Even so, there survive a variety of private property forms (and partly related to them, production activities of a private nature), although they are dwarfed by the state and cooperative sectors. The following are the most typical of them.

1. *Small-scale private industry and commerce.* In some classical socialist countries, such as East Germany, Hungary, and Poland, small family undertakings can operate with an official permit,[32] but the sector accounts for a small proportion of industrial production and commercial services. For the sake of illustration, table 5.4 presents data on the private sector in East Germany, Hungary, and Poland.[33] In other countries the sector is not allowed to operate at all.

TABLE 5.4
Elimination of the Private Sector in East Germany, Hungary, and Poland

	Private Nonagricultural Employment in the Percentage of Total Nonagricultural Employment[a]		
Year	*East Germany*[b]	*Hungary*[c]	*Poland*
1949	—	20.3	11.6
1950	—	17.1	6.6
1952	34.0	4.5	4.7
1955	30.8	2.7	3.6
1960	21.6	—	4.8
1965	19.0	—	4.3
1970	16.5	3.8	4.4
1972	8.4	3.5[d]	4.0
1975	6.8	3.1	4.0
1980	5.9	2.9	4.9

Source: Columns 1 and 3: A. Åslund (1985, pp. 230–31, 247). Column 2, rows 1–4: Hungarian Central Statistical Office (1959, pp. 65–66); rows 7–10: Központi Statisztikai Hivatal (Central Statistical Office, Budapest) (1971, pp. 104–5; 1973, p. 109; 1975, p. 111; 1980a, pp. 128–29).

[a]The data start out in 1949, after the first wave of nationalization, when the "commanding heights" of the economy had already been nationalized.

[b]Figures include the semiprivate sector—private firms with state participation. In the 1960s their share amounted to 7 percent of the total nonagricultural employment. They were almost completely nationalized in 1971–72. A. Åslund (1985).

[c]Figures include only active employees. The water and forest economy is recorded as part of agriculture, so it is not included.

[d]January 1, 1973.

[32]Although by definition a small family undertaking cannot employ outside labor, in fact, a private artisan or trader with an official permit has been able to employ a limited number of workers, in practice usually not more than one person under classical socialism.

2. *Household farming.* This, in fact, is a hybrid form. As explained in the previous section, one part of a household farm's means of production is cooperative property and the other private property. The peasant family only receives the use of the land, the most important means of production. It may be repossessed at any time, and the family cannot alienate it. (In other words, they lack property rights of type b.) But the after-tax residual income from production on the household farm belongs to the peasant family (property right type a), which also decides the amount of labor put into it (property rights of type c).[34] So basically the form can be classed under private ownership and private economic activity.

3. *The informal private economy.*[35] This covers a wide variety of activity.[36]

a. Production or service activity performed by one individual for another for compensation in money or kind. Examples of nonmanual activity include medical treatment, legal advice, typing, translation, private language instruction, and babysitting. Some examples of manual activity are repair and installation work, house-building, cleaning, and personal and goods transportation.

[33]Table 5.4 shows that the process of eliminating the private sector took a much longer time in East Germany than in many other socialist economies.

[34]This property right too is restricted, because the peasant family must work certain hours or perform a certain quantity of labor for the cooperative. At most they can devote their remaining time to the household farm.

[35]In some economic writings the term "second economy" is applied to what this book calls the "informal economy." I join those who observe the following distinction: The *first economy* covers all that qualifies in the official ideology of the classical system as the "socialist sector," that is, the bureaucratic state and cooperative sector, while the *second economy* consists of the sum of the formal private sector composed of officially permitted, small family undertakings and the informal private sector.

[36]Out of the huge literature on the private sector, the second economy, and especially the informal activity in socialist countries, only a few comprehensive works will be mentioned. *General overviews:* S. Alessandrini and B. Dallago, eds. (1987), B. Dallago (1990), E. L. Feige, ed. (1989), I. R. Gábor (1979), G. Grossman (1985), M. Los, ed. (1990), and V. Tanzi, ed. (1982). *Soviet Union:* G. Grossman (1977a), T. I. Koriagina (1990a, 1990b), and the Berkeley-Duke Occasional Papers, which present theoretical studies on the second economy and summarize the findings of the interviews with Soviet émigrés. *China:* W. Zafanolli (1985). *Poland:* A. Korbonski (1981), S. Taigner (1987), and J. Rostowski (1989a). *Hungary:* P. Galasi and G. Szirácki, eds. (1985). *Bulgaria:* D. C. Jones and M. Meurs (1991).

There have been many attempts to model the effect of the private sector on market equilibrium in a socialist economy in a general equilibrium framework with rationing. See, for example, R. Ericson (1983, 1984), D. O. Stahl and M. Alexeev (1985), S. Wellisz and R. Findley (1986), B. G. Katz and J. Owen (1984), and C. Davis (1988).

b. Production and marketing of foodstuffs (meat, fruit, and vegetables) by those whose full-time job is not agricultural.

c. Subletting of a privately owned or rented dwelling.

d. Trading activity outside the framework of state-owned, cooperative and officially permitted private commerce. Both black marketeering and the sale of goods imported legally or smuggled home after travel abroad belong here.

Some of the listed and similar activities exclusively require the labor of those pursuing them, while others require equipment as well. Some of those working in the informal economy use equipment owned by themselves (or possibly by the persons commissioning the work), and others use equipment in state or cooperative ownership. (An example of the latter is "black" transport of goods by a driver using a state-owned truck.)

Some informal activity is done by those employed in the state and cooperative sector outside their official working hours.[37] Other informal activity is done "on the firm's time" at the expense of official work.

It varies from country to country and from period to period which informal activities are permitted under the classical socialist system, which are prohibited by the legal regulations, and how strictly such bans are enforced. Related to this is the national and temporal variation in the scale of the informal economy and its relative weight in the economy as a whole. What is general is the existence of the informal economy; it never vanishes completely even when the strictest bans apply.[38]

A "shadow economy" exists under other systems as well, mainly as a way of evading tax. This is not the prime motive under the classical socialist system, where the bureaucracy seeks to confine all kinds of private property and private economic activity within very narrow limits, even when tax is being regularly paid. The informal economy represents an effort to overstep those narrow limits and operate without official permission, either by identifying opportunities not expressly banned by the letter of the law or by taking the risk of flouting the law. So this book uses the term "informal" as a comprehensive one that covers equally well nonillegal and tolerated activity, prohibited activity where the ban is lightly enforced, and activity that is strictly banned.[39]

[37]The graphic English expression for this is "moonlighting."

