce economic efficiency by imposing high transaction costs.

Former members of the Soviet economic bureaucracy provide no support for the notion that apparatchiks have a strong incentive to devise efficient rules. It is difficult to tie the apparatchik's work to final results, and the system's directors may have reasons for not wishing to do so even if they could devise a monitoring system. To tie the apparatchik's work to final results could further distort the flow of information by making the apparatchik a less-than-honest broker of information.

Gorbachev's perestroika calls for making all members of the Soviet economic bureaucracy responsible for final results. The evidence presented in this paper casts doubt on the desirability and the ability of the Soviet system to make apparatchiks responsible for final results. Moreover, this

step would increase the amount of distortion of information flowing through the bureaucracy.

It appears that apparatchiks stand to lose more from perestroika than khozaiastvennikis. Khozaiastvennikis have experience with the real world of production, and they have developed considerable quasi-entrepreneurial skills. Individuals with contracting skills, knowledge in the building of personal connections, and producing results within a restrictive set of operating rules stand to benefit from a more decentralized system. Apparatchiks, on the other hand, have fewer suitable skills. If this view of who wins and loses from perestroika is correct, it suggests that ministry line officials--currently cast as the major opponents of perestroika--would fare reasonably well in the proposed system.

The issue of effective rule making goes to the heart of the complexity of perestroika's problem. Perestroika's designers are being called upon to devise new economic rules of the game for a complex new economic system within a relatively brief period of time. In the industrialized capitalist countries, the economic rules of the game have evolved and been tested over a long period of time. These rules of the game are derived from common law, legislation, and from court rulings. Despite their long history, some of the economic rules of the game of capitalism reduce economic efficiency by raising transaction costs and by encouraging monopoly rent seeking. Devising "optimal" economic rules of the game is obviously a very complex task, and especially so for a society that is attempting to create a new economic system.