

RICH FAMILIES AND POOR COLLECTIVES: AN ANTHROPOLOGICAL
APPROACH TO ROMANIA'S "SECOND ECONOMY"

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INTRODUCTION: THE SOCIAL FOUNDATION OF SECOND ECONOMY

One of the cardinal principles of social anthropology is that social systems must be studied "holistically". The economy cannot be understood without discussing politics; and political life is intrinsically linked to a society's belief system. This paper applies the principle of anthropological holism to the so-called "Second Economy" of Eastern Europe. More specifically, it asks, "What does Second Economy as an economic phenomenon reveal about the nature of socialist society?"

I will argue that the Second Economy is distinct precisely because of its non-economic character. Where the First Economies of both Western capitalism and "actually existing socialism" (after Bahro 1978) are based on market relations and/or state bureaucracy, the Second Economy is governed by social and personal relations. These social relations arise out of household needs, personal obligations and anti-bureaucratic social networks, all of which exist within (or in spite of) formal organizations. When social and personal obligations succeed in impeding the goals of formal organizations, we in the West refer to this as "corruption". In Eastern Europe, party officials and social scientists will speak in terms of "dysfunctions", "survivals", "retrograde mentalities", or "nonantagonistic contradictions". In fact, both East and West are referring to a general problem: the way informal social networks affect the operation of formal institutions, enterprises and bureaucracies. The economic manifestation of this interaction results in what is now called "Second Economy". Second Economy in Eastern Europe actually encompasses a myriad of activities: private agricultural plots, illegal factory production, managers' "family

circles", illegal payments to procure scarce goods, and various forms of black market selling and speculation. This paper considers the way in which these diverse economic phenomena reflect the social and personal obligations of individuals and groups.

In opposition to the capitalist market and to socialist bureaucracy, the Second Economy is founded upon networks of social reciprocity. The intricate hierarchies of cash payments, connections and exchanges are not bureaucratically organized but chains of social linkages. Its various types of "colored markets" (black, brown, grey, etc., cf. Katsenlinboigen 1977) may be distinguished by the type of exchange carried out, but they also reflect differing types of social relations between buyer and seller. This paper argues that the relations of production, exchange and consumption in the Second Economy are structured by its social foundations. In short, this paper argues that the Second Economy is really a Social Economy.

To demonstrate its non-economic character, I begin by offering an integrated definition of the term "Second Economy". I then set forth some general postulates about Second Economy with particular reference to Eastern Europe and the Soviet Union. Some of these postulates may appear to be "common knowledge", but in specifying what the common knowledge is, we can help specify what should be subject to debate.

The second half of the paper focuses on the Second Economy in Romania, and especially the way Second Economy activities derive from social and personal relations. In particular, I will show how the "private sector" within Romanian agriculture can both support and subvert the way First Economy functions.

The Romanian example will help to illustrate a general conclusion about the nature of Second Economy in both socialist and capitalist systems: namely, that large formal institutions - private firms, state enterprises, bureaucratic organizations - can function poorly while those individuals and households who constitute these organizations can prosper. It is this paradox which makes the study of Second Economy crucially important for understanding modern societies - East, West and "South".

DEFINITION OF "SECOND ECONOMY"

Following Grossman (1977), Second Economy can be defined as any activity of production, distribution or consumption of goods or services which is (1) directed toward individual gain or (2) not organized by corporate or state enterprises or organizations. Such activities may be either legal or illegal. Second Economy can thus include any of the following types of economic activities:

- a) activities lying outside formal economic institutions but which are legally tolerated by authorities; for example, the private agricultural plot, unlicensed home repairmen, selling of used household goods to other individuals, etc. This legal aspect of Second Economy may be referred to as the **parallel economy**.
- b) economic activities which are partly or wholly illegal: theft of state/corporate property, unauthorized use of state/corporate funds, machinery, transport or labor resources; black market selling, graft, bribery, etc. This illegal form of Second Economy constitutes the **underground economy**.
- c) economic activities which are partly or wholly unnoticed or undocumented: household production, family labor, exchange of goods and services between kin, friends and neighbors; various kinds of gift giving and tipping. Such undocumented activities make up a **hidden economy**.

This definition is broad enough to include most of the Second Economy activities of both capitalist and socialist countries. Nevertheless, this definition excludes three types of economic activities found in most socialist countries. First, it excludes the legal private enterprises which exist to a limited extent in most East European countries (cf. Aslund's paper in this volume). Second, it excludes the numerous informal mechanisms needed to make socialist enterprises run efficiently (what Grossman 1982 calls "shadow economy"). Both these activities may require interacting with the Second Economy (e.g., to procure supplies on the black market) but they do not in themselves form part of the Second Economy. Finally, my definition excludes the administered distribution of scarce goods, services and privileges to high party/state officials (termed "the third economy" by Karol /1971/, as cited in Grossman 1977:25n).

The purpose of distinguishing three forms of Second Economy is to show that the more spectacular illegal activities are just one aspect of a larger and more complex system. In the Soviet Union, for example, the collective farmers' private plots are more significant than the illegal factories occasionally revealed by the press. Moreover, it is important to emphasize that the three forms of Second Economy are mutually dependent. Realizing gains from one sector may require the aid of the other two. For example, the collective farmer who sells produce from his or her private plot falls under the rubric of "parallel economy". However, the farmer usually needs the assistance of her husband or children to weed the crops and harvest them ("hidden economy"). To sell the vegetables in town, she will have to find someone to transport them. Perhaps a friend or relative will transport them in his private car, for which the peasant will offer a gift of, say, a pig ("hidden economy"). Alternatively, the peasant may have a friend who drives a state-owned truck; for a slight cash fee (or a pig) the friend will take her sack of vegetables to town together with his authorized load; this is a clear example of "underground economy".

Regardless of whether Second Economy appears in its parallel, underground or hidden forms, all three share a fundamental feature which distinguishes them from administrative or market ties: they are founded upon essentially non-economic relations of kinship, friendship, ethnicity or patronage. In his tongue-in-cheek description of trying to build a house in Hungary, Janos Kenedi (1981) emphasizes the manner in which the Second Economy is constrained by social relations:

"Money cannot buy quality - that would be capitalism. With us, human relations govern material ones. Nothing else can ensure that people will do what they're supposed to do...We must realize that between the completion of work and payment due, there stands a person" (pp. 50-51).

Second Economy is thus based on personal ties which cross-cut and may even subvert the formal cash nexus or the bureaucratic organization. Yet the personal nature of Second Economy does not make it conflict-free. Friendships and family linkages can be emotionally rewarding and materially helpful. The same kinds of relationships can also become mechanical, parasitic or exploitative. In other words, they can degenerate into purely economic relations.

Keeping in mind the socially defined nature of Second Economy, the following postulates emerge:

POSTULATES ABOUT THE SECOND ECONOMY

1. All modern societies have Second Economies. No society - neither capitalist nor socialist - has succeeded in substituting the rationale of the marketplace or the bureaucracy for ties of kinship, friendship, community, ethnicity and workplace. The existence of these ties does not mean that Second Economy is simply a "survival", however. The First Economy could not function without leaving "breathing space" for the social economy of households, informal networks and communities. Large corporate organizations, state enterprises

and bureaucracies create the conditions whereby supplementary social networks arise (Wolf 1966). For this reason, some form of Second Economy is inevitable in all complex societies. (As for the "primitive" societies traditionally studied by anthropologists, these could best be seen as having only a Second Economy; being dominated by kinship and tribal organization, primitive economies are the epitome of social economies.) Since every modern society has a Second Economy, the problem for the researcher lies in evaluating its scope and its relation to the First Economy.

2. In evaluating the significance of the Second Economy, we tend to be both ethnocentric and subjective. We are ethnocentric in that we tend to downgrade the importance of Second Economy in our own society while overemphasizing it in others. Hence, the U. S. economy is equated with its formal corporate institutions, while the Italian economy is perceived not in terms of "Fiat" but as "mafia". Third World economies are caricatured as burdened with "endemic corruption", while popular views of the USSR all insist that "it would collapse without the Second Economy."

Our ethnocentrism also shows when we try to explain the functioning of the Second Economy. We tend to picture it as "lubricating" the Soviet system, while we maintain that it "corrupts" our own.

We are subjective in analyzing Second Economy when we try to oppose it to an idealized First Economy. Where First Economy is depicted in formalized, normative or quantitative terms, Second Economy is the slippery, qualitative, harsh reality of daily life. In this sense, Second Economy comes to encompass all those economic activities which we cannot understand, cannot tolerate or cannot measure. It would be more productive to place both First and Second Economies as equal segments in a real economic system. It is a system

composed of formal institutions with organizational goals and of informal groups subject to individual needs and social reciprocity. The (formal) First Economy and the (informal) Second Economy each influence the economic system in different ways, since they are subject to different pressures and constraints.

3. First and Second Economies are intimately connected. This linkage can be both symbiotic and parasitic at the same time. The symbiotic (lubricating) function of Second Economy helps to increase the effectiveness of the national economy as a whole (e. g., the collective farmer's private plot supplies those foods that the state cannot or will not produce). At the same time, Second Economy's informal social networks can impede the efficiency of First Economy enterprises. This is because part of the Second Economy (the "underground" sector) operates by "expropriating" the funds, machinery, supplies, transport, fuel and labor time originally allocated to First Economy enterprises (O'Hearn 1982). Just as there is no corruption without bureaucracy, there is no Second Economy without a First. Janos Kenedi thus writes:

"We must not allow the state to wither away. It's the only one we have. And if there were no such thing as the state, it would have to be invented".
(Kenedi 1981:57)

4. Because their relationship can be at once symbiotic and parasitic, it is deceptive to compare the efficiency of First versus Second Economies. By its sheer theft of materials, machinery and labor time, the Second Economy can produce and distribute goods and services more cheaply than the First Economy. Moreover, certain activities in the Second Economy are not comparable with First Economy costs or efficiency measures (e. g., under-the-table payments to inspectors, or the way in which the thrill of participating in risk-taking endeavours may compensate for the lack of profit).

While Second Economy activity may be efficient in supplying otherwise unavailable goods and services, it also contributes to a social inefficiency by rewarding theft, cheating, cut-throat competition and crass materialism. This can be seen in the open animosity between urban dwellers and private peasants selling their goods in the open-air markets. The urban consumers accuse the peasants of price-gouging and egotism, while peasants deride the urbanites for neglecting the needs of the countryside.

Assessing the relative efficiency of First and Second Economies is further complicated by the fact that certain participants in the Second Economy have a direct interest in hindering the effectiveness of the First Economy. These individuals earn their livelihoods by connecting the two systems: the intermediaries, expediters, brokers and black marketeers. While virtually all citizens must deal with the Second Economy in some form, these particular groups have a niche within it: they thrive by actively inhibiting the flow of information so as to make themselves indispensable. It is in the interests of these "broker" groups to make sure that the First Economy is unable to fulfill societal needs. The activities of the broker groups serve to sharpen the border between First and Second Economies. It makes a comparison of their respective efficiency levels both difficult and deceptive.

5. The Second Economy in Eastern Europe is not "capitalist", nor is it a remnant of pre-socialist barter. (I avoid the issue of whether Eastern Europe's First Economies are truly "socialist".) Second Economy involves distributing goods through various types of markets (black, grey, brown, etc., Katsenlinboigen 1977), but these markets are themselves circumscribed by political limits and social networks. It is obvious that Second Economy activity involves risk-taking

entrepreneurs, but they are not capitalists. Their "capital" consists of information: knowing how to obtain accesses to scarce resources. Their "labor" is the cultivation and manipulation of extended social networks. The Second Economy thus operates on principles which differ from those of capitalist entrepreneurship.

For example, Hungary's Second Economy (after Kenedi's description) depends on (1) networks of mutual favors and (2) outright cash payments to those with whom one cannot establish social obligations. The usual procedure is to replace cash payments with personal relations, since the latter are more reliable, more effective and less risky than bribes, graft and tips. Kenedi's description contrasts with the gradual commodification of social relations under capitalism, or their bureaucratization under state socialism. The Second Economy seems to reverse these processes: the cash nexus is undermined, commodities become personalized, and administrative hierarchies de-bureaucratized. Second Economy thus has its own set of internal laws. It is not simply a free market "island" inside a restrictive economy, be it welfare capitalist or state socialist.

6. The extent of Second Economy cannot in itself generate a "verdict" about the state of the First Economy. Societies with relatively insignificant Second Economies may have First Economies which are highly productive or on the verge of collapse. Similarly, systems with extensive Second Economies (Denmark and Romania, for example) may exhibit considerable differences in the productivity of their First Economy enterprises.

7. No matter how wide its scope, the Second Economy cannot be reduced to "the essence of the system". Eastern Europe's economic system is actually an amalgamation of First, Second and Third Economies (the "Third" being the privileged goods

and services made available to high officials.) Each of these economic subsystems has their social counterpart. The First Economy is attached to the state bureaucracy under socialism, or to corporate enterprises under capitalism. The Second Economy thrives on relations of kinship, friendship and patron-client relations, or on payments meant to foster or perpetuate such relations. In the Third Economy, the bureaucratic and noncorporate organizations are consolidated into an elite group which receives privileges according to their place in the state/party hierarchy. All three economies and their social counterparts make up the larger system in which Second Economy operates.

To say that "the system would collapse without the Second Economy" misreads "the system" in two ways. First, it ignores the dynamic character of Second Economy and the manner in which the Second Economy reflects changes in society. Second, such statements fail to consider the parasitic effects of the Second Economy on the system as a whole. Economic systems persist both because of and in spite of their Second Economies.

8. The Second Economy is both a scientific and popular concept. Popular notions of "corruption" or "how the system really works" do not suffice to fully explain the system. In anthropological terms, these data represent "native" images of the system. To fully explain Second Economy, we must not limit ourselves solely to what the "natives" tell us about it. This is especially true for Eastern Europe, where disillusioned (albeit articulate and sincere) emigres furnish the West with much of our data about "how socialism really works". While not necessarily wrong, these accounts bear the cultural imprint of the "natives"; i. e., they are incomplete. What is required are scientific conceptualizations and systematic research which can truly test the relationship between the legal, illegal and undocumented activities which make up Second Economy.

THE SECOND ECONOMY IN ROMANIA

Linkages between formal and informal systems

In carrying out 24 months of ethnographic fieldwork in Romania between 1974 and 1981, I was compelled to establish my own network of personal ties and to interact with the Second Economy to procure various goods and services. The process of establishing informal connections initially struck me as confusing, exasperating and even corrupt at times. There was a never-ending exchange of favors, payments and social interchange which seemed to lock one into personal relationships even when one wished to break them off. "Friends" were those people who could "do things for you". If a friend was unable to help you, he or she was not a real friend. To use Wolf's terms (1966:12) friendship ties tended to be "instrumental" rather than "emotional". Despite my initial frustrations, however, my own network of social ties and mutual obligations widened. I began to realize that the confusion and exasperation brought on by the Second Economy could be converted into effectiveness and flexibility. Social networks could be utilized to procure scarce resources.

Romanians had various explanations to account for their oft-cited propensity for "wheeling and dealing". At the popular level there was a "functional necessity" argument. People insisted that without the Second Economy, they would be unable to obtain the basic necessities of life (meat, apartments, resident permits, particular jobs) not to mention its luxuries (Western cigarettes, personalized medical service, higher quality food products, a passport to travel in the West, etc.). In contrast to these popular explanations, Romanian party officials and social scientists tended to downgrade the importance of Second Economy. They saw it as a manifestation of a "Balkan mentality", a "legacy of Ottoman domination" which would gradually disappear. (Thus, Romanian words for bribery (*mita, ciubuc, bacüş*) were cited as being of Turkish origin).

Such explanations, while significant as "folk social science" or ideological cover, do little to explain the broader social significance of Second Economy: why do Romanians "get things done" in this way? Why is Second Economy in Romania so similar to Second Economy elsewhere in Eastern Europe, including those areas which were never subjected to Ottoman domination?

One commonality that Romania shares with the rest of Eastern Europe is the pervasiveness of formal-bureaucratic organizations which attempt to control access to key resources. The personalistic ties and social reciprocity which underlie Second Economy often conflict with the goals of the formal organizations. Yet they are also interlinked with these organizations. Most Romanians are quite aware of this dual relationship. There is a joke which states that the initials PCR do not stand for Partidul Communist Roman ("Romanian Communist Party", the preeminent corporate organization) but something else: *pile, cunoştințe și relație* ("connections, acquaintances and relations"). The first PCR is officially acknowledged as "the leading force" in Romanian society. Yet most Romanians insist that one needs the second PCR to get things done in the society. Their emphasis on the importance of informal networks does not mean that the formal bureaucratic structure - the Party and the organizations it controls - is irrelevant or unimportant. In fact, Romania's Second Economy could hardly exist without its linkage to state bureaucracy, economic enterprises or to collective farm organizations. It is this systemic linkage between formal organization and informal social networks which enables the Second Economy to penetrate East European societies generally, and Romania in particular.

What is it about the East European states that provides such fertile ground for their Second Economies? Their levels of development as well as their national histories are both too diversified; yet all share similar types of bureaucratic

institutions. Rigby (1977) has designated the Soviet Union (and by implication Eastern Europe) as "mono-organizational societies". In such societies, "nearly all social activities are run by hierarchies of appointed officials under the direction of a single overall command" (1977:53). Coordinating the numerous organizations "is itself achieved organizationally, i. e., through superordinate structures of command" (*ibid*). The mono-organizational societies contrast with the West, where a degree of societal coordination is achieved outside bureaucratic structures: through the market, through personal initiative, or via institutionalized competition among competing organizations. In mono-organizational societies, it is the organization which tends to monopolize access to key resources. Individuals within such societies can gain access to these resources only by utilizing their niche in the formal organization. This can be done by illegal appropriation (pilferage) or by using one's position to cultivate social networks, increase one's status, or extort cash payments beyond the wage. Such strategies are illustrated in this passage from the novel *Gorky Park*, in which the Russian hero peers out the window of his New York hotel room into a neighboring office building:

"The clerks on the next floor would pick up a phone, say no more than a word or two and set it down. In Moscow an office telephone was an instrument for gossip considerably provided by the state; it was hardly ever used for work, but it was always busy" (Smith 1981:368)

It is doubtlessly true that conflicts between personal needs and organizational goals also exist in the organizations of Western capitalist societies. However, when compared to Eastern Europe's mono-organizational societies, the West is not as dependent on hierarchical organization as an instrument of societal coordination. With the market and with a degree of sanctioned personal autonomy, Western individuals can amass personal resources (capital, influence) and can possibly "break free" of their constraining organizations.

Such possibilities are more limited in Eastern Europe: "breaking free" in a mono-organizational society would simply deprive one of what key resources existed. Hence, rather than breaking free it is "burrowing in" - putting the organization to work for you - which helps to maximize personal goals and fulfill social obligations within socialist societies. The structure of the formal organization meshes with the informal social networks and personal needs. The articulation of the organization, the social network and the individual becomes the social foundation for Eastern Europe's Second Economy.

Within Eastern Europe, Romania represents an extreme form of mono-organizational society. The country has a highly centralized Party apparatus which seeks to coordinate a wide scope of formal organizations in economic, political and cultural life. However, Romania's level of economic development is so low and the aspirations of the people so heightened by Party promises that these formal organizations are unable to fulfill societal needs for consumer goods, social services or informational resources. The organizations are overcentralized, their goals are too utopian, the plans overambitious, their execution inefficient and their monitoring lax. The inability of formal organizations to satisfy personal needs through organizational channels (due either to inadequate resources or their inefficient utilization) impels Romanians to procure these resources in non-organizational fashion. People exploit their niche within their respective formal organizations (workplace, Party organization, cultural group, residents' association, etc.); they cultivate social networks in other organizations; and they look for ways to earn extra cash. The linkage between personal needs, informal social groups, and ubiquitous but inadequate formal organizations thus enables the Second Economy to flourish within Romanian society.

Second Economy and Social Change

Without question, the extent of Second Economy has certainly increased in Romania. Consumer items once freely available can now only be obtained via bribery or special "connections". Other goods and services which had "traditionally" been confined to Second Economy networks - Western luxury goods, prompt medical care, quality home or auto repairs, foreign currency, contraband, etc. - are now much more expensive or require even higher social connections. In some cases, under-the-table payment in Romanian currency is no longer sufficient. Romanian money as a medium of payment has in part been supplanted by scarce items (e. g. coffee), Western currency or Western-made cigarettes. (Where payment in money might be considered either offensive or risky, carefully calculated "gifts" of Western cigarettes are less so. Cigarettes, like money, are anonymous, uniform and divisible into cartons, packs or individual pieces. Unlike Poland or Yugoslavia, Romanian citizens may not possess Western currency. Dollars obtained on the black market are given to foreign friends or authorized Romanians who then purchase desired items in special foreign currency shops.)

The increase in Romania's Second Economy activity is partly explainable by the country's economic difficulties. There are now severe restrictions on the import of foreign goods; domestic staples such as bread, meat, gasoline, soap and even toilet paper are either difficult to find or rationed in small amounts. Since rations are often inadequate, and since most people would rather avoid standing in line, Second Economy networks have formed to procure these and other scarce goods. This is achieved by gaining access to the items prior to their being distributed or prior to actual sale; this entails paying off or befriending the warehouse manager, transporter, storekeeper or sales clerk. Now these kinds of problems are clearly related to actual shortages of goods.

Many of these shortages could be alleviated by increasing production, eliminating bottlenecks in distribution, decentralizing and giving more leeway toward private initiative. Raising salaries would reduce the need to obtain extra cash illoylly, but would lead to more inflation, too. Stricter enforcement of existing laws would make bribery a more risky endeavour. A number of these measures have been attempted with a degree of success in other East European countries, notably Hungary and East Germany.

Yet the Second Economy is not solely a reaction to the scarcity of goods. In addition to simple scarcity, there has also occurred a change in the kinds of goods and services deemed valuable. This is partly a byproduct of the Romanian state's own propaganda campaigns. Its modernization drive has encouraged Western norms of consumption among the population, if not for the present, at least for the immediate future. With the material living standard of the West projected as "the good life", Western clothing, medicine, tape recorders or cars have become preferred markers of high social status. However, the state's optimism of the early 1970's has given way to an enduring economic crisis, continuing austerity programs and reduced consumption among the population. Paradoxically, the appeal of Western consumer items has not weakened. On the contrary, the more these items become out of reach for the general population, the greater importance they achieve as status markers for specific individuals. With the state-managed First Economy unable to supply such goods and services, and unwilling to even indicate when (if) they will be available in the future, the Second Economy has emerged as the safety valve by which Western status markers are obtained. To procure such items, Romanians must now find others who have been abroad as tourists or workers and who return with available hard currency or prestige items. Alternatively, they can befriend foreigners who can procure such items, gain illegal access to the foreign currency shops, or deal with black market intermediaries who establish

such connections. The means will vary with the specific item and the circumstances, but it is clear that Western norms of consumption have attained a high prestige among the general population. This has given a special strength to the Second Economy, for it is through the Second Economy that these norms are realized.

At the same time as Romanians were adopting a crass, Western style materialism, large amounts of unspent cash have built up among the population. With most women being full-time workers, and with married children often co-habiting with parents, many Romanian households have 2, 3 or even more full-time wage-earners. Once food, fuel and housing costs are paid, the remaining cash can be used for special purposes. In rural areas, these cash reserves are "invested" in one's children: supplying them with special tutors, giving expensive wedding presents of cash gifts, or buying them apartments or automobiles. In pre-socialist Romania, the peasants had used money to buy additional land. Today, extra money is spent to improve one's house, since farm land is held by the state and owning a second house is prohibited. Even more so than in Hungary (cf. Kenedi 1981), house building in Romania usually necessitates purchasing building materials, fixtures and skilled labor on black or grey markets, inasmuch as state apartments and factories receive priority in the allocation of these resources. In the urban areas, extra cash is channeled into purchasing cars, apartments, summer cottages or desirable Western consumer goods. During periods of acute shortages of staples, available cash will also be used to maintain prestigious consumer standards under adverse conditions; for example, serving high-prestige pork while other families may have to suffice with more mundane meats like beef or chicken. With most households having at least two wage earners and low basic expenses (especially if rural kin supply them with food supplies "at cost"), most Romanian families are not short of cash. Rather, they are short of ways to spend it.

These limitations on spending also tend to increase the importance of Second Economy. Romanian socialism formally prohibits private capital investment. Spending on consumer goods is complicated by the state's inability to satisfy the Western consumption norms of the population. Hence, cash reserves are invested into social resources such as one's children or grandchildren, used to consolidate one's social network by means of gift giving or conspicuous consumption, or spent on high prestige consumer goods available through the Second Economy. To procure these goods one must gather information and use social connections to find out where and how they can be obtained. The Second Economy thus becomes the mechanism for reconciling (1) formal limitations on spending, (2) Western norms of consumption and (3) the state's inability to satisfy these norms via its First Economy.

In addition to scarcity of goods, rising consumerist mentality and the cash reserves among the population, Romania's Second Economy has also been affected by the dynamics of socialist economic development, particularly the social and spatial mobility of the population. Industrialization and urbanization have generated a high degree of commuting from village to town and migration to large cities. This has served to extend the scope and alter the composition of social networks. For example, in pre-War Romania, marriage patterns were occupationally restricted, locally based and ethnically endogamous. Typically, the peasant's son married the daughter of another peasant in the same village or nearby; children of the urban bourgeoisie married each other; Romanian, German, Hungarian and Gypsy ethnic groups sought to prevent ethnic intermarriage, and so on. Postwar industrialization, urbanization and social homogenization have considerably altered these interaction patterns. The peasant's son has migrated to the city and married the worker's daughter. The son of the Bucharest doctor has married the daughter of the carpen-

ter, for both now attend university. Interethnic marriages have become increasingly common. In each case, the intermarrying families establish new kinds of social networks which can better utilize the social resources of Second Economy, or if need be, pool the needed cash. Thus, the doctor can now have his house repaired "at cost" by his son's father-in-law, the carpenter. The urban worker can obtain food products from his daughter's father-in-law back in the village. In the case of interethnic unions, most of Romania's German and Jewish minority and many ethnic Hungarians have relatives or friends in West Germany, Israel or Hungary. Ethnic Romanians who marry members of these minorities are thus in a better position to acquire resources available abroad: Western electronic goods, clothing, books, medicine, information. In addition, since the spouse's relatives might visit Romania, they could bring gifts with them or buy goods to give as gifts from Romania's foreign currency shops. The end result of these new kinds of spatial and social mobility patterns is that Second Economy resources become more extensive. Families with cash reserves or influential "connections" can trade these for sought-after skills, food items, services and housing for members of their social network.

Recapitulating, it can be seen that Romania's Second Economy has been affected by a variety of changes within Romanian society. These include the economic crisis, the scarcity of prestige goods, the spread of Western consumer norms, the state's inability to satisfy these norms, the large amount of cash reserves among the population, and the social and spatial mobility brought about by industrialization and urbanization. Taken together, these factors have enabled the Second Economy to penetrate into areas where it had once been absent, as well as inflating the actual size of Second Economy gifts and payments.

The folk concept of "efficiency"

Many Romanians have a tendency to idealize the efficiency of capitalist enterprises. Those who return from visiting or working in the West talk of high salaries and abundant goods, but they also mention the hard labor discipline and rapid work pace in the factories. This labor discipline and the pervasive competition become explanations for why Western goods are superior to those made in Romania.

Such folk concepts of efficiency are not without a degree of validity. Romania's First Economy, like those of East Europe generally, does indeed suffer from low productivity and inefficiency. These are the result of overcentralized organization, irrationally conceived plans, sloppy execution and misinformation within the planning apparatus (Hirschowics 1980:127-170, Sampson 1980, 1982). Nevertheless, the Romanian tendency to make direct comparisons between socialist and capitalist firms neglects crucial differences between socialist and capitalist systems. Set against their knowledge of what goes on in their own workplaces, Romanians tend to render an almost mythical level of efficiency to a firm like General Motors. It is "mythical" because the capitalist enterprise is perceived solely as a formal, rational organization with a unified set of goals. In fact, like socialist enterprises and large organizations generally, capitalist firms also suffer from dysfunctions and inefficiency. Most Romanians (and most of us in the West) fail to acknowledge these dysfunctions because they are so easily hidden by price adjustments or by our relative ignorance of how large private firms actually work.

Furthermore, the Romanians' popular conception of capitalist efficiency neglects the fact that General Motors has very different societal functions from those of its socialist counterpart. As a capitalist firm, General Motors is an

enterprise whose overriding goal is profit maximization. In pursuit of this goal, it is not required to keep unproductive workers on its payroll. "Society" takes care of them through unemployment or welfare systems. Like General Motors, socialist factories constitute economic units, but they are also organs of the state. As such, they must contribute to achieving the state's social and political objectives. To maintain a semblance of full employment, socialist factories thus retain large numbers of underutilized, unproductive or unnecessary workers on their payrolls, supplemented by various officials, inspectors, Party cadres and even athletes. Burdened by their social functions, it is hardly surprising that productivity and efficiency are lower in socialist factories than in corresponding capitalist enterprises.

The social nature of socialist enterprises has direct implications for the scope of Second Economy activity within Eastern Europe. The lower average salaries (spread between productive and unnecessary workers) give each worker more incentive to seek additional income through the Second Economy. The slower work pace in socialist enterprises gives the workers more real opportunities to carry out these activities. For example, Romanian work shifts (12 hours on-24 off, and frequent night work) give workers more flexibility to pursue other productive activities in their "free" time. Labor discipline in many Romanian factories and offices is notoriously lax. Workers can routinely leave their workplace for hours providing they have reached an "understanding" with their immediate supervisor. In East European systems, which are characterized by a "complete hierarchy" (Montias and Rose-Ackerman 1979), that is, systems where economic, social, political and control organs are meshed into a single organization, such "understandings" can grow to immense proportions. Inspectors, controllers, directors and even ministers can become involved in extensive networks of Second Economy production, consumption and exchange. Hence, while Romanians

may bemoan the inefficiency of their own First Economy, it is just these inefficiencies which enable the Second Economy to thrive.

The integrative and atomistic functions of Second Economy

Western residents and Romanian citizens often complain that no meat, eggs, coffee or other items are available in Bucharest's shops. Nevertheless, it is startling to see the number of Romanians who actually have meat, eggs or coffee in their homes. These items will have been obtained via networks of friends or kin employed in the shops, through colleagues at work, or from relatives back in the village. The cost of these items (in both money and in time spent locating the right "connection") is obviously higher than the official price. Yet by obtaining and conspicuously consuming such scarce goods, the Second Economy enables households and individuals to demarcate their social status vis a vis others. In order to acquire and consume such goods, an individual in a capitalist society need only have the requisite amount of money. In socialist Romania, one needs not only money, but connections as well. Offering coffee, meat or Western cigarettes becomes a status marker if such goods are unavailable on the organized market. Those who stand in line for coffee, meat or eggs are those who may have the requisite cash but are without the necessary social connections to bypass the line. That is, they are people whose social networks are restricted to a single social domain (housewives, pensioners), who are without important patrons (immigrants from the countryside) or whose networks are momentarily useless (Western tourists). These groups are compelled more than others to rely on the First Economy to supply their daily needs. In contrast, groups having wide networks, social connections, political influence, gate-keeper jobs or access to privileged information or resources from their enterprise can procure scarce items without having to stand in line.

In this way they furnish concrete (or directly edible) demonstration of their social connections.

Given the inadequacy of "socialist commerce" in Romania, status-affirming conspicuous consumption cannot be achieved by relying on the state retail network alone. To actually differentiate oneself from others, additional mechanisms are required. For the elite, this is achieved via the Third Economy - the special shops and quality services available to party/state officials. For the masses, social differentiation is realized via the Second Economy's mutual favors, expropriated state resources, and supplementary cash payments. The integrative nature of the Second Economy lies in its mechanisms for affirming social stratification: people are differentiated by economic standards (do they have the money to buy "X") and by social networks (do they have the connections to help locate "X" so that they can buy it).

At the same time that it provides an integrative scale for assessing social status, the Second Economy also atomizes the population. Competition for scarce or much desired resources sets people against each other. The integrative and atomistic functions of Romania's Second Economy do not go unnoticed by those in power. Officials and social scientists confidently assert that no matter how acute the shortages in the state shops, Romanians will be able to employ their social connections and use their links to the countryside to obtain food or other scarce items. In the face of ongoing austerity programs and rationing, the persistence of Second Economy only affirms their confidence: that Romanians are able to "get by", to "find a solution" (a descurca) to virtually any problem. It is this widely hailed ability to find short range individual solutions that partly explains the absence of (Polish-style) social protest in Romania; this despite an objectively worse consumer goods situation (Nørgaard and Sampson 1982, Sampson 1983).

On the surface, the Second Economy may appear to be a protest against those who administer the First and Third Economies. Yet this protest must not be romanticized, for the Second Economy is essentially a conservative force. It fosters widespread social dependence throughout society. It sets individuals against each other in the race to acquire and exhibit scarce goods or services. People's energies are focused on finding out how they themselves can obtain meat, rather than trying to discover why there is a meat scarcity in the first place. This particular kind of activity is quite encouraged by the authorities, for it is directed toward securing the individual a safe niche in the socio-economic "pecking order" rather than trying to alter that order. Ironically, though Romania is plagued by rampant shortages of almost every essential consumer item, no item is ever totally unavailable either! A myth is perpetuated that by knowing the right people or giving the proper payment to the right person, one can eventually obtain the new car, large apartment, Grundig video, Western record album, Bucharest job, Western tourist passport or whatever is the current status marker at the moment. As with other such myths, it is validated by its "success stories"; failing to obtain the desired item is attributed to individual shortcomings: the person "wasn't clever enough". Energies are thus channeled into "playing the system" rather than changing it.

Romania's Second Economy may indeed be parasitic for the functioning of First Economy enterprises. However, it fulfills essential stabilizing functions for the state: it integrates society through a single status scale; it atomizes the population, preoccupying them with the search for necessities, luxury goods, privileged services or for the social connections with which to procure these.

The private sector in Romanian agriculture

The Second Economy's synthesis of social status, personal

values and material goods is well illustrated in the case of private sector agriculture in Romania. "Private agriculture" actually encompasses two distinct forms of household production: individual household production in the highland zones and collective farm households (with private plots) in the lowlands. In the highland areas, there are totally uncollectivized households who raise cattle and sheep to produce meat, milk, cheese and hides. These mountain agriculturalists are not capitalist farmers but individual household production units within a socialist economy. These households can dispose of their product in four distinct ways: (1) direct consumption, (2) exchange with or gifts to kin or neighboring households, (3) sale on the open market or (4) sale to the state through contracts. It is normal for mountain households to combine these four modes of disposing of their product, because each has its advantages. Gifts to kin or friends in the city help create or stabilize social contacts. Sale on the open market obtains necessary cash. Selling to the state offers the possibility of obtaining low cost fodder (which cannot be purchased on the free market); this fodder can be used to raise more livestock. Though Romanian agriculture is 90% collectivized, the state has an advantage in maintaining private agriculture in the mountains because these zones are marginally productive, difficult to administer and costly to mechanize. By keeping highland peasants "private", and by letting them dispose of much of their surplus through the Second Economy (legally and illegally), the state manages to extract more surplus than would be the case had they been collectivized.

The situation is not free of conflict, however. The state is constantly seeking to procure more of the mountain peasants' surplus product and to prevent it from being consumed, exchanged or sold on the free market. The state's strategy is pursued through a variety of policies, laws and regulations: raising acquisition prices, reducing peasant transport costs by picking up state-contracted milk at their homes,

fostering competitions (with cash prizes) for the household or village with the highest amount of livestock deliveries, restricting the sale of livestock in the free market through animal registration procedures and by appealing to the peasants' moral consciousness to produce more for fellow citizens in the cities. Despite the variety of state incentives, there remains a delicate balance between the needs of the household and the requirements of the state plan. Confronting the state's numerous regulations, the mountain peasants utilize both First and Second Economies to maintain this balance in their favor.

The second form of private agricultural production lies with the collective farmers in the lowlands. Here the rural household constitutes the intersection of First and Second Economies. It is tied both to the formal organization of the collective farm and to the informal network of kin and neighbors in the community. For these households, the collective farm functions as both a workplace and as a resource. By fulfilling tasks for the collective farm workplace, the household can then avail itself of the collective's resources for its own needs. For example, the workplace obligations require each collective farmer to work 120 labor-days per year for the organization. Remuneration for this work is made in payments of cash, grain and fodder. Like the mountain peasants, collective farmers can use the fodder to raise livestock for household consumption, gift exchange, for sale on the open market or for sale to the state via contract. By working the minimum number of days, the collective farmer also earns the right to cultivate a small private plot in the fields. Produce from the plot can be consumed, sold or given away as gifts to important persons. If the plot is planted with fodder crops, the fodder can be "invested" into raising more livestock for the household. The collective farm provides the private plot as just one of the resources

which can help the household maximize its own economic objectives. Other resources may be utilized informally, as in the case of borrowing the collective's truck, tools or expertise; still other resources may be appropriated illegally, in the form of pilferage. Regardless of how resources are appropriated, the collective's dual functions (workplace/resource) give Romanian peasants a special relationship to the organization: they do not work for the collective but on the collective for their household enterprise.

A well-functioning collective farm is perceived quite differently depending on whether it is the state or the peasants who evaluate it. From the state's point of view, an efficient collective farm is one which produces maximum surplus for the state at minimal cost. For the collective farm peasants, an efficient collective is one which provides enough resources to maintain a well-functioning household enterprise.

In seeking to meet the requirements of both the collective farm organization and its component household units, Romania has encouraged collectives to institute a modified share-cropping system known as *acord global* (literally, "total piece-work"). Under this system, each collective farm member is assigned a specific plot of land for an entire growing season. The member cares for the crop and delivers the harvest to the collective, for which payment is made according to the cash value of the produce and as a share of the produce, plus any waste which can be used as fodder (e.g., leaves from sugar beets). How much labor time the member actually expends or who actually works the land are not the concern of the organization. Each plot is formally assigned to a specific individual; however, the land is often cultivated by entire household units: husbands after work, children on vacation from school, kinsmen visiting the village from the city can all be seen cultivating *acord global* plots

formally assigned to a wife, mother or aunt who is a member of the collective farm.

As long as the *acord global* system enables the household to maintain access to the collective's resources, both the household and the collective farm will prosper. This balance can easily be upset if, for example, needed resources could be acquired through alternative channels, if household consumer needs took priority over allegiance to the organization, or if households felt the collective was taking too much and returning too little to its members. At present there is a general trend in Romanian collective farms to replace payments in fodder with payments in cash. However, cash wages can be earned more easily and in greater quantity by working in industry. It is the fodder, used to raise livestock for the household's enterprise, which is the important resource. Lack of fodder payments has led some households to lose the incentive to work for the collective farm. Some members have resigned to work elsewhere, but where such alternative employment is unavailable (due to distance) or not possible (due to members' advanced age), the peasants have no choice but to regard their collective farm solely as a resource to be exploited, rather than as a workplace in which they should contribute their labor. Since the viability of the household enterprise is paramount, members avail themselves of the collective farm's resources "by any means necessary", substituting illegal appropriation for the lowered wage or inadequate fodder payments. The end result is that the collective farm fails to achieve its plan, or achieves it by such coercive means that it further alienates the membership.

In Romania and throughout Eastern Europe, we find the paradoxical situation whereby enterprises and collective farms do not fulfill (or barely achieve) their plans, but where citizens and households are apparently prospering. At its

base, this paradox represents the conflict between the requirements of the First and Second Economies. It is a conflict between formal organizations and their constituent social units. In Romanian villages, this conflict plays itself out as the dilemma of rich families and poor collective farms.

The origins of the First versus Second Economy paradox must be sought in the nature of the peasant household. Such households possess a vitality which is not subject to the dictates of the state planner or collective farm manager. Romanian peasant households do not act like formal enterprises but are founded upon a more substantive, social rationality. This social rationality is maintained by the personal ties, social obligations and informal networks which exist within and between formal organizations. It is the social rationality of the household which helps support "private" agriculture in Romania, forming one of the principal foundations of its Second Economy.

CONCLUSIONS: SECOND ECONOMY AND FORMAL ORGANIZATION

If we confine our analyses to the formally organized economies of East and West, we learn very little about the nature of individual households or the vitality of informal social networks. In order to discover these informal aspects, we must adopt a qualitative approach which places them on the same level of importance that we have traditionally rendered to the capitalist enterprise or the socialist organization. In doing so, we can discover exactly how units of the First Economy function as both workplace and resource for component workers or households. Moreover, we will be able to explain how a faltering First Economy can coexist with a vital and effective Second Economy.

It is the paradox of both socialist and Western societies that formal enterprises and organizations can be on the verge

of collapse while individual households prosper. This can occur even during periods of economic crisis: a general decline in living standard may be accompanied by a more subtle increase in social stratification. In socialist societies, this stratification can become a divide between those groups who have the connections (which obtain jobs, resources, extra incomes, scarce items) and those who are without these connections.

The implication of this analysis is that Second Economy activities - be they corruption, tax evasion, moonlighting, use of connections and "pull" - these activities are embedded within capitalist and socialist systems. They are embedded within these systems not because they are "capitalist" or "socialist" but because both contain large scale formal organizations. These organizations are unable to satisfy personal needs or fulfill social obligations. Because of this inadequacy, social networks persist or arise to fulfill these needs. Second Economy is the material manifestation of this social interaction.

Does this mean that it is impossible to eliminate the Second Economy from the fabric of modern society? Reforming the nature of capitalist or socialist societies would doubtlessly alter the forms of Second Economy. Making these societies more responsive to human needs and eliminating gross inefficiency or over-centralization would tend to limit the necessity of Second Economy in some areas. However, no feasible reforms could ever eliminate Second Economy altogether. To eliminate Second Economy would require a total subversion of its social foundations. It would require formalizing or bureaucratizing relations among kin, friends, workmates or neighbors, replacing social reciprocity and mutual obligations with the cash nexus or bureaucratic hierarchy. Recent history has seen several attempts to effect these kinds of totalitarian transformations. Yet none has ever succeeded, not even

in the most administered societies - not even in prisons.

Rather than seeing Second Economy replaced, what is occurring seems to be quite the opposite: a thriving Second Economy in the East, loss of faith and "corruption" in the formal institutions of the West. Because of its social foundation, Second Economy has the power to resist encapsulation by formal organization. Instead of being transformed or replaced by formal organization, Second Economy tenaciously "muddles through".

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