[38]As a crown witness Brezhnev is quoted by F. Burlatskiy in *Literaturnaya Gazeta*, September 18, 1988: "You don't know life. No one lives on wages alone. I remember in my youth we earned money by unloading railroad freight cars. So, what did we do? Three crates or bags unloaded and one for ourselves. That is how everybody lives in [our] country." Quoted by V. G. Treml (1990, p. 2).

[39]See A. Katsenelinboigen's (1977) article on "colored" markets and activities. They include white (legal), pink (informal activities involving state officials), gray (informal), and black (outrightly criminal) activities.

5.7 Capitalism, Socialism, and Property

So far this chapter has been concerned with property relations of the classical socialist system. Private property exists under it, but its scope is extremely restricted. The predominant property forms are the various kinds of bureaucratic public ownership: state and cooperative property in which the specific property rights are distributed in the configurations already described, which are typical of the classical system. In the official terminology of the classical system, the sum of the activities pursued within the frame of public ownership is known as the "socialist sector" of the economy.

In presocialist societies the various forms of private ownership, including capitalist ownership, develop and gain ground basically as a result of spontaneous economic processes. This transformation is paralleled in the legal system, which protects private ownership and enforces private contracts. Though the regulations of the state give a greater boost to capitalist ownership in certain periods, one certainly could not say that the state had organized capitalism's development and stabilization.

By contrast, the almost complete elimination of capitalist property relations and the creation and stabilization of the classical socialist system's property relations are not the results of spontaneous economic processes. This transformation is the consequence of revolutionary action by the party-state. It is immaterial whether the legal sanction of a particular state regulation has been penned at the moment the change is executed, or whether it is legalized retroactively. Whichever the case, the bureaucracy uses force to confiscate the overwhelming proportion of private property, nationalize the means of production, and coerce the peasants and other small producers who have hitherto worked their own holdings into the cooperative property form.

There is nothing surprising in this. The cardinal point in the program of Marxist-Leninist parties is "expropriation of the expropriators," in other words, the determination, as soon as politically practicable, to organize society on a basis of public instead of private ownership. This brings one back to the question of the system of values. To the followers of the Communist party, the value system is headed by three closely related values, each of which presumes the other and partly overlaps. Above all, socialism and its establishment and maintenance is not just an instrumental value of service to other, ultimate values, but an intrinsic ultimate value in itself. Socialism comes into existence only when and where the Communist party is in power; power is a fundamental, ultimate value. Socialism differs first and foremost from capitalism in having replaced private ownership with public ownership; so the elimination of private ownership and the establishment and stabilization of public

ownership is an intrinsic value as well. Of course, instrumental values are expected as well from the creation of socialist ownership: it must ensure higher productivity than capitalist ownership provides. But it already has a vast intrinsic, internal value in that the capitalists are no longer exploiting the workers, the workers are no longer subordinate to the capitalists, and the capitalist class vanishes from the stage of history. Moreover, the two values have the closest possible relationship: the property acquired by the bureaucracy is a very important constituent of the bureaucracy's power.

The position and practical action taken on the question of property (for instance, on agricultural collectivization) is a clear example of what was said earlier about the vanguard nature of the party, about the self-legitimation of power, and about paternalism [→4.4]. Remaining with the example of collectivization, those in power are convinced that elimination of private property serves the people's interests, and that the peasants serve their own interests by giving up their independence and entering the cooperative. Their backwardness and shortsightedness prevent them, however, from recognizing their own interests, which is why they must be compelled, even if they resist the change. One purpose for which the power is needed is to force people against their will to adopt a way of life that eventually will be for their own good.

A system of values is being discussed that deeply influences the adherents of the Communist party, from the top leaders down to honest, enthusiastic party members who hold no function in the apparatus. This conviction spurs them to work, make sacrifices, and accept unpopular tasks, and to implement their program regardless of whatever mass resistance they meet. This is precisely where one finds cardinal differences between the Marxist-Leninist, communist value system and action program and those of other strands of socialism. The clearest difference is from those put forward by the social democrats. For example, in the social democratic interpretation of socialist ideas, the forms of public ownership of production and distribution have only an instrumental value. They must be introduced just to the extent that really furthers the values considered intrinsic: primarily welfare, social justice, and the assurance of liberty. Private ownership need not necessarily be abolished where it serves these intrinsic values better than nationalization or collectivization could do. One must certainly avoid making changes in the property forms by force or against the will of the majority of the population as expressed through the ballot box.

This book, in accordance with its plan, does not argue about values. It merely sets out to describe the extent to which the various features of the system promote each value and work against it. To say that the classical socialist system enforces the dominance of three values that the ideology of the Communist party considers most important is not a tautology

but a statement that can be checked and either verified or refuted by experience. It applies the idea behind this movement: a society based on the undivided power of the Communist party, the (almost total) elimination of private ownership, and the general spread of public ownership indeed comes into being.

Having discussed the problem of values, I must mention a conceptual question that belongs here. Section 1.3 made clear the sense in which the phrase "socialist system" is used in this book. The corresponding problem is the interpretation put on the phrase "capitalist system."

When one considers societies in their entirety, each is in fact "mixed" from the point of view of property forms. History has not produced a society in which a single property form operates in sterile purity. At this point one school of social researchers inclines to stop and refuse to think in terms of families and species of systems at all, declaring they are all mingled, hybrid, and mixed in character, and the number of actual and conceivable mixtures and variants is infinite.

This book, however, does not follow that principle. Instead, it follows those willing to declare of whole systems that one is socialist and another capitalist.[40] At this point the way is open to expand and to express more fully the definitions to which only a first approach was made in section 1.2.

As stated earlier, the primary attribute of the socialist system is that a Marxist-Leninist party exercises undivided power. Now a further characteristic can be added: the party is committed to eliminating private property, and with its undivided power and interpenetration with the state, it manages sooner or later to put that program into practice, or at least come near to doing so.

On the basis of what was said just now about the difference in the way the presocialist and the socialist systems develop, the essential thing under the socialist system is what the ruling party wants to achieve and succeeds in achieving. With a nonsocialist system, on the other hand, one has to start from what has developed in society "of its own accord." The capitalist system is a society in which the capitalist forms of private

[40]The multitude of academic authors and politicians who subscribe to this terminological convention vary widely in their world views and theoretical and political outlooks. They include Marxists and anti-Marxists, those to whom "socialism" has a creditable ring and "capitalism" a pejorative one, and those for whom the two have the opposite association. The same applies to the authors and politicians who reject the socialism-capitalism pair of concepts. They are a thoroughly heterogeneous group as well.

The similar heterogeneity of both groups confirms indirectly that what is being discussed here is a value-free, semantic question.

When applying concepts, the main requirements are that they should be conceptually clear and unambiguous, and that their application as tools of analysis should prove workable.

property predominate.[41] To this must be added a negative criterion: there is no party in undivided possession of power that is committed to eliminating the predominance of capitalist private property.

In accordance with this line of argument, this book uses a broad definition of the concept of the capitalist system. It covers strongly individualistic systems like those of the United States and Switzerland, and more collectivist Scandinavian welfare states where a Social Democratic party has been in power for decades, and a number of regulations suggested by socialistic ideas have been introduced. The category covers countries with a measure of central planning (like India or France at certain times) and those with no sign of it; those with a fairly broad state sector (like Austria) and those with a very narrow one. No one would deny that the differences mentioned are very important and rightly the center of attention in numerous comparative analyses. But that does not preclude the viability of dividing twentieth-century social-political-economic formations into two great classes or species of systems: socialist and capitalist.[42]

[41]This is, of course, not an exhaustive comparison of all important differences between socialism and capitalism. Further attributes will be added, for example, the predominant role of bureaucratic coordination under socialism and that of the market under capitalism, as the analysis of socialism proceeds.

[42]Nor is it a deciding argument against the division into two classes that some specific systems found in twentieth-century history are difficult to squeeze into one box or the other. It is quite clear, for example, that an African or Asian society in which capitalist property forms have appeared only sporadically or weakly and precapitalist forms predominate instead, cannot be placed simply in the category "capitalist system."

A problem of classification is posed also by the social formation known as "African socialism" or "Islamic socialism" (of which Tanzania can serve as an example of the former and Algeria of the latter). Although there is a monopolistic force in power and it pursues an anti-private ownership, pro-public ownership policy, things do not go exactly according to the pattern described in this book. Not only the ideology but important features of the actual system that emerge are different.

Borderline cases, mixtures, and specific examples that are "not pure" occur with every classification introduced for the purposes of scientific analysis. Simple taxonomies divided into few classes are an aid to generalization on a large scale and also in creating models and theories.

6

Coordination Mechanisms

THE NATURE of political power, the prevailing ideology, and the property relations determine jointly the part (or at least the main feature of the role) that various coordination mechanisms can play in society. I shall state first in general what I mean by the concept of a coordination mechanism and then survey some of the main types, before returning to the central subject of the chapter: the place and function of the various coordination mechanisms under the classical socialist system and the relations they bear to one another.

6.1 Main Types

Each coordination mechanism is a subsystem of the social system. As the name suggests, a coordination mechanism coordinates the activity of the persons or organizations involved in it. Wherever a relation subsists between two or more persons or organizations, their activity requires coordination in some form.

The book discusses in some detail five main types of mechanisms: (1) bureaucratic coordination, (2) market coordination, (3) self-governing coordination, (4) ethical coordination, and (5) family coordination.

Each mechanism has its own range of characteristics: who the participants are, what relation there is between them, what communications flow between them to further the coordination, and what motivations encourage the participants to take part in the coordination process. Each mechanism has its typical procedures, and the relations between the participants have a specific "style," ethic, and written or unwritten code of rules.

Each main type embraces several varieties. The initial aim in the general definitions is to identify what is general and common to all bureaucratic coordination, all market coordination, and so on. In this sense I am discussing stylized, pure theoretical models whose structure at this level of abstraction disregards a variety of specific features.

1. *Bureaucratic coordination.*[1] Relations of superiority-subordination obtain between the individual or organization coordinating and the

[1]A distinction is made in the terminology of this book between the concepts of bureaucracy and bureaucratic coordination. The first refers to an organization and the second to a coordination mechanism. The bureaucracy primarily controls the

individuals or organizations being coordinated. Such relations are called *vertical linkages*. In many instances a hierarchy of superiority-subordination on several levels develops. An individual or organization acting as the superior of those on the level below it is concurrently subordinate to a superior on the level above. The vertical linkage is, however, asymmetrical. Though the superior depends on the subordinates to some extent, the subordinates depend on the superior far more. The superior is not chosen by the subordinates, but appointed over their heads.

The vertical flow of information consists of several kinds of communication, the most typical for this kind of coordination being the command, the order from the superior that the subordinate is required to obey.

Subordinates have several kinds of motivation for carrying out the superior's commands, the most characteristic being the effort to win the superior's approval, receive the reward offered, and avoid the penalty threatened for noncompliance. Subordinates know that the command is backed up by a legal compulsion, that failure to carry it out will incur legal sanctions.

2. *Market coordination*.[2] A buyer and a seller have lateral relations or a *horizontal linkage* in which the two parties rank equally in legal terms.

Under the transaction taking place between a buyer and a seller, the seller transfers something to the buyer. The transaction is accompanied by a flow of numerous communications of many different kinds, of which the most characteristic is the price.

The buyer and seller conclude a voluntary contract covering the conditions of the transaction. Both parties may have a variety of motivations for accepting the terms of the contract, of which the most characteristic is for both to be seeking a material gain from the transaction.

The mark of this type of coordination is that it is monetized: as the goods pass from seller to buyer, money passes in the opposite direction. (Of course, there may be a direct exchange of material goods instead.[3])

through the bureaucratic coordination mechanism, but it may also use other mechanisms to further its purposes, such as the market. The same applies in reverse: bureaucratic coordination may be used by individuals who are not themselves members of the bureaucracy. Shareholders, for instance, may use bureaucratic coordination in the management of the firms they own.

[2]As in the case of type 1, the book aims here at a description that is as general as possible. In other words, the definition of the market mechanism of coordination is not confined to one or another of the specific subtypes described in professional writings.

[3]In the socialist countries the terms "operation of the law of value" or "commodity and market relations," borrowed from the terminology of Marxian political economy, are employed in official economics teaching and professional parlance for what this book calls "market coordination." Using these key expressions, it is easy to make translations from one "language" to another. For instance, when teachers of political economy in socialist

3. *Self-governing coordination*. The participants in this type of coordination are laterally placed, equal members of a self-governing association. To this extent their linkage is horizontal.

The coordination is conducted according to a specific constitution or rulebook decided upon by the members. In many associations the entire membership is unable (or unwilling) to exercise directly the right of self-government in every respect, and the practical details are entrusted to a body of persons delegated by the members to perform the tasks of coordination. To that extent this mechanism does not consist exclusively of horizontal relations; there is a vertical element in the linkage between the members and the committee undertaking part of the government. Nonetheless, the mechanism must be distinguished strictly in theoretical discussion from the mechanism of type 1. Here the membership elects the governing body directly or indirectly and can dismiss it. That distinguishes the committee members clearly from the superior individuals or organizations of bureaucratic coordination, who are appointed over the subordinates' heads instead of being elected by them.

Again, in the case of self-government, numerous kinds of information flow among the members and between them and the governing body. The most typical are the votes of the membership and the collective decision.

Once more, the motivations are of various kinds, the most important being recognition of a community of interest, that is, the awareness that the interests of the individual members coincide with the collective interests of those participating in the self-governing coordination.

4. *Ethical coordination*. In this mechanism the participants are the donor individual or organization and the recipient of the benefit, who may be an individual, organization, or anonymous community. The recipient is not legally subordinate to the donor, and so a lateral, horizontal linkage connects the participants in the mechanism, as it does in the case of market coordination.[4]

The most typical of the many kinds of communication in this coordination are the application and the offer.

Once again, a great many kinds of motivation may be involved, but the dominant one cannot be fear of the recipient (in which case there would be a subordinate relation). Nor can expectation of material gain of the donor be dominant (because then there would be a buyer-seller relation). These two negative attributes are what distinguish this fourth

countries discuss, in connection with the reform of the socialist economy, "Is labor a commodity?" they are asking whether market coordination actually applies to the supply, demand, and employment of labor, and whether using this type of coordination is desirable.

[4]Individuals or organizations may perform these two functions by turns, or they may be simultaneously donors and recipients of each other's gifts. (To use Polányi's expression, a relation of reciprocity may obtain between them.)

type from the first two. The donor is moved by some altruistic motivation, which may be based on political or religious conviction; on an inner imperative to display noble conduct or generosity; on friendship, comradeship, solidarity, sense of community; or even on politeness or etiquette.

For a general definition it is immaterial whether the gift is in the form of money, physical goods, or an action, gesture, or communication. Ethical coordination, however, differs from the other horizontal linkage, the typically monetized market relation, in that monetization is frequently absent.

5. *Family coordination*. The participants in the mechanism are bound by family ties. (Although the definitions given so far have not stressed the fact, the participants in types 1–4 do not usually have family ties.[5])

Whether there are superior-subordinate or lateral relations, that is, vertical or horizontal linkages, among the members playing the various roles in the family depends on the specific structure of the family concerned.

One cannot single out any kind of communication as the most typical. The motivations are various, but certainly a major part is played by a sense of family love, complemented by an awareness of the family duty prescribed by morality, religion, and the law.

For each of the main types a few practical examples may be given displaying the theoretical models in a more or less pure form.

Bureaucratic mechanisms of coordination operate in the army and the police, in the internal administrative apparatus of a large modern firm, and in the regulation of rail traffic.

Market mechanisms of coordination occur in a city market place or market hall, in a bazaar, shop, or department store, or on a commodity or stock exchange.

Self-governing mechanisms of coordination apply in a choir, autonomous university, or professional association.

Ethical mechanisms of coordination obtain in a relief organization or when people voluntarily clear up litter others drop in a public place.

Family mechanisms of coordination govern the organization of communal consumption in a household.

Here the cases have been chosen purposely to exemplify the main features in the general definitions given earlier for each main type. The

[5]This need not be insisted upon strictly in the definitions. It may happen that family ties also bind subordinates and superiors in a particular bureaucracy, or that someone sells something to a family member for money. Members of one family may be members of the same self-governing association. To avoid overlap, it is worth stating about type 4 that it refers to the kind of altruistic relation in which the recipient is not a member of the donor's family.

names of the main types are used in this book in a literal, not a figurative, sense. One might play with words, for instance, by saying all human actions have a market nature and are based on some kind of exchange. Even religious martyrs, one might argue, give their lives in exchange for celestial bliss. Others might play with the words command and compulsion, saying the ultimate motive force behind every market transaction is economic necessity. Such play, however, can blur useful distinctions between social phenomena. The key words in the definitions above are used basically in the same way as they are understood by people not professionally involved in the social sciences.[6]

6.2 Some Observations on the Main Types

Several other, similar, or even synonymous concepts used in the literature can also help to shed some light on the notion of coordination mechanism. The term "control process" underlines the fact that the coordination mechanism controls the activity of those taking part in it. The term "adjustment mechanism" or "adjustment process" emphasizes that the participants in the coordination mechanism adjust to one another (and also to external circumstances). The term "integration mechanism" stresses that society is prevented from disintegrating into its constituent elements by various mechanisms binding it together.

Neoclassical economists frequently use the expression "allocation mechanism"; they consider analysis of the allocation of scarce resources as the purpose of economics. In the usage of this book coordination embraces allocation, but the emphasis is on the fact that it is living people who transfer inanimate objects, resources, and information from one place of availability to another and utilize them. It is living people who need coordination if the inanimate resources are to be allocated by their agency and direction. Each coordination mechanism denotes a collection of specific social relations.

[6]The typology presented in the section has achieved its purpose if the types are associated with the following images. (1) Bureaucratic coordination: commands, discipline, being at the mercy of superiors, rewards and penalties, strictness, legal stipulations. (2) Market coordination: price, money, gain, profit, business. (3) Self-governing coordination: membership, election, rulebook, constitution. (4) Ethical coordination: selflessness, unwritten commands, readiness to sacrifice, attention to others. (5) Family coordination: parent and child, brother and sister, family allegiance, common household.

The associations of images are "impressionistic" and not replacements for the definitions in the section. But they can still be useful as a way of conveying that the models in the typology depict characteristic relations drawn from life.

The typology introduced in the previous section cannot be said to offer an inclusive classification or the sole possible classification of all the conceivable types of coordination.[7] Numerous other types occurred in precapitalist societies. It might be useful, when describing the social systems of the present day, to add further types to the five introduced in the previous section. Many typologies related to this one but differing from it have been published.[8] In arriving at the present one, I have applied two main criteria. The first is the logical one that the main types should be independent in the sense that no single type can be described as a special case of another. The second is applicability to this particular book, which requires a typology capable of analyzing effectively the coordination mechanisms extant both in practice in the socialist countries and in the alternative visions, programs, and blueprints proposed for socialism.

The examples at the end of the last section were chosen for clarity's sake as ones approximating as far as possible the pure forms of the main types. But in real life many of the coordination mechanisms are combinations of several pure main types superimposed on one another. Both self-governing and bureaucratic elements are combined in the control processes inside a capitalist company. There is, for instance, a blend of ethical, self-governing, and bureaucratic coordination in the workings of a church congregation. Often the various mechanisms dovetail with one another. Internally, a large, privately owned firm under capitalism organizes itself bureaucratically, while a cooperative similar to an Israeli kibbutz uses self-governing coordination, and the production of a small-scale family undertaking is regulated by family mechanisms of coordination. Meanwhile, in all three cases, the unit takes part externally in market coordination with the sellers supplying it and the buyers purchasing from it.[9]

[7] In an earlier piece of writing (1984) I employed a somewhat different system of classification and made the assumption that it was comprehensive. A revision of that earlier position is signified by the typology described in section 6.1 and the assessment of it above.

[8] K. Polányi (1944, 1957) distinguished three basic modes of transaction and integration: reciprocity, redistribution, and market exchange. In his 1944 book he mentions also "householding" as a separate principle of activities. The classification applied by C. E. Lindblom (1977) is this: authority, market, and preceptorial system. Both approaches stimulated the development of my own ideas, but I felt it necessary to depart from them. The similarities are clear, but it is worth singling out and justifying some of the differences. Bureaucratic coordination is a broader category than Polányi's redistribution; similarly, ethical coordination is a broader category than reciprocity. Lindblom's preceptorial system does not appear to be a distinct coordination mechanism, rather a method available to any of the five mechanisms appearing in this book. Neither Polányi nor Lindblom features the self-governing mechanism as a separate class, yet it is not a special case of any other mechanism.

Only family coordination has existed in some form since the dawn of human civilization, but the other four also have very long histories. It is hard to agree with the predictions of those who foresee a secure future exclusively for one or two types, and to anticipate or hope that the others will wither away.[10] All five types look very robust and set to remain so. But that does not mean they will continue indefinitely to live peacefully and equally side by side. It is highly typical of change in social systems that one type should lose ground in certain areas of life while another one comes to the fore; while entwined with other types it actually squeezes them out. It is possible for a movement, party, or association based on self-government to become bureaucratized or commercialized. Bureaucracies may have their functions taken over by business undertakings, or vice versa: the function of a business undertaking may be assigned to a state authority. Examples of all these changes or proportions and combinations can be found in presocialist societies.

6.3 Bureaucratic Coordination

Under the classical socialist system, bureaucratic coordination is the mechanism applied most widely and forcefully. The other main types exist, but they are repressed and to some extent atrophied, whereas bureaucratic coordination reproduces itself continually.

Of course, this type of coordination exists under the systems preceding socialism as well. In the case of modern capitalism, it is prominent within the state apparatus, the armed forces, large firms, and other large organizations, and such partial bureaucracies can wield great power. Classical socialism, however, is the first system in history to merge these partial bureaucracies into a single entity embracing the whole of society. That constitutes an essential difference from systems with partial, unmerged bureaucracies.

Separate chapters of this book have been devoted so far to power, property, and coordination, the intention being to explain in more detail and from various angles a related group of phenomena. This is the point

[9] On the problems of the hierarchy within the firm and the market that links firms, see the writings of O. E. Williamson (1967, 1975). Furthermore, see the references in section 5.1, note 9.

[10] For instance, for some, all roads lead to the market; the bureaucratic mechanism is an aberration that history will eradicate one day. For others, the future belongs to self-government; sooner or later both bureaucracy and the market will wither away.

at which to emphasize that the undivided, totalitarian structure of power, the state ownership of the bulk of social production, and the dominance of bureaucratic coordination over other mechanisms are three closely connected phenomena. The power elite, hierarchically structured and sharing power with no other group, has the exclusive right of disposal over the state-owned means of production. Within its own ranks it eradicates other coordination mechanisms to the degree it is able and relies as much as it can on bureaucratic coordination. Relations between state-owned firms are not coordinated by the market, nor does self-government apply within them. Instead, the relations between firms are bureaucratically coordinated, and within the firms this brings right down to the workbench the same vertical system of linkages that governs the company itself. At the apex of the pyramid is the top man in the party and state; at the base are citizens who hold no function in the apparatus: the working individuals and the members of their families. A continuous, vertical chain of relations stretches from top to bottom.

The concept of a perfect hierarchy, in which each member has one and only one immediate superior, at least for a specific activity, has been defined clearly in the theoretical writings on hierarchies. The hierarchy of classical socialism is not perfect in this sense. Under normal conditions, one and the same individual or organization, or, more precisely, each clearly defined activity of that individual or organization, will be regulated and controlled by several superior individuals or organizations. Mention has been made already of the overlaps in the activities of the party, state, and mass organizations [→3.2, 3.3].[11] The party organizations and the party apparatus within them manage and supervise the activities of all other organizations and institutions. Moreover, there are functional and regional vertical chains within the party apparatus, overlapping and controlling each other. Party leaders at all levels employ the political police to check on the reliability of candidate functionaries, prevent all kinds of political association, and remove those who are politically suspect. All these precautions extend even to the party apparatus itself, and in that sense the party as such is subject to a degree of supervision by the political police, which is managed and controlled in turn by the party leaders and organizations assigned to the task.[12] The same

[11]On parallel apparatuses, see T. Dunmore (1980). Dunmore also cites H. Simon's observation that every part of a hierarchy has its own objectives and motives, and its own background of information; this creates separatism and conflict with other parts of the hierarchy.

[12]In the most excessive periods of classical socialism (for instance, the time of Stalin's terror), this went as far as extreme intimidation of the members of the party apparatus. It is important to note, however, that this is no inevitable concomitant to the operation of bureaucratic coordination under classical socialism. What undoubtedly is a characteristic feature of all classical socialist systems is the large part played by the political police in controlling and disciplining all branches of the bureaucracy.

duplication of functional and regional vertical chains, supervising and overlapping each other's activities, appears in the state administration. There the monitoring is done by special inspection institutions,[13] by the prosecution service, and by the political and economic police. There is a measure of control over the work of leading state and economic officials by the labor unions and other mass organizations, which can report any irregularity they find to a higher authority. Yet another network of control covers the general public on a residential basis. Every house or block has its appointee, who fulfills administrative functions (endorsing various permits, issuing or witnessing certificates) and observes what is happening on his beat.

At first sight this multiplicity of regulation and control seems dysfunctional, in that it can cause contradictory actions to be taken and conflicts to occur within the apparatus. In fact, it is quite understandable for bureaucratic coordination to be organized in this way. The cause is suspicion: no superior has full confidence in his subordinates. A well-known theory on how to build a reliable automaton out of unreliable components was put forward by John von Neumann:[14] the constituent parts must be multiplied. Redundancy within the system allows damage caused by any random unit malfunctioning to be prevented or rectified by another that chances to be functioning properly at that time.

The main direction of influence in the vertical chains is from top to bottom. A superior may issue a command to a subordinate, but not the reverse.[15] That certainly does not mean, however, that there is no influence at all exerted upward. To use the expression in Hirschman's theory,[16] there is "voice." The members of the apparatus at all levels, even the citizens at the very base of the pyramid who hold no functions, can make themselves heard by advancing proposals and criticisms. However, there are tight constraints on these. On no account may they concern the

[13]In the Soviet Union it was known for a long period as Worker-Peasant Inspection.

[14]J. v. Neumann (1956). Even the title of his paper points to the idea discussed above: "Probabilistic Logics and the Synthesis of Reliable Organisms from Unreliable Components."

[15]This is the main difference from self-government as a coordination mechanism. There the smaller decision-making body makes decisions binding on all the members (a downward influence). At the same time the member can mandate delegates to support a specific position in committee debate and make consistent representation of the member's position a condition for reelection next time (an upward influence).

[16]In his classic book (1970) A. O. Hirschman contrasts two kinds of feedback signal. If one wants to express the dislike one feels over the operation of the organization one belongs to, one can apply two feedback signals: the exit or the voice, that is, one exercises criticism, protests, and suggests changes.

basic principles of the system, the main political line of the party, or the overall economic policy expressed in economic plans. As for criticism of particular individuals, the danger of making it is proportionate to the height of the subject in the hierarchy and the depth of the subject's tolerance threshold. The situation varies by country and period, but one can say in general that criticism from below may be heard, although its voice is usually very feeble: the volume of discontent would have to exceed a critical lower limit to become audible or influential at all.

Staying with Hirschman's terminology for the moment, this ties in closely with the absence of "exit." An exit—opting out—is denied several times over to citizens under the classical socialist system. They cannot quit their jobs without leave from the firm or institution employing them [→10.4]. Should they receive permission to change jobs, they cannot in fact change employers, because with insignificant exceptions there is ultimately one employer: the state. It is extremely difficult to change one's place of residence, since this is impeded by administrative restrictions and the housing shortage. Party members cannot resign from membership; so demonstrative a step could easily jeopardize the peace of their existence, possibly their liberty, and in an extreme wave of terror their lives as well. But it is risky to resign even from the labor union, the youth movement, or any other mass or professional organization. The officials of the party, state, and mass organizations cannot resign to express disagreement.[17] Nor can the ultimate form of exit, emigration, be used: even an application would be dangerous. Of course, the preclusion, difficulty, or danger of every method of exit affects the voice, which is necessarily silenced or rendered far more timid. Thus the system denies itself the major factors of feedback from bottom to top.

6.4 Market Coordination

To show the place occupied by market coordination under the classical socialist system one needs to look at the entire flow of products and resources. Table 6.1 is a schematic input-output table arranged according to social sectors. The rows represent the suppliers of goods and resources (in the case of market relations the sellers) and the columns the consumers of these goods (in the case of market relations the buyers). The table is concerned only with the division of labor between two kinds of mechanism, bureaucratic and market coordination, since that is the comparison from which the role of market coordination emerges clearly.[18] The table is designed to be comprehensive. It also mentions, at least briefly, the spheres of input-output flows dealt with in more detail later in the book.[19]

[17]Max Weber [1925] (1978, chaps. 3, 11) described the kind of bureaucracy based on a parliamentary political structure and private enterprise. In that kind of bureaucracy the bureaucrats are personally free and only subordinate to a higher authority as far as their impersonal, official duty is concerned. Posts in the bureaucracy are filled under free contract, and the criterion for choosing the members is professional competence.

None of these features fits the bureaucracy under classical socialism. There is no free contract between the apparatus and its members that the official could terminate at any time of his or her own accord. If a post is assigned by the powers that be, it must be accepted. The main selection criteria are political reliability and loyalty to the superior, not professional competence. The control by higher institutions extends to every aspect of the lives of those on a lower rung.

TABLE 6.1
Input-Output Flow Between Units of the Social Sectors: The Role of Bureaucratic and Market Coordination

	Consuming Sector				
Supplying Sector	*1 State-owned Firms*	*2 Cooperatives*	*3 Formal Private Sector*	*4 Informal Private Sector*	*5 Households as Buyers of Consumption Goods and Services*
1. State-owned firms	B	B	B + M	0	B + M
2. Cooperatives	B	B	B + M	0	B + M
3. Formal private sector	0	0	M (with intervention of B)	M	M (with intervention of B)
4. Informal private sector	0	0	M	M	M
5. Households as sellers of labor	B + M	B + M	0	M	—
6. Allocation of investment resources	B	B	0	0	—

Note: The meanings of the symbols are as follows: B = bureaucratic coordination, M = market coordination, 0 = no transaction in this entry.

[18]Later sections of this chapter will return to the entries in table 6.1 in which other mechanisms play a part as well.

[19]There is one exception to this. Here there has not been any discussion yet of foreign trade [→14]. So the flow of goods between the country in question and other countries, namely, imports and exports, is not shown in table 6.1.

Entry 1.1 represents flows between state-owned firms.[20] This is ruled basically by the mechanism of bureaucratic coordination. The details will be discussed in the following chapter.[21]

Bureaucratic management of goods and materials is complemented by a few vestigial forms of market relations. If a firm is short of a means of production (material, semifinished product, component) it seeks to obtain, it will try bribing the representative of the supplier firm with favors, gifts, or even money. This effort replaces, in a distorted form, what would be in the case of market relations an offer of a higher price, except that the few officials involved in the transaction receive the extra, instead of the owner of the supplier firm. Factories often train a few staff expressly for dealings of this kind, who try to speed the flow of products toward the firm through aggressive intervention or corruption.[22]

The cooperatives differ little from the state-owned firms [→5.5]. In terms of the present subject the difference is immaterial. What has been said of entry 1.1 applies to entries 1.2, 2.1, and 2.2 as well, that is, to the flows between state-owned firms and cooperatives and among cooperatives themselves.

Where a formal private sector (craftsmen and retailers with a permit from the authorities and household farming) exists at all, those working in it are allowed to buy means of production from state-owned firms and cooperatives, within bureaucratic limits. Often they must pay a market price higher than the official price, or they are able to obtain the required inputs only through bribery. Accordingly, a combination of bureaucratic and market coordination applies in entries 1.3 and 2.3. With rare exceptions they are not allowed to sell their products to the state or cooperative sectors, as the zeros in entries 3.1 and 3.2 indicate.

Market coordination operates basically in entries 3.3, 3.4, and 3.5, that is, within the formal private sector, and in this sector's activities supplied to the informal private and household sectors. But except in entry 3.4, pure market coordination still does not apply, as official intervention is common, particularly in prices. This influence of bureaucratic coordination is referred to in the table in parentheses.

True market coordination applies within the informal private sector, and in sales by this sector to households and the formal private sector

[20]Sector 1 includes the state-owned firms under central government control and those controlled by regional bodies. For brevity's sake, no separate line or column has been given to the nonfirm, "budgetary institution" sector [→5.4]. What has been said about the state-owned firms applies to that sector as well.

[21]The exchange between state-owned firms is governed basically by bureaucratic coordination even when it takes place nominally as a purchase and sale accompanied by an account in money terms. This aspect will be dealt with in the next two chapters.

[22]These "expediters" are known as *tolkachi* in Russian economic slang.

(entries 4.3, 4.4, and 4.5). The informal private sector cannot supply the publicly owned sectors.

In entries 1.5 and 2.5 (where the seller is a state-owned firm or a cooperative and the buyer a household), a peculiar combination of bureaucratic and market coordination appears. For long periods in several countries, a part of the flows is governed by administrative allocation or a rationing system. The other part goes through conventional commercial channels, but, again, it is subject to a variety of bureaucratic influences, in the distribution of products among points of sale and in the setting of prices. Meanwhile households, as the buyers of consumption goods and services, behave like participants in a market transaction [→8.7, 12.6].

Entries 5.1 and 5.2 represent the sphere in which households are the sellers of labor and state-owned firms and cooperatives the buyers of labor. Once again, a peculiar combination of bureaucratic and market coordination applies [→10].

In general, the officially permitted, formal private sector is not allowed to employ outside labor. Where this is permitted, strict, very low upper limits are set. However, the table ignores this possibility (which is why entry 5.3 is marked zero).

It may be that a semilegal or illegal operator in the informal private sector will make use of outside labor (entry 5.4). Where this happens, market coordination applies.

Market coordination has at least a partial role in the allocation of labor, but investment resources ("capital") are allocated in the state and cooperative sectors through bureaucratic coordination (entries 6.1 and 6.2) [→9.2]. This sphere of allocation will also be considered in a later chapter. By and large, the formal and informal private sectors can make use only of capital accumulated out of personal savings. With insignificant exceptions, no private businessman can obtain either a loan or an outside source of finance, which is why there are zeros in entries 6.3 and 6.4.

From this survey it is clear that bureaucratic public property "attracts" bureaucratic coordination while private property and private activity "attracts" market coordination. This affinity between particular property forms and particular types of coordination is worth noting [→15.2, 19.4].

6.5 Self-Governing Coordination

Nominally, the mechanism of self-governing coordination exists in numerous spheres of the classical socialist system.

In politics the principle of "democratic centralism," laid down in the

rules of the Communist party, covers the basic ideas of self-governing coordination [→3.1]. This principle provides the operating basis for all mass organizations, interest-representing and professional alliances, and social associations.

The power of the state is built upon self-governing principles. The members of all legislative bodies, from the lowliest district or communal council to the supreme parliament, are elected. The administration of state is subordinate at every level to the elected bodies. The major economic regulations, including the national plans, are invested by parliament with the force of law. So formally it seems as if the voters who have elected the members of parliament are governing themselves with these regulations.

Of the organizations of the economy, the cooperatives count nominally as institutions of a self-governing nature, whose running is performed by an elected leadership.

Earlier chapters have pointed out that the actual coordination in all these fields is provided by the bureaucratic mechanism [→3.1–3.3, 5.5]. The key question in this respect is the dependence of the elected bodies' members. Who, in fact, do they depend upon: those who voted them in, or those higher in the bureaucratic hierarchy who pick them out before the election, put pressure on the voters, and confirm them in their positions after the election? The answer can be provided by direct observation. The former is the case if there is generally a choice between more than one candidate; if candidates canvass for support; if the candidates of those in power can be voted out, others can be elected instead, and the voters make regular use of this opportunity; and if in practice the voters recall elected leaders from time to time out of dissatisfaction with their work. The latter is the case if it is exclusively the candidate of those in power who can be elected and the official candidate invariably is elected in practice; if opposing candidates are forbidden to canvass the voters' support; and if a higher body dismisses an elected leader when it is dissatisfied with him or her.

Experience leaves no shadow of doubt that in practice the latter is the case under the classical system. This was not yet true under the revolutionary-transitional system, when the self-governing mechanism applied in many areas, albeit not universally or unfailingly. The revolutionaries really did elect representatives to the bodies of the revolutionary political movements. In many places and for some time after the revolution had been won, the bodies of the new state power were chosen in real elections, often amid violent political struggles between various political movements and factions. This, however, proved to be temporary. A society has made the transition to the classical system once politics have become bureaucratized, elections have become nominal, and bureaucratic

regulation has replaced genuine self-government. In this situation the "politician" and the "bureaucrat," as two separate roles, careers, and types of personality, become one. Those pursuing a professional political career are members of the bureaucracy; all bureaucratic activity is "politically activated."

Under the transitional system, voluntary cooperatives appeared, enjoying more or less real self-government. But these were transformed by forcible, mass collectivization and administrative establishment of rural and urban cooperatives into bureaucratically managed organizations very like state-owned firms.

Traces remain of the self-governing mechanism under the classical system. The role of "voice" and the emergence of proposals and criticisms from below [→6.3] adds up to the survival of some elements of the self-governing mechanism. But these elements are feeble, as stated earlier. The power structure of the classical system is fundamentally incompatible with the mechanism of self-government.

6.6 Ethical Coordination

This mechanism appears in a great many different forms. Our survey has been grouped according to the following principle: what motivates the donor?

The first group of motives is connected with political conviction: many are prepared to undertake deeds of selfless sacrifice for the party, the factory, and the country. Millions are ready to do unpaid voluntary work[23] in the factory or their part of town under the transitional system that follows the revolution. Townsfolk and students go to villages to help with the harvest. Doctors treat patients gratis, and actors perform before workers and peasants. These phenomena too are among the revolutionary-heroic features of the period.

This willingness later dies down [→2.4].[24] Where unpaid labor is done under the classical system, the cause is more often pressure than honest political enthusiasm.

What survives to a greater extent is sacrifice on behalf of a smaller community: voluntary work to provide a local kindergarten, school, or hospital, or to rehabilitate a playground.

[23] In the Soviet Union such voluntary, unpaid work was known as a "communist Saturday." Work of a similar kind was done with similar enthusiasm in China and other socialist countries.

[24] Times of war, when all peoples are prepared to make far greater sacrifices for their native land than they are in times of peace, constitute an exception to this general rule.

This leads to another group of motives: a high proportion of people are prepared to act selflessly or make financial sacrifices only because they are generous, concerned, and attentive to others. This kind of voluntary adaptation to others' needs, attentive gestures, and unselfish assistance often compensates for, or at least makes tolerable, the hardships caused by the frictions of rigid bureaucratic coordination. Its range of influence cannot be measured statistically, of course, but it plays nonetheless an extremely important part at work, in transport, when shopping, in the place of residence, and in all aspects of daily life. The significance of these spontaneous actions and gifts is all the more worth emphasizing because "charity" is looked down upon in the official ideology as something compromised under capitalism, since it sought to heal the wounds inflicted by exploitation with mere social remedies. Official moral teaching attaches no importance to petty, personal "good deeds." Instead, the emphasis is on respect for great sacrifices made for great causes.

It is worth mentioning at this point deeds based on mutual assistance and favors, even though they are not "pure" altruism. The manager of one firm will help the manager of another by supplying a component, for example, hoping that he can expect similar support next time. Friends will help build somebody's house, each one knowing he can count on similar assistance when he needs it. This reciprocity mechanism helps to fill the gap left by the frictions of bureaucratic coordination and the narrow scope left to the market mechanism.

6.7 Family Coordination

The family as a coordination mechanism proves to be the most robust of all. It survives the dramatic changes in the political and economic system to play a fundamental part in coordinating human lives and activities under socialism, just as it does under the presocialist systems.

There is ambivalence in the attitude of the official ideology and practical social, demographic, and economic policy toward the role of the family. On the one hand, its importance is emphasized. A great many opinions tending toward abolition of the traditional family forms became current in the revolutionary-transitional period. These are cast off under the classical system, where the dominant position is a conservative one that places many more moral and legal constraints on the family than one actually finds in the capitalist world of today. The household is organized largely on the basis of the family, to which the upbringing of children and organization of consumption are left to a great extent. (The latter is a very difficult task under the conditions of a shortage economy [→11, 12].)

On the other hand, strong tendencies toward constricting the role of the family and undermining its functional basis in certain important areas appear under the system. All the tendencies to be mentioned appear also under other, nonsocialist systems, in the developing countries following the capitalist road and in the industrially developed capitalist world. What distinguishes classical socialism here is the intensity, and in many respects the extreme force, of these tendencies.

1. A few exceptions notwithstanding, the socialist system appears in societies that have fallen behind in industrial development [→2.3]. So the family undertaking has played a large part before the revolution both in the villages and in the cities. The revolutionary-transitional system is accompanied by a land reform that raises the share of family undertakings in the economy even further. Later on, the establishment of the classical system involves an almost total elimination of the family undertaking.

From then on production is divorced from the family, apart from some vestigial forms (the narrow formal private sector and the broader but wholly or partly illegal informal private sector).

2. Forced growth [→9.5, 10.1] raises the demand for labor very rapidly, almost by leaps and bounds. Many men from rural areas who cannot find work in the villages are drawn by the rapid industrialization to industrial communities, and many are unable to bring their families with them. Most important of all, the employment of women increases extremely rapidly. Women are literally compelled by the family's financial circumstances to take employment. On the one hand, this change does help to give women more equal rights: the horizons and economic independence of women who go to work increase. On the other, it places very heavy burdens on women's shoulders: they still have to perform most or all of a housewife's and mother's traditional tasks, to which the work at her job is additional. As a result, new pressures are placed on family life, and the contribution of women to activities within the family inevitably falls.[25]

3. Another trend is closely connected with the previous one: a large number of the family's traditional activities are taken over by institutions (and to a lesser extent firms) under bureaucratic control. To a growing extent it is "large organizations" rather than the close family community that concern themselves with people from the cradle to the grave: the

[25]The breakdown of the existential bases of the traditional family (the elimination of family undertakings, the swift increase in the employment of women) contributes greatly to a rapid rise in the divorce rate.

day nursery, the kindergarten, the school summer camp, the hospital, and the old people's home.[26] A considerable proportion of the family's free time is spent not together but on organized activities tailored to age group and occupation, on outings and theater performances stipulated by the workplace, and on firm or office vacations. Some of the meals are transferred to the workplace canteen.[27] If the family standard of living rises, the next step is not to buy a private automobile as it would be in a household at a similar standard under the capitalist system; the purchase of private cars is restricted, and public transportation expands instead. Owner-occupied family houses at most remain customary in villages. In the towns people live in large state- or cooperatively owned apartment blocks. The vast majority of the new apartments are provided in housing developments made up of uniform tenement blocks. All these things together lead to a marked restriction of "private life," the sphere of activities coordinated by the family, and to an equally marked expansion of its opposite, the sphere of "collectivized," "institutionalized," "organized" activities coordinated bureaucratically.[28]

6.8 Spontaneous and Artificial Changes

Bureaucratic coordination already existed before the advent of the socialist system. During the course of history, partial bureaucracies, such as the armed forces, central management of the railroads, or protection against epidemics, were brought into being by state measures. Operation of the market at home and in foreign trade was assisted by central legislation; the legal compulsion to abide by private contracts was particularly important in this respect. There is central legislation on the legal aspects of the family community. It is central legislation again that provides legal guarantees for the activity of self-governing organizations. Finally and most important, the self-limitation of central state power is laid down in basic laws and constitutions.

But however great the role of the central power of the state, before the establishment of the socialist system it was *not* basically central decrees that decided what proportion of the coordination of society's activities would go to each main type; these proportions arose spontaneously during the course of history. They might be slowed down or speeded up by particular central measures of the state, but the measures did not decide the proportions.

It is unique in history for a central power to have intervened from above artificially by means of legal regulations in the development of society to decide that a particular main type, market coordination, should vanish, or at least be confined to insignificant positions, and replaced by centralized bureaucratic coordination. This was a fundamental change that did not occur spontaneously.[29] It was carried through by the central decisions of power, and by fire and the sword. It was then followed by numerous concomitants that arose spontaneously without any central decision expressly being taken: the atrophy of self-governing forms, the dwindling of enthusiasm for voluntary work for the community, and relegation of family and community life to a subordinate role. And there was another concomitant: a spontaneous self-generation, self-propagation, and excessive expansion of bureaucratic mechanisms that went beyond the expectations even of those who initiated and directed the epoch-making changes.[30]

[26]In fact, the official ideology of the system promises a much greater degree and extent of state provision in this respect [→4.3] than it is capable of providing. These partly unkept promises—chronic shortages of day-nursery and kindergarten facilities, hospital beds, and places in old people's homes—cause a wide variety of tensions.

[27]The Chinese commune went even further in collectivizing consumption [→5.5].

[28]Several passages in the rest of the book deal with family property and the economic role of the family, including that of women. These analyses clearly imply an examination of family coordination as well, even when the term "coordination" does not appear explicitly in the text.

[29]These two different paths of capitalist and socialist development are clear examples of the pair of opposites: "constructivist" and "evolutionary" development, in other words, the contrast between development of a man-made and a spontaneous order. These concepts were coined by F. A. Hayek. See F. A. Hayek (1960, 1973, chap. 1).

[30]Lenin [1917] (1969a, p. 473) wrote: "All citizens are transformed into hired employees of the state, which consists of the armed workers. All citizens become employees and workers of a single country-wide state 'syndicate.'"

Compare this to his exasperation in the circular letter of December 1921 to the heads of all central Soviet agencies: "It is necessary that an end should be put once and for all to the scandalous red tape . . . in your agency. My suggestion is that you pull yourself together at once. To confine yourself to formal replies and dispatches to other agencies also means breeding red tape and wasting paper." V. I. Lenin [1912] (1970, p. 423).