



TOWARD AN INSTITUTIONAL ANALYSIS OF
STATE SOCIALISM

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ABSTRACT

Twenty years of experience with economic reforms in Hungary and a decade of experimentation with reforms in China provide a critical mass of evidence for analyzing the problems endemic to centrally planned economies and the dilemmas faced in efforts to transform them. This paper surveys recent theories of state socialism and argues that the paradigms of totalitarianism and modernization theory are being replaced by a new perspective that changes the focus from ideology and technology to economic institutions and social groups. Whereas the earlier state-centered political sociology of socialist societies was preoccupied with party-state elites, research findings from the new perspective point to the relative autonomy of society as the activities of subordinate social groups place limits on the power of state elites. In reflecting on the Chinese and East European experiences, the paper traces a shift from conceptions of reform as a mix of planning and markets within the state sector to a mix of public and private ownership forms.

RESUMEN

Veinte años de experiencia con reformas económicas en Hungría y una década de experimentación con reformas en China proveen una masa crítica de evidencia para analizar los problemas endémicos de las economías centralizadas y los dilemas confrontados en los esfuerzos por transformarlas. Este trabajo considera las teorías recientes del socialismo de estado y arguye que los paradigmas del totalitarismo y de la teoría de la modernización están siendo reemplazados por una nueva perspectiva que enfatiza las instituciones económicas y los grupos sociales en vez de la tecnología y la ideología. Mientras que la anterior sociología política de las sociedades socialistas estaba preocupada con las elites del partido-estado, investigaciones basadas en la nueva perspectiva indican la relativa autonomía de la sociedad ya que las actividades de grupos sociales subordinados establece los límites sobre el poder de las elites del estado. Al reflexionar sobre las experiencias de China y de Europa del Este, el trabajo traza este cambio de concepciones: ya no la reforma considerada una mezcla de planeamiento y de mercados dentro del sector del estado sino una mezcla de formas de propiedad públicas y privadas.

Thirty years ago during the first years of de-Stalinization in their countries, young economists in Poland and Hungary began charting a new model of the socialist economy. Although the institutions of a command economy had been in place for less than a decade in Eastern Europe, it was already clear to many that the reality of central planning fell far short of the vision. Today in Eastern Europe and the Soviet Union many of the same problems of sectoral distortions, chronic shortages, low productivity, slow technological progress, and inefficient allocation of resources are being discussed once again and proposed solutions debated with renewed intensity. In Hungary, where reforms have stopped and started, zigged and zagged since the introduction of the New Economic Mechanism (NEM) in 1968, politicians debate whether lifting the brakes on the emerging private sector will solve the nation's economic crisis or only exacerbate inflationary and balance-of-payments problems. In Poland, where the activities of the world's largest independent trade union were curtailed by a military coup, General Jaruzelski and the Polish parliament propose a plebiscite to marketize the relations of purchase and supply among enterprises in the socialist sector. And even in the Soviet Union, where long-dormant efforts at complete de-Stalinization are only recently awakened and Mikhail Gorbachev's reforms are still more rhetorical than real, proposals for restructuring the economy are beginning to be translated into legislation.

Also thirty years ago, China experienced a period of relative liberalization. The debate about the merits of this opening to the intellectuals ("Let a Hundred Flowers Bloom") turned on how various factions of the Chinese leadership interpreted the policies of de-Stalinization in Eastern Europe and especially the events of 1956 in Hungary. The outcome was the anti-Rightist campaign against the intellectuals and the eventual disasters of the Great Leap Forward (1958-59) and the Cultural Revolution (1966-76). Today in China the limits of political liberalization are again being redrawn; and once again contending factions can use discussions about Eastern Europe as a basis for articulating policy preferences. Current debates, however, occur within a different context from those of the late 1950s as China, too, has stepped onto a road of economic reform. Largely in response to the perceived damages of the Cultural Revolution and mainly in agriculture, Chinese reforms were initially introduced in highly piecemeal fashion in 1978. But in 1984, after the establishment of a special reform commission influenced by the Hungarian experiences, far-reaching reforms were more systematically implemented. Thus in the current situation some segments of the Chinese leadership are looking to Eastern Europe (and to Hungary in particular) not for material as object lessons in morality

plays but for the economic lessons that can be learned about reforming a centrally planned economy. As a result, some of the same economists from Eastern Europe who were writing pioneering dissertations in the 1950s on new approaches to socialist economics are now being invited to China to engage in discussions with their counterparts about the prospects and problems of market reforms in socialist economies.¹

With the implementation of market reforms in China and momentum building for their introduction in the Soviet Union, reform of the socialist economy is no longer in an experimental stage. If the theoretical tools and alternative practicable models for reforming central planning were generated in socialism's periphery, they are now being introduced (or seriously contemplated) in some of its largest national economies. In world-historical terms, when decentralization and privatization give 10 million Hungarians more economic autonomy, the efforts are path-breaking; but when reprivatization gives more than 800 million Chinese peasants the right to manage their own production, the consequences are epochal. Far from belittling the importance of Hungarian developments, the magnitude of portending changes in China increases the significance of the lessons that can be drawn from Hungary's nearly twenty years of experimentation with reform. With reform on the agenda in the Soviet Union, and with the success or failure of Soviet and Chinese reforms sure to have major effects on international developments into the next century, an understanding of reform takes on added urgency. It is at this moment, then, that the length of reform in a country like Hungary and its breadth across settings as culturally and historically diverse as those of China and Eastern Europe provide a critical mass of evidence for analyzing the problems endemic to centrally planned economies and the dilemmas faced in efforts to reform them.

This essay takes the first steps toward such a comparative analysis by introducing new research on reforms in China and Eastern Europe. It examines work by economists such as Włodzimierz Brus and János Kornai, who have contributed to each stage of the reform debates in Eastern Europe and whose works are now stimulating much discussion in China, as well as by representatives of a younger generation of American and British economists, sociologists, and political scientists, many of whom report on field research recently conducted in factories, cities, and villages in China and Eastern Europe. We will argue that this research exemplifies an emerging new perspective in the study of state socialism. The new perspective, whose broad contours will be outlined in this essay, is developing as an alternative to the two major traditions—the theory of totalitarianism and modernization theory—that have dominated the specialized study of socialist societies in the postwar period.

Theoretical Antecedents: From Ideology to Industrialism

Initially developed to analyze the overthrow of the old order (be it through revolution or in the aftermath of war) and the rapid consolidation thereafter of new regimes, the theory of totalitarianism gave explanatory primacy to global ideologies, Leninist parties, and individual leaders.² In its classic expression, the totalitarian model portrayed the Leninist party as bent on establishing total control over Soviet society through mass terror and party-dominated hierarchies, destroying the boundaries between state and society and eliminating any autonomous social institutions and processes.

Less thoroughly entrenched in the study of Chinese communism, the theory of totalitarianism had enormous influence in the field of Soviet and East European studies molding the orthodoxy in Western scholarship between the late 1940s and early 1960s. The end of the Cold War and the changed academic climate during the Vietnam War in the late 1960s and early 1970s, however, produced the first critical assessments of the totalitarianism school. Within the totalitarianism framework, critics charged, the analysis of change in socialist societies was limited to the transition, however dramatic, from old to new order. The possibility that existing socialisms might evolve or be transformed was precluded in a theory that portrayed an atomized citizenry, a frozen society, and an immutable state. Moreover, it was argued, the analysis of diversity across socialist societies was limited to national differences in party leaders' interpretations of Marxist-Leninist doctrine. Similarly, the analysis of differences across social systems was confined to the contrast between communism's night and democracy's day, and hence the study of state socialism was unable to benefit from insights produced by theoretically guided transsystemic comparisons.

The search for an alternative framework began by accepting as given totalitarianism's account of the Leninist project as directed toward total control by the party-state over society but then went on to elaborate the unintended consequences of such a project. The typical steps in such an analysis can be schematized as follows. Having consolidated its position after a revolution, a ruling Communist party, to remain in power in contemporary historical conditions, must be devoted to economic growth. Such growth requires industrialization and the introduction of modern technologies, which, in turn, require a set of modern values and institutions at odds with the revolutionary enthusiasm, efforts at top-down mobilization, and attempts at totalizing control that initiated the chain of consequences. As Richard Lowenthal argued in a formulative essay,

the dilemma facing communist regimes was the irreconcilability of their twin goals of utopia and economic development. According to Lowenthal, "The very success of economic development tends in the long run to strengthen the forces of spontaneous, self-sustaining change, which are typical of modern societies everywhere, while making the cost of further imposed revolutionary change not only higher and more obvious, but less likely to be recovered by a new upsurge of enthusiasm."³ By extending the logic of modernization observed in Western societies to development in communist societies, Lowenthal predicted that as communist societies approached the level of development of the advanced industrial societies, the institutional structures of the former would inevitably change to reflect functions and values in line with a modern technocratic society. By analyzing how revolution and mass mobilization were giving way to routinization and institutionalization, the early modernization theorists in the field of communist studies viewed bureaucracy as, in a sense, a positive development: in its initial stages, modernization theory saw bureaucratization as the key step on the road to modernity. Later, with bureaucracy taken for granted, the introduction of modern technology and modern values became the defining feature of the process of modernization. Still later, analysts began to question the compatibility of socialist bureaucracy and modern technology. But regardless of the hypothesized link between bureaucracy, technology, and values, it was clear that modernization theory had altered the terms of debate from assertions about the "logic of totalitarianism" to discussions about the "logic of industrialism." Whereas the theory of totalitarianism had identified a totalizing ideology as the propelling force of communist society and focused on the party-state as the sole historical agent in the socialist system, modernization theory shifted the problem to that of the functional prerequisites of industrial economies in socialist states. At the same time, it focused analysis on modern technology and the values that were believed to be its necessary correlates.

The application of modernization theory in the Soviet field in particular tended to view industrialism as a set of technological imperatives. Not entirely unlike Marxism with its notions of "base" and "superstructure" and its technologically determinist tendency to view historical development as the unfolding of the "forces of production," this version of modernization theory defined the economy primarily as a set of technical relations and regarded other institutional spheres such as culture, education, and political participation as derived from the economic base. For many, the "scientific-technological revolution" would gradually but inevitably transform Soviet-style societies, as technological imperatives for greater openness and ease of communication would lead to the generalization of scientific values and the creation of more democratic institutions.⁴ The

key social actors in the modernization paradigm were everywhere the “intellectuals.” Intellectuals—variously described or delimited as “the scientific-technical intelligentsia,” “professionals,” “experts,” “engineers and technicians,” “technocrats,” “university educated,” and the like—were seen as the carriers of modernization and the principal agents of change. Within the framework, debate centered on the question of the impact of intellectuals on regime stability. Could the socialist intelligentsia, as some argued, be successