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Hidden Economy - East and West

Summary

In this paper, the second economy is interpreted as a sociological phenomenon which, though paralleled in the West to some extent by illicit activity within the large corporations, is specifically rooted in Communist society's recent peasant past and perpetuated by conditions of life under a Communist regime. The paper begins by drawing some parallels with 'hidden economy' activity in the West, focusing in particular on theft and illicit production by employees of large corporations. The author favors a functionalist interpretation of this phenomenon: such illicit activity, usually resting on a closely-knit network of mutual obligations and loyal cooperation among friends and coworkers, serves as a means of personalizing the sterile environment of modern bureaucratic organization. In application to Communist society, such an interpretation implies that the systemic features conducive to hidden economy activity are more pronounced than in the West, insofar as the centralized structure of decision-making in the Soviet-type economy creates an atmosphere which is more impersonal than a market system dominated by large bureaucratic corporations.

To a greater extent, second economy activity is interpreted as a vestigial form of patronage, the dominant social structure of the peasant society which was directly displaced by the Communist system. In the course of a particularly rapid transition from an agricultural to an industrial society, it is argued, peasants and their descendants naturally tend to recreate in the new urban environment the sort of social network they were familiar with and knew how to operate. More fundamentally, the Communist system has served to preserve the functionally of the patron/client pattern of social relations by perpetuating the sense of economic insecurity and uncertainty upon which the system of patronage rests in peasant society. This argument is underscored by some suggestive parallels between peasant existence and life under a Communist regime. Just as peasant subsistence depends on the capricious and uncontrollable forces of nature, the individual's life under the Communist system depends on seemingly arbitrary and unpredictable decisions taken by officials inside an administrative bureaucracy. Since so many goods and services are in short supply, moreover, they are not necessarily obtainable by impersonal, 'objectivised' means -- i.e., in exchange for money in shops. By the same token, nearly every individual in some official capacity has control over access to some desirable good or service. An analogy can be drawn with the peasant who seeks a patron as insurance against natural disasters; similarly, the individual in a Communist system has both the means and the motivation to establish a personal bond of obligation between himself and the official in question, thereby acquiring some degree of control over his situation. Thus, as a result of conditions which are inherent in the formal organizational structure of Communist systems, there emerges an informal structure of patron/client relations which in turn serve as channels for much of second-economy activity.

(Summary prepared not by the author.)
HIDDEN ECONOMY - EAST AND WEST
ZYGMUNT BAUMAN

Illegal ("hidden") economy, or - as I would try to show in this paper - a personalized corollary of the impersonal commodity market, is not a phenomenon confined to the Communist countries, and in all probability not a phenomenon explicable by direct reference to the centralized management of production and distribution of goods. In its general form, the hidden economy seems to be intimately related to the market exchange as such; particularly to the market exchange in an economy dominated by large, depersonalized, "invisible" corporations. It hardly ever occurs in small businesses. Or, rather, it is not analytically distinguishable in a business of the scale averted the separation between formal and informal structures.

In Britain, the concept of "hidden economy" has been articulated in recent years first in a series of perceptive journalist analyses by Philip Ares of the Daily Express ("#1 billion that fell off the lorry"), James Pettigrew of the Sunday Mirror ("Britain on the Fiddle"), and John Dale of the Observer ("Boom goes the Black Economy"), and then by a number of comprehensive
academic studies, of which the most prominent and enlightening are *The Hidden Economy* by Stuart Henry (1978) and *Part-Time Crime* by Jason Ditton (1977). In the United States the scale and significance of hidden economy was first documented, to the best of my knowledge, in a report of the President's Commission on Law Enforcement and Administration of Justice, published in 1967, and since then vented in a number of scholarly publications, of which *Crimes Against Bureaucracy* by E. Smigel and H. L. Ross (1970), *Deviance and Respectability* by J. Douglas (1970) or *The Professional Fence* by C. B. Klockars (1974), are characteristic examples. The data collected and presented in these and many other publications are variegated and still awaiting synthesis, but some essential themes seem to command wide agreement. A commonly accepted vision of hidden economy begins to emerge. What follows is a tentative summary of its basic features.

1. The dividing wall between ordinary theft and the activities classified as elements of hidden economy is admittedly porous, often supported only by linguistic subterfuge ("perks," "weeds," "dropsy," "sparrow"). A perhaps nearest approximation of the hidden economy's unique status (one that offers the key to most of its
sociological characteristics) is that it constitutes an illegal activity from the inside rather than outside of legal structures. Hidden economy is located somewhere in the gap between the theory and the practice of a job. To this basic feature are related its other traits:

(a) it consists in making the best of the opportunities which "come in handy" because of the formally specified structure of the job, rather than in specially designed activities unrelated to job requirements (in Henry's description, "accepting good fortune" as against "going out and doing something");

(b) from the point of view of an individual actor, hidden economy activities constitute only a fraction, normally a small one, of his total performance as an employee;

(c) from the same point of view, the profit derived from hidden economy activities is a handsome and welcome compliment, but never a total, and rarely a basic income. In a great number of cases the investigators found pecuniary
considerations secondary in relation to other attractions of illegal activity, which will be discussed below.

2. The exact volume of so defined activity is naturally impossible to fathom. There is little doubt, however, that its economic significance is far from negligible, while the social importance is truly enormous. As to the first, it is estimated that in Britain at least $2,500 million worth of the annual national product is distributed through the channels of the hidden economy (Martin 1962, p. 90). As to the second, the hidden economy is seen by many observers as a sort of "indispensable corrective" of income distribution, curtailment of which, in the President's Commission's (1967) words, "might have significant side-effects." Moreover, the hidden economy might have played a still more vital social role which, paradoxically, could well render it a "functional prerequisite" of systemic integration. More of this below.

3. The hidden economy activities of employees are as a rule perpetrated with implicit knowledge and tacit consent of the employers, so that the risk involved is much smaller than in cases of common theft, robbery, or organized crime. Some hidden economy activities are more
reminiscent of a ritualistic play where some people pretend to be hiding while others pretend that they are blind — rather than a defiance of law. It seems that in Britain only one in every four known cases potentially classifiable as theft is being reported by the employers to the police; in America, the ratio is thought to be one to five. (Smigel and Ross, 1970, p. 121.)

4. Hidden economy activities, unlike straightforward theft, are part-time not only in the literal, but also in the metaphorical, moral sense. "I have interviewed 54 fiddlers at length" — reports Jason Ditton (1977). "My last question is always about what it's like to be a criminal. Some people get outraged. One bloke tried to punch me. People don't see it as immoral. Theft is a serious offense, but re-name it fiddling and somehow it isn't." The actors, in John Dale's expression, are honest people who engage in dishonesty (Dale 1979). This is evidently a statement defying a rather elementary rule of logic, and must generate what Festinger would have called a classic case of cognitive dissonance. The remarkable feature of hidden economy, and a necessary condition of its tremendous tenacity, is that people engaged in it somehow manage to live with this dissonance quite well.
"Everyone is doing it" is the most common excuse articulated when the perpetrators are forced to confront the contradiction point-blank. But most actors of hidden economy, most of the time, need not perceive what others see as a double morality, as a contradiction. The necessity to face the facts is staved off by cognitively classifying the "honest" and the "dishonest" activities within distinct and non-communicating normative worlds.

This being, roughly, the general characteristics of the phenomenon, the most intriguing by far sociological question is what sort of economic, social or cultural factors of modern society can be held responsible for its, by common agreement, rampant and unstoppable growth. If we believe the Rowntree Trust's assessment, "we can no longer write off fiddles as trifling and insignificant; they are an important, influential and regular feature of our economy" (Outer Circle Policy Unit, 1978, p. 4). In Stuart Henry's words, the hidden economy "is an everyday feature of ordinary people's lives" (1978).

Perhaps the most commonsensical, and the least illuminating explanation is the one referring to the universal human cupidity and greed for power, set loose by the market conditions which re-define happiness as appropriation of goods and freedom as vast sums of money.
After all, if not for the subtle and often unreal distinctions made by the letter of law, the conduct typical of the "overt" and the "hidden" economies look strikingly alike. One of the most successful, ruthless and reputedly honest self-made millionaires in American history composed for himself the following epitaph:

"George W. Plunkitt: He seen his opportunities, and He Took 'Em" (McGuire, 1978, p. xx). Are not they all? The motif of "accepting good fortune," "not missing an opportunity," "woe the suckers" crops up again and again in the tales of hidden economy heroes. It often requires a magnifying glass of political concern, or a microscope of suddenly aroused moral rectitude to spot the tenuous line dividing the normal from the deviant, the law from lawlessness. McGuire quotes as well the bewildered and horror-ridden confession of Ray Garrett, the Chairman of the Securities and Exchange Commission: "...bribery, influence-peddling and corruption on a scale I had never dreamed existed. One suspected the standard things - the padding of expense accounts, with the understanding that the excess was to go for political contribution. The payment of minor "grease" as it is known in my home city (Chicago). The wining and dining. But none of us
dreamed there were the millions, the tens of millions, the hundreds of millions, we have found" (1978).

Lockheed or Northrup revelations have a double effect of, first, confirming the popular agreement with a century-old Cornelius Vanderbilt's rhetorical question, "You don't suppose you can run a railway in accordance with the statutes, do you?" and second - of sharpening our sensitivity and therefore branding as a sign of moral corruption the patterns of behavior which, perhaps, were around us for a long, long time. There is a strong case to be made for saying that such conduct, constantly hovering on the brink of illegality, is continuously generated and boosted by the chronic insecurity and moral indifference built into market competition.

GENERAL CAUSES

This having been said, there still remains the question of the apparently novel and unique features of what presently surfaces in the public view as the legally deviant, and morally unwholesome underside of the market economy. Avarice and human fraudulence are hardly news likely to arouse a public outcry of the present proportions. It is rather the scale of the phenomenon which we find bewildering and unprecedented: the fact that the bending of law and the twisting of moral
precepts, previously associated with professional crooks and financial sharks, seem to penetrate the daily conduct of millions of ordinary people; and the easiness with which these ordinary people, admittedly decent and on the whole law-abiding, manage to seize the opportunity, however legally dubious, "when they seen theirs."

James Pettigrew's solution to the riddle is that "as money gets tighter and harder to come by in Britain, more and more people are finding new ways to make ends meet. And that, for millions, means going on the fiddle" (1977). Pettigrew's explanation makes sense, particularly when "tighter money" comes to replace abundance and when stringency is required of people used to a relatively lavish spending. Department stores in the most economically depressed areas of Britain have found to their astonishment that the trade is booming as before and proceeds do not show a tendency to fall (a finding naturally unconfirmed by the Inland Revenue records); a sure sign that the true income of local residents must increasingly diverge from official statistics. The "tighter money" hypothesis may well make ever more sense as the economy sinks deeper into a prolonged depression.
What keeps this hypothesis from being fully satisfactory is the fact that "the fiddle," in spite of the lower-class name attached to it, is by no means confined to the underdog and to the hardest pressed. It seems to be a truly universal pastime, and there is practically no evidence that its likelihood diminishes with the growth of income. The argument frequently advanced by the Trade Unions, that workers will relate to their jobs with more honesty and responsibility once they get decent wages, does not hold much empirical water. Tighter money may be an intensifying factor, but it is hardly the cause of the "hidden economy" in its present volume.

The Times blamed, as the major cause of the "hidden economy," the pressure built up by the mass distribution, the ubiquitous advertising stirring up and whetting of the consumer psychosis, and the unscrupulous methods both of them use. "People today feel they are being got at from all sides, particularly by commerce. From morning to night they are being bombarded with advertising slogans and high pressure salesmanship. They get forced into buying things they don't want at prices they cannot afford, then when they get home they find the goods are faulty anyway. They take their cars to garages and find
the work charged for hasn't been done. They find the milkman starts delivering a kind of milk they haven't asked for just because he gets a bigger profit for it. Those things are happening to them all the time and it seems like they have no redress. So they get resentful and try to get their own back by stealing a little here and cheating a little there. Everyone else does it so why shouldn't they?" (October 18, 1973). Low merchandising standards self-perpetuate: they create economic pressures few can resist and render business morality a pattern few can afford. Gradually and unnoticeably, dishonesty becomes a norm rather than deviation and requires as little explanation in terms of "special circumstances" and "special motives" as, say, joining a Trade Union by a British employee. The Times suggests in fact that pilferage is well-nigh an unavoidable corollary of mass production and mass merchandising, and of the consumer fever they thrive on. The costs of honesty rise so high that they neutralize the risk involved in the alternative and the general disdain for legality renders the defense of illegality superfluous.

But the setting of mass production and mass distribution breeds the phenomena categorized as hidden
The era of large, bureaucratized and depersonalized firms is an era of growing psychic distance between performers and decision makers, actors and their briefs, employees and their jobs. At the place where they earn their living, people are confronted with other people all of whom seem to be receiving commands and held responsible for their fulfillment, but none seems to be in control and bear the ultimate responsibility for the content and purpose of the work done (remember the evicted land-tenant in Steinbeck’s *Grapes of Wrath*, dismayed by his discovery that there is nobody in particular to be shot for his misery). "They" is the most commonly used personal pronoun, and everybody whose decisions are contested invariably points his finger to some invisible authorities behind his back. The sources of actions involving thousands of people cannot be pinned to any single decision-maker. The psychological consequences are manifold.

First, loyalty of mutual obligation, this strongest adhesive of social integration, cannot be anchored in the formal structure of authority and there has little normative impact upon employees and their conduct. Loyalty to the firm which does not translate into
faithfulness to specific people has little hold on human imagination and conscience. Secondly, the firm's property does not seem to belong to anybody in particular; its embezzlement does not seem to harm anybody apart from abstract bank ledgers; its expropriation is neither a theft nor a sin. Psychologically, stealing from a huge impersonal firm or deceiving an accountancy department is an act totally different from depriving a person of his property. Thirdly, and perhaps most importantly, entering collusion with work-mates to cheat the firm and to defy its rules may well be the one extant way of "humanizing" the freezing and suffocating impersonality of a formal organization.

One of my research students, engaged a considerable time in a participant observation in one of the British metal factories, found his fellow workers enthusiastically devoting part of their factory time to the production of "foreigners" - various implements made with factory tools and of factory materials and subsequently used as gifts for friends or sold cheaply to neighbors. There was some element of profit in the preoccupation with "foreigners" - but this was decisively a minor consideration, perhaps even an unwitting
consequence. The prime motive was to cut out an enclave of personal freedom from the uniformly dehumanized setting of a big factory; to defend an island of employee's autonomy in the sea of impersonal command and control; and to inject a modicum of personal, motivated cooperation into the world regulated by a set of thoroughly depersonalized rules. Production of "foreigners," unlike the official firm activities, was made to human measure, transparent and understandable in its totality, planned and executed by the same people, fully under employees' control. It revindicated the personal nature of work destroyed by the bureaucratic organization. It was richly satisfying, enjoyable, and a good foundation for truly human, intimate bonds between people.

The British research in the hidden economy activities has abundantly documented this "personalizing" aspect of illegal trading. The exchange of pilfered or illegally produced goods takes place, as a rule, among close acquaintances, friends, relatives and workmates. People engaged in the illegal trade speak not of buying or selling, but of "passing goods on." The dealings are thoroughly personal; with whom the goods are exchanged matters more than what is exchanged and for what price.
Monetary tags attached to transactions seem to vary more in relation to the partners than in relation to the goods which change hands. Hidden economy seems to entail not only deviation from the rules of the employee's behavior, but also from the pragmatics of the market. It seems to recreate in many respects the personal economy of pre-capitalist times. The illegal network of trade does not simply reflect the already existing tissue of kinship and friendship bonds. It is a prime factor in producing and sustaining a new network of personal relations. Entering this part of the sphere of hidden economy means more than carrying out a once-in-a-lifetime business transaction; it means establishing a lasting bond of mutual obligations, joining a close-knit network of loyal cooperation. Even when an illegal transaction takes place among relative strangers, they tend to become friends in its consequence. Hidden economy operates, in short, as a powerful socializing factor. Within the context of bureaucratic organizations and abstract market exchange, it seems to belong among the very few extant institutions capable of producing complete "thoroughly human," personal bonds.

Perhaps this is the secret of the hidden economy's amazing attraction and tenacity. Perhaps this is as well
the explanation of the employer's confusingly tolerant attitude to the liberties their employees take with the company's property: illegal activities play an important, and on the whole functional role in correcting the possibly negative impact of stiff salary and wage structures; more importantly, however, they provide the welcomed "personal network" cushion which absorbs the otherwise unbearable pressure of formal organization and, in some devious and contorted way, strengthens the employees' attachment and loyalty to the company and to the job. According to R. Palmer (1973), many an employer pretends not to notice the pilfering of company's stock for the fear of "upsetting" his employees. Reluctance of British truck companies' owners to comply with the EEC requirement of electronic "spies in the cabin" in long-distance lorries can be referred to the same concern.

To sum up, let us quote again from Stuart Henry's superb study: "Someone who believes that the law should protect people from dishonesty may, at the same time, see nothing wrong in a "technical infringement" of the law, if it does not involve particular people being hurt (1978). Even more so, we can add, if the only "particular people" in view are those who benefit from the infringement. In many a manifestation of the "hidden
economy," the dream of a genuinely "non-zero sum game,"
this perpetuum mobile of the market era, seems to come
ture: a transaction from which everybody benefits and no
obody loses. A trade which actually creates new goods
(friendship, loyalty, gratitude) instead of making old
goods scarce. Hidden economy is an important supplement
of the market and the formal organization not only in the
purely economic sense. It offers the type of social
interaction which the market tries (unsuccessfully) to
exterminate. In both the economic and the social sense,
it restores the balance the bureaucratized market is bent
on destroying with potentially disastrous consequences of
social integration. Morally opprobrious and legally
intolerable as it may be, hidden economy can be depicted
as a highly functional institution of the social system
based on concentration of power and on large formal
organization; as the way in which such a system deals
with disbalance in its structure and function.

All that has been said so far applies to the
Communist societies insofar as they belong to the same
category of social systems and are exposed to the same
dysfunctions. By the same token, its application to the
Communist societies exposes the specific features of
second economy practice for which the distinctive traits of the system may be held responsible.

SYSTEMIC PECULIARITIES

To start with, the systemic features conducive to the "hidden economy" phenomena are in Communist countries more pronounced than in other modern-type societies. The sources of authority, decision and responsibility have been removed further away from the level of daily experience and interaction, than in market capitalism even when dominated by large bureaucratized firms. The whole structure of decision-making is much more thoroughly depersonalized. One has to reach very high indeed in the Soviet hierarchy to find a person able and willing to discuss the required action in terms of "I" rather than "They." In view of the constantly shifting rules of the game and notorious equivocality of the official letter of the law, all initiative within the framework of officialdom is at best risky, at worse suicidal. Few of the individual's activities could be seen as being under his/her control. Fewer still are experienced as free from bureaucratic regulations and open to communal negotiation. In the absence (nearly total) of legal business initiative, hidden economy may well be the only exemption to the universal rule of
bureaucracy. The marginal value of personalized relations it furnished will be then appropriately high. More than elsewhere, the attraction of illegal economic activity may for many people be a derivative of the scarcity of unencumbered social interaction.

This tentative generalization is not meant to belittle the role of purely economic factors. The latter are, in the Soviet context, notoriously propitious to illegal initiatives - the circumstance fully documented in Gregory Grossman's study. A number of incongruencies related directly to the peculiarities of the Communist economic system can be held responsible for stimulating a "second economy" or proportions and functions unencountered elsewhere. First and foremost among them is a systematic and arbitrary distortion of price structure in conditions when the distribution and appropriation of commodities remains subject to market rules. This creates permanent scarcity of the most coveted goods and places the activities commonly described as "black marketing" (exaction of the genuine market price while the official price of the commodity is artificially kept down, and as a consequence the product is unavailable in official distribution) in the very center of hidden economy - the place of pride they do not
enjoy where the interference with offer/demand interplay is slight. Price-decrees must empty shops and lengthen queues, of which the black market is an unavoidable corollary. Often the political authorities themselves set the pattern or anoint with legality the existing ones by introducing, or surrendering to, a multi-tier price structure on particularly sensitive commodities.

A close second among the distortions of the modern economic system which induce some peculiar, often virulent, forms of the hidden economy in Communist societies comes the notorious indolence and inertia of the centrally commanded distribution network. An even distribution of goods abundant in one part of the country but scarce in another is the task which continuously defies the sluggish efforts of centralized trade; still more difficult, for all we know, is the acceptance that the year's seasons succeed each other and that their monotonous, as it were, cyclicality requires a swift, though by no means unpredictable shifting of resources to absorb the temporary abundance of successive seasonal products. A third task the centralized economy has not proved to be enough of a Hercules to perform is "catching up" with the changing structure of consumption, and consequently of demand, stimulated by evident and easy to
anticipate trends in style of life or fashion, the road from pattern-setting to mass production, still more to mass distribution, is lengthy enough to provide ample opportunity for "unofficial" economic initiative. Fourthly, there is a problem of coordinating supply of products with supply of services; the latter as a rule lag well behind the first (perhaps services, by their very nature resistant to bureaucratic uniformity, is a field which the centralized economy finds unwieldy, alien and repugnant). The incurable clumsiness of the centralized economy, manifesting itself in these four, and certainly many more fields, continually generates fallow or virgin lands which invite adventurous pioneers. As the supply of gaps within centralized distribution is unlikely ever to run short, adventurousness may well become a permanent and highly profitable - if risky - profession. One of the first waves of the recent Soviet immigration to Israel contained a considerable number of such "home-made" entrepreneurs, particularly well-trained in the exploitation of the unique opportunities offered by the centralized economy. The would-be tycoons imagined Israel, a capitalist country, as a gigantic "seam" in the cloth of the socialist economy - the place where they had spent all of their business life, and
expected appropriately higher revenues on the same skills which they had exercised at home with so much profit. Expectedly, they were bitterly disappointed, and many begged the Soviet authorities for return visas.

The "black market" section of the "second economy" does provide the fertile soil for, in Professor Grossman's words, "the underground entrepreneurs in the full sense of the word: i.e., individuals who promote and organize production on a substantial scale, employ the labor of others, obtain materials and machinery on the black market, and distribute their output widely" (Grossman, 1977). Such an "underground entrepreneurship" is simultaneously easier and more difficult than in an open-market economy; in both respects, however, it requires skills of an essentially different kind from those functional in the capitalist-market conditions; they are profitable and in demand only in, and thanks to, their symbiosis with an inert centralized bureaucracy. For the latter, they offer a functionally indispensable supplement, immunizing it against the consequences of its own ailments. By the same token, they keep the centralized bureaucracy going; but they also keep it centralized and bureaucratic, mollifying to an extent the catastrophic impact of its indolence and therefore
rendering the need of reform less imperative economically and less pressing politically. For this reason, the hate-love relation between the Communist authorities and the economic underground in the sense described above will in all probability continue for a long time yet. Both feed on the same ground and therefore compete, but both need each other. Centralized economy cannot survive without its illegal and unseemly underside, while the underground thriving on this survival prerequisite is highly unlikely to develop a vested interest in relaxing the bureaucratic hold of the market (just imagine the Chicago mobsters lobbying the Congress to abolish Prohibition).

The professional underground is perhaps sociologically the least interesting aspect of second economy. However important a role it may play in the total balance of the economy, as a social phenomenon it is naturally confined. It comes nowhere near the dimensions of the hidden economy phenomenon as described in the first part of this paper. It is perhaps much more permanent and much more systematically entrenched than "black markets" in non-Communist economies, but otherwise does not seem to present strikingly novel features which could illuminate the peculiarities of the Communist
system. Much more fascinating and promising in this respect are other aspects of the second economy, those characterized before as "part-time dishonesty." They seem to be more widespread than in the West; they often assume the same overt forms; it seems, however, that both their origins and their functions bear some features illuminating important sociological traits of the Communist regimes of Eastern Europe.

PEASANTS AND PATRONAGE

All Communist societies, with the possible exceptions of Czechoslovakia and East Germany, were peasant societies on the eve of the "socialist construction." This means that the system of centralized economy and one-party politics have been imposed directly upon peasant culture and the predominantly peasant economy. The crowds flocking into the rapidly swelling industrialized centers were peasants in their traditions, loyalties, outlook, cultural patterns - in all but their new source of income. They naturally tended to reconstruct in the new urban environment the sort of social network they were familiar with and which they knew how to operate. As by far the most numerous and culturally dominant element of the society at large, peasants and peasant descendants quickly penetrated the
lower ranks of organized authority and embarked from there onto a relentless march to the top. The degree and speed of the "peasantization" of the party, the military, security organs and other vital power institutions of the post-revolutionary regimes has been by now amply documented. Nowhere, it seems, did this process take much more than a decade. In this time-span, much too short for any alternative tradition to grow and take roots, the fresh and powerful cultural tradition of the peasants has emerged, in a new urban and modern garb, as the dominant pattern of social relations and the ruling set of cultural norms.

Now for the peasant society, patronage is the way of life. This need not mean that the universality of patronage/clientele pattern in the social network of the Communist society must be traced solely to this society's peasant past and explained fully by it. But this does mean that in a society where the dominant culture has been very recently molded out of a predominantly peasant contribution one would expect the centrality of patronage to be highly probable. In such a society, the occurrence and the persistence of patronage is in no way an oddity. Patronage was preserved rather than created by the Communist regime. This having been said, one must admit
that the Communist regime accomplished little in the way of depriving patronage of its functionality— the true basis of its vitality. On the contrary, some features of the Communist system made life conditions strikingly similar to those to which the peasants had traditionally adjusted by developing and sustaining the institution of patronage; if anything, patronage received from the new regime a new lease on life. Its "rationality" and pragmatic utility were reaffirmed, and a new boost was given to its further refinement, though, of course, it remains impossible to say which one of the pair "Communist system—peasantry" was the main cause of the remarkable convergence.

What made patronage an institution indispensable in the peasant society was the endemic insecurity of peasant subsistence. Natural conditions on which the success or failure of the fragile peasant economy almost entirely depend are capricious and unpredictable. The peasant economy is an economy without reserves and even a minor turn to the worse may well mean its total destruction unless the effects of calamity are mitigated by factors more resourceful than the peasant household. James Scott revealed the "existential" roots of patronage when he portrayed the peasant "as a cultivator who faces a set of
continuing existential dilemmas over his economic and physical security which he is often poorly equipped to solve by himself or with other peasants. To the extent that someone of higher status is willing to assist and protect him, providing the cost is not prohibitive, a relationship of deference may develop that grows in its resilience and closeness as expectations about mutuality and assistance are met. The patron validates his friendship by helping the peasant at times of crisis. It is on that basis that trust and confidence grows; friendship and favor are, for the client, synonymous" (Scott, 1977). A mighty protector, controlling resources large enough to see one safely through a lean year or two, is exactly this element of security which the brittle peasant economy is so demonstrably and agonizingly lacking. The protector was a living insurance against drought and flood, illness and invalidity, cattle epidemic and poor crop. Insurance was not free of charge; on the contrary, the price was often exorbitant by our standards, and the habit of modern writers to describe it as merciless exploitation is fully understandable. Still, the description captures at best only half of the truth; it projects the experience of another culture upon conditions ruled by entirely
different necessities, and thereby fails to see the realities of peasant life through peasant eyes. Imputing cold economic calculation as the sole basis of the phenomenon of patronage is to miss the substance of peasant culture. Such an imputation will hinder, rather than facilitate the understanding of a culture where sympathetic assistance and exaction on one side, trust and submission on the other, seemed to belong naturally together.

We may regard the peasant meaning of patronage as the truth of peasant life, or as a textbook example of "false consciousness." Whatever our verdict, the fact remains that without patronage the peasant world is unthinkable. What is of particular importance for our topic is the probable effects of this fact on the specifically peasant form of adjustment to the unfamiliar and by the same token frightening conditions of urban life. The odds are that the rural migrant will seek to solve the problem of security in an alien and threatening environment by finding a patron and "buying" himself into the position of his client. The currency used in the transaction will be, in all probability, the gift - this oldest and most universal instrument used in the construction of human relations. Since Marcel Mauss's
seminal Essai sur le don an enormous amount of evidence has been collected by anthropologists for the peculiar magic of the gift, which once exchanged, transforms strangers into relations and leaves behind a lasting trace in the form of a new network of loyalties and mutual obligations. To a peasant, gift-offering was practically the only means to manipulate the adverse structure of social relations and to alter it, however slightly, to his gain. To offer a gift meant, to be sure, the willing confirmation of the superior position of the receiver; on the other hand, however, the acceptance of the gift implied the acceptance of specific or diffuse obligations toward the donor. Exchange of gifts for protection was the constitutive principle of the patron-client relationship. Prinoshenie, which Professor Grossman rightly portrays as one of the endemic forms of Soviet bureaucratic corruption, would not acquire the scale it has if prodded by the officials' greed alone, if not deeply rooted in the timeless peasant tradition as a paramount means of adjustment to an essentially hostile and unpredictable environment.

SOVIET PEOPLE AND PATRONAGE

Peasant tradition, however, is only one side of the story. The other is the extent to which conditions of
life under the Communist regime assure the continuous relevance and effectivity of this tradition. If the uncertainty generated by uncontrolled elements lost much of its sinister urgency for the urban descendants of the peasants -- a new uncertainty, emanated by obscure and uncontrolled social dependencies, more than filled its place. So many vital aspects of an individual's life depend now on arbitrary and unforeseeable decisions taken, as a rule in secret, by major or minor officials in one of the numerous branches of officialdom. So many vital goods, services, and elements of social standing are in short supply, and are not obtainable by impersonal, "objectivized" means (e.g., for money in shops), and therefore demand "personalization" of access. As we know from cybernetics, closeness to the source of uncertainty puts the given unit in the position of control. Everybody close to goods whose allocation is important to somebody else's condition is, potentially, in such a position of control. The controlling potential intensifies together with the unclarity of the rule according to which the allocating decisions are made. In the absence of a rule from which the impending decision of the official can be unambiguously deduced, the applicants are at the official's mercy; the official's
motives and resulting decisions constitute a powerful element of uncertainty in the applicant's situational equation. The one way left to the applicant to redress his lack of control over his own condition is to attempt to replace the absent impersonal rule with a personal bond of obligation between himself and the official in question; thereby, some, however imperfect, control over the situation can be attained. The effort to control the uncontrollable continues to express itself, as it did through the ages of peasant existence, in searching for a powerful protector and currying his favors. A yesterday peasant moving to the town and taking up an urban employment finds the new environment remarkably familiar: it clearly calls for the same behavioral pattern which generations of clients worked out and internalized. Farm from becoming invalid in urban conditions, these patterns draw a new lease of life from the absence, or an erratic application of statutory rights and duties.

From this perspective, the similarity between the Communist and the peasant societies is truly striking: both consist of clients-in-search-of-patrons. I think the fact that the cupidity of would-be patrons is met halfway by the urgent needs of would-be clients is of supreme importance. The corruption, so salient in
Communist officialdom, is only in part sustained by the profit motives and the downright dishonesty of officials. The other, perhaps greater part of its resilience derives from the conditions of life of the society at large, and above all from the basic uncertainty built into the life process of virtually every individual. The corruption cannot be, therefore, effectively mitigated (much less eradicated) by periodic purges, show trials or even everyday earnest scrutiny of bureaucratic conduct. That is, it cannot be so cured as long as the basic uncertainty remains inextricably woven into the texture of everyday life. It is first and foremost the clients who seek the patrons and, sooner or later, make them.

Occasions on which patrons are sought for and made are numberless. There is, of course, a gradation of patrons and, more importantly, of patronage potentials. Principally, however, there are very few people who, by virtue of their location within the social, economic or political network, are not in the possession of at least some patronage potential, in some field, for some individuals. Principally, everybody needs patrons and everybody can become a patron. The patron-client pair, like that of buyer-seller, specifies relative positions of partners within an individual transaction, but does
not divide the society into clearly distinguishable and permanent classes. The patron's and client's roles refer not to separate classes of people, but to a generalized pattern of all but the most intimate social relations. The various applications of the pattern differ widely in quantitative terms -- but they remain, sociologically, applications of the same pattern, however impressive or minute are their material consequences. "The client's posture" is the position in which an average citizen of the Communist society spends his life from the cradle to the grave.

Taking a client's posture (i.e., bringing gifts) is required by the most mundane of tasks. Approaching the shop-assistant in a store notorious for the shortage of basic commodities; or a low rank bureaucrat in an office dealing with the allocation of living space; or a clerk briefing daily the engineers installing telephone points; or a local newsagent "selling" a popular color magazine; or a garage mechanic dividing his limited number of working hours among an unlimited number of broken cars; or a college lecturer allocating student places; or a box-office clerk selling tickets for a fashionable film. As most would-be clients are themselves situated close to some other source of uncertainty (a construction worker
having access to building materials absent from the shops, a plumber normally unavailable on demand, a laundry-worker in an outfit renowned for exceedingly slow service), there are as a rule elements of clientele and patronage on both sides of the transaction. The transaction is as a rule mutually beneficial and both sides are interested in continuing their relationship. An informal structure emerges in the result, built of a personalized, specific bond of mutual obligations. As a popular Polish joke has it, "patronage is the last humane emotion on the road to socialism".

The crucial conclusion from the above analysis is that the second economy, in its sociologically most important, "part-time dishonesty" element, is not a violation of the principles of officialdom", which is just another name for the patron-client relation, is not only bred by officialdom itself, but it is its basic functional pattern. While comparing the institution of patronage in Mediterranean countries, Ernest Gellner selected the Tunisian state as "a machine for the making and unmaking of patrons" (Gellner and Waterbury, 1977, p.5). This description fits the Communist society very well; and not surprisingly, as the protracted neo Destur rule in Tunisia is the one non-Communist constitutional
pattern most functionally similar to the Communist political system. The subtle network of patron-client relations in a Communist society is always a replica, a reflection, an underseal of the distribution of roles and function within, and by, the officialdom. It is the officially accorded prerogatives of the office which are used as the liquid cash of social relations.

The role of these informal, personalized social relations is not limited to that of the "supplementary channels" through which the goods and services distributed through the official network finally reach their consumers. It seems that the relations in question provide the individual with a "safety net" in more than one sense. Not only do they purvey the goods otherwise unobtainable, but also act as potential shock-absorbers in the turbulent world of Kafkaesque bureaucracy. In the absence of a legal system of checks and balances, of institutionalized group defenses, of trustworthy administrative process, a mighty personal patron, still more a closely knit patronage/clientele network, may well constitute the only guarantee of relative safety of the otherwise precarious position of the individual. If the tissue of patronage is knit of the yarn of illegality, all the better; it will better resist the official tear.
and wear, the patron being as interested as the client in keeping their relation intact and undisclosed. The patronage/clientele network becomes therefore a system of krugovaia poruka - another timeless peasant institution, where the mir, the community, the group join their efforts to cushion and to absorb the pressures exerted by the powers on high and to defend the status quo against the inroads of the outside world.

It is through this link that the phenomenon of second economy merges with the apparently non-economic field of "pure politics". Soviet bureaucracy has been (and still is to a considerable extent) prominent for the under-development of impersonal criteria of performance, appointment and dismissal, which Max Weber saw as the paramount functional prerequisites of legal rational rule. Under such circumstances, being a political satellite to a powerful and well entrenched personality, or better still a member of a ramified "krugovaia poruka" network, is for an average incumbent of a bureaucratic office the only available substitute for the missing performative levers of personal security. Again, one can locate the springs of political patronage (variously described under the headings of favoritism, nepotism, political machines etc.) more appropriately in the
clients' frantic search for patronage networks, than in the would-be patrons' pursuit of the personal bases of power. The political patron-client bond does not boil down to a business transaction, though some exchange of services usually does take place. The advantage sought are more lasting; nothing less than a heightened possibility of survival is entailed on both sides of the partnership.

Because of the notorious haziness of the Communist law system, often deliberately kept equivocal and unrealistic to leave the hands of the authorities unfettered, the borderline between legal and illegal economic practices is blurred and can be easily re-drawn in keeping with the changing will of those in power. Faintly illegal supplementation of official incomes with sealed envelopes, by-passing of the letter of law in case of actions of momentary political urgency, special shops and individualized allocations of goods having no foothold in any written legal rule, are a constant feature of Soviet life, most of the time sanctioned by authorities, but still on some rare occasions brought to public attention as condemnable violations of "socialist legality". It is ultimately the political will of the rulers which each time decides what sort of activity is
to be refused an official approbation. There is, therefore, a vast domain within economic activity initiated or tolerated by official authorities which can well be declared a second economy phenomenon tomorrow. This makes the lot of the students of the second economy in Communism particularly unenviable. This, as well, reveals the true and perhaps lasting roots of the second economy within the Communist system: the continuing lack of clearly defined civil rights and the rules constraining the immunity and the license of the administration.

FORMAL AND INFORMAL STRUCTURES: WAR AND PEACE

While analyzing the general features of "part-time graft" we emphasized, as one of its most distinguishing traits, the fact that it is conducted by and large from the inside, rather than outside of the formal economic structures. In view of the Soviet experience, this could be rightly seen as an understatement. While in the West some illegal private initiative feeds on the formal structure but on the whole spins a separate web of personal relations which hardly ever overlap with the network of organizational bonds - in the Community countries the tissue of illegal exchanges often duplicates the formal structures; perhaps merges with
them, employing the same channels of command and communication. The second economy in Communist countries can be portrayed as a "second life" of the first, the official one. It happens so because no relations of super- and subordination, no appointment, promotion, moving on of jobs is ever totally free of, however slight, patronage flavor. The boss-employee relation is often the official face of a patron-client bond. Even the official favors, allocations, benefits or perks become in this all-pervading atmosphere of personalized obligations tokens of endless patronage-and-client game. Superiors assume in advance that their subordinates will partake of illegal activities and gains and expect a tithe; subordinates know that "making the best" of the opportunities and sharing the luck with the bosses is an integral part of job expectations. One would expect that to people brought up within an institutional context prominent for its double life it might be exceedingly difficult to distinguish, in the end, the theoretically "legal" and "illegal" aspects of job requirements. This is perhaps a sociologically most remarkable characteristic of part-time graft in the Communist economy: the blurring of boundaries elsewhere kept reasonably clear. The boundaries are blurred, let us
add, on both sides of the phenomenon. On the one hand, the distinction between formal hierarchy and the informal "chain of connection" oriented to, and fed on graft, may well turn little more than theoretical. Not only because the bosses demand, and expect, pecuniary services from their subordinates, but also because the officially inspired forms of inducement of loyalty and effectivity often, as mentioned before, border on the murky and obscure area where law is unwritten, or at any rate unspoken of. The official and unofficial faces of bureaucracy become in consequence as inseparable as the two faces of the coin. On the other extreme, the borderline between "part-time dishonesty" and the straight-forward black-market activity, notoriously ill defined, is even more difficult to draw than elsewhere. It is not always that the graft community within the firm can limit its activity to sharing in the written-off part of the firm product. Often the products are either unsharable, or unattractive, or both. In such cases, they are likely to be sold on the black market to unknown customers, by the trade outposts of the graft community, later sharing the profits according to the internal hierarchy and the appreciation of the degree of personal risk. The customer being and remaining unknown is in
such cases important. If within the firm the crime-sharing is instrumental in the maintenance of krugovaia poruka - the invisible shield of mutually guaranteed security of personal status - opening of the network to strangers who are not subject to the double bind of the illegal and formal discipline may be for the same reason dangerous; their loyalty would be subject to too few sanctions to be truly trusted. As far as the buyers of illegally traded goods or services are concerned, the "trade outposts" of sometimes widely ramified "graft community" acts as an individual. Special means may be taken to prevent the continuation of relations, identification of the seller or any other departure from the anonymity and impersonality rules normal in purely market-type transactions. Along this second boundary, therefore, another merger is taking place: one of the personal, specific bonds typical of the collective fiddling and of the impersonal, diffuse exchanges characteristic of black-market activities. The two complement each other; they can exist only conjointly. They also, in effect, become two faces of the same coin. Or, to put it in different words, the black market becomes a natural extension of "part-time dishonesty", 

while the latter is the institutional basis which makes the black market operable.

These seem to be the sources and features of "second economy" specific to the Communist system—partly due to its recent link with peasant culture, partly as the result of the continuing under-development of the "legal" market and of the legal-rational facets of public life. Both factors put an extra premium on the major sociological impact of hidden economy in general, "part-time dishonesty" in particular: on the "personalization of the impersonal", on the creation of community-type bonds which render the individual's environment better geared to his needs and more secure. These specific features of the Communist second economy may well lose some of their impact with the crystallization of a new urban mode of life and the gradual growth of legal-rational elements within the party and state bureaucracy. As Professor Grossman rightly emphasized, with growth of the legal market in the distribution of goods and services, such facilitating factors as arise from the malfunctioning of the over-centralized economy will lose some of their force. None of these changes, however, are likely to dispose entirely of the second economy processes. As we have seen from
the first part of this paper, a "personalized" network of economic relations which eludes legal rules and statistics based on them, is a constant and increasingly salient feature of modern society. The most that rectification of the present ailments of the Communist regime may achieve is the "levelling up" of its hidden economy with the standards prevailing in other types of modern societies. In some devious sense, this will be a step on the road to modernization.

Still, one more concluding remark seems to be in order.

One cannot exclude the possibility that, periodic outbursts of anger and high-pitched anti-crime campaigns notwithstanding, the Communists authorities have developed more than merely an economic-corrective dependency on the part-time dishonesty of citizens. The notorious haziness of the rules of economic activity, which force the man in the street in the course of his daily life to hover constantly on the brink of illegality, may well be a functionally necessary complement of the system intrinsically corrupt in the sense of the permanent gap between its legitimation in terms of the "will of the people" and its practice of preventing the articulation of this will. It seems that
since most people in various circumstances of their life have to render illegal services as well as benefit from them, few ordinary people are likely to emerge at the end of the day richer than they would be were their economic condition fully determined by their formal share in the national product. The truly important difference between widespread participation in part-time dishonesty and an economy without a significant contribution of it is that in the first case the majority of people are cast in the position of legal corruption and moral hypocrisy. People cast in such a position will have perhaps less vigor to perceive and to condemn the corrupt nature of their political authorities; the authorities, on the other hand, will be given an opportunity to justify their policies in terms of the defence of common people's interests against the "violators of socialist legality". The permanent "legitimation crisis" of the Communist system cannot but exert a morally poisonous impact upon the society subject to it. The corruption so triggered has the tendency to perpetuate itself. In time, it turns into a necessary component of the system.

Marriage of convenience

It is debatable whether second-economy phenomena are ineradicable (if not dispensable) components of
societies served by an economy approximating the free-market model. And if they are ineradicable, whether their ubiquity derives from the gap between the model and the never model-like reality, or whether the very premises of free market (as a sub-system of a wider socio-cultural-political system) makes the appearance of the second-economy conduct virtually inevitable by provoking and inviting the utilization of non-economic assets. Such assets include power positions, politically determined access to privilege instruments of action, manipulation of social and cultural privileges, etc., which generate extra profits and otherwise "correct" the impersonal justice of the market. What does not seem debatable at all, however, is that in the case of Eastern European economic systems, the second economy is not a distortion of the system arising from its perpetual malfunctioning. Its resilience cannot be explained away by the imperfection of the communist market. On the contrary, the second economy must be seen as part and parcel of the Communist system. In other words, this system cannot be described fully (i.e., in such a way that the description accounts for the possibility of its functioning) without it. The integral nature of the second economy should not be taken simplistically to mean
that its only impact on the system is integrative, and that no tensions should be expected between second economy behavior and the rest of the system. The paradox of the second economy consists in the fact that its "functionality" depends precisely on its "dysfunctionality"; it integrates thanks to the tensions it generates; it finds its natural home in the system precisely because it is a strong one. One could conceive of the second economy as a depersonalized equivalent of medieval Jews, Indian Parsees or Athenian Metoikoi...

I would wish, however, to stress particularly two ideas which, in my view, go a long way toward understanding of the true role and the prospects of the second economy within the Communist system.

First is the remarkable observation by Professor Jowitt that the Soviet society would be better understood if seen as status-integrated rather than class divided. To use Sir Henry Maine's famous distinction, one would say that the Soviet society is based on status rather than contract. This seminal idea of Jowitt's has innumerable consequences--all quite crucial for the comprehension of the Soviet system in general, its second economy in particular. The human situation is shaped by the network of personal bonds, rather than impersonal
transactions and a set of chances of such transactions. Human position is determined by status, which refers to the total society, rather than a specific field of action in which specialized roles emerge—and hence "status congruence" is assured in advance, to wit, social power derived from one aspect of status "spills over" to all other dimensions. The instruments employable in life-strategy are mainly personal bonds, protection by the powerful, access to the mighty, rather than "power in the pocket", as Marx dubbed the universal and totally faceless and formal monetary tool of purposeful activity in a market economy. Domination and dependence tend to be comprehensive, and the effort to dissect them into economic, political, social, cultural etc. is both vain and ill-conceived.

And yet the Soviet society differs in one crucial point from traditional status-based societies so thoroughly described and analyzed by social historians: it is a status society, but not an "ascriptive" society. Status is a quality a person may acquire and lose. State is, therefore, a coveted and widely desired value, an object of competition and strife—unlike the nature-like statuses once and for all allotted to Weberian Stande. Fluidity of the situation is not unlike one associated
with societies based on market, contract and acquisition. What is traded here, however, are not specialized goods, not even universal means of access to goods—but statuses. The object of such transactions as are sought and entered into are reciprocal status relations, i.e., relations which are both durable and comprehensive. One would naturally expect that with transactions so different in ends and consequences, instruments used in their pursuit and execution could be as unorthodox as the hybrid society itself. What are these instruments?

I believe that Professor Noonan has offered us the answer to this focal question. He reminded us that practically none of the ancient Mediterranean civilizations he studied distinguished, in philosophy or vocabulary, between the present, the tribute, and the bribe (for example, one Hebrew word, shokhar, stands for all three). It is easy to see why this should be so. Semantic distinction becomes practicable only with the disintegration of statuses. Only if human relations lose their comprehensiveness and differentiate according to specialized purposes, and when consummatory and instrumental actions separate and institutionalize independently of each other—the differences between three previously undistinguishable meanings may be
clearly seen. As long, however, as these processes have not run the full course, something of the natural affinity of the three phenomena remains. There remains a lot of it in the hybrid, status-bargaining Soviet society.

And thus the passage of goods from hand to hand as "presents" (i.e., distinct from the good changing hands in the act of buying-selling, where immediate and equivalent exchange is expected; a present assumes a suspended and unspecified reciprocity—an expectation of some favors on some future occasion), whether or not qualified as a "bribe", signifies simultaneously a "tribute": it offers (and establishes, if the offer is accepted) a lasting relation of subordination—superiority between the giver and the recipient. This relation assumes continuing service and loyalty on the part of the giver and benevolence and protection on the part of the recipient. It builds a new sector in the intricate network of personal dependencies on which the total system is constructed.

At least one (certainly the most universal) segment of the second economy institutionalizes the flow of such presents—tributes—bribes. This segment, as Dr. Simis brilliantly demonstrates in his paper, is built into the
formal structure of the Soviet status system as its repressed from ideological consciousness, "unmentionable", underside. My suggestion is that far from being a distortion, a disease, an alien body in, or of, the "true" systemic structure of the Soviet society, it is the very stuff of which this structure is made.

I suggest that the second economy is an important system-formative factor in the Communist society of Eastern Europe. I suggest that the Soviet system, as shaped by both its history and self-inflicted political constraint needs the second economy for its perpetuation and day-to-day operation and cannot do without it. I suggest that within the Soviet system the second economy performs system-maintenance functions which no other institutions in its absence would be capable of performing. Five of these functions seem particularly worthy of mentioning.

1. In an endemically unstable, erratic, legally under-defined context, the second economy bonds provide the network of individual security and, by the same token, defuse a good deal of potential tension and anxiety which could induce massive pressure toward institutionalization of social rights. The context is unstable, as the individual cannot count on either
typically middle-class (bank accounts) or working class (trade unions) forms of insurance against violent change of fate; as the underdeveloped lateral interest groups offer the individual little, if any, defense from outside attack, however undeserved or arbitrary; and as legal defense, though constitutionally available, too often has served ritualistic and decorative rather than protective purposes to be counted on as a reliable warranty of individual security. In such a context, the membership of a powerful and magnified mutual-protection network, and particularly an established bond with a mighty patron provide the only palliative solution to the problem of individual security, one of the major functions a stable social system needs to perform.

2. The second economy adds solidity and incentive to numerous state bureaucracies by padding the coarse formal structure with a network of "humane" personal bonds. As I remarked before, the analytically distinguishable formal and informal structures merge in practice. This can only reinforce the formal structure. The fact that the reinforcement has an admittedly illegal character can but increase its effectiveness. The reciprocal services flowing along the formal channels save the authorities a good deal of trouble they would
otherwise have trying to provide adequate stimuli to elicit indispensable loyalties and bureaucratically stipulated behavior.

3. In the absence of public domain where consensual legitimation of the system can be negotiated, debated and flexibly adjusted, political patronage provides the nearest substitute for systemic loyalty. Political patronage, like any other, is built and sustained by the flow of presents-tributes-bribes; one wonders how large a part of the second economy could be attributed to primarily political rather than economic motives; and to what extent the second economy should be described as "lubricating" the inefficiently legitimized political system rather than the ineptly planned economic one. The "personal machines", implements which no political system seems to be able to do without, perhaps play in the Soviet society a role more important than elsewhere. They have to deputize for either hereditary rights to political offices or institutionalized "legal-rational" party establishments, none of which are available in the Soviet system to administer official careers of the politicians and to evaluate their relative assets.
4. The presence of the second economy offers the authorities degrees of economic freedom they would not otherwise possess. As in the case of the notorious private plots left to the kolkhozniki in order to give the Government a free hand to confiscate almost the total collective product of the kolkhozy (private plots standing between kolkhozniki so robbed and the ultimate famine), awareness that the second economy will eventually fill the gaps created by omissions and blunders allows the authorities to mobilize an otherwise unthinkable part of the officially accounted GNP for non-consumer purposes while consistently according a secondary importance only to consumer demand. By the same token, the planners are partly emancipated from the market laws; the frontiers of the economically feasible have been rolled back, leaving much more room for their ambitions and their errors.

5. The second economy also extends the sphere of the government's freedom of action. A situation in which practically every citizen of the Union is willy-nilly a party to some form of illegal activity gives the Government a unique opportunity to settle accounts with whatever group of the population they wish to discipline without actually saying so. Any group, virtually at
random, can be selected as a scapegoat for the second economy sins. One can hit Georgians, or Jews, or intellectuals, or technical intelligentsia, or, for that matter, a political rival, as the last power re-shuffle in Poland once again demonstrated, on the ground of their illegal economic conduct, solving intricate political-ideological problems by proxy and at a lesser political cost.

For all these crucial systemic functions the second economy seems to perform, and for the lack of evident functional substitutes, there is little to support the view of the second economy as a temporary and curable affliction of the Soviet system. Instead, one should rather recognize it as a vital and integral element of the system, and accept that its theoretical degrading has no justification other than an ideological and arbitrary selectiveness of perspective. This, in turn, makes one doubt the wisdom of the two hypotheses frequently articulated regarding the future of the second economy: (1) that it may be gradually eliminated with the progressive opening of the system to the natural rationality of free commodity and labor market; (2) that, left uncured for a considerable time, it may undermine and ultimately explode the Soviet system. There is
little empirical evidence or theoretical reason to believe that either of the two is credible. It seems, rather, that the uneasy marriage of convenience, quarrelsome and stormy as it may sometimes appear, is likely to last. The partners hate each other. But they cannot any more live in separation.
Chapter 15

References Cited


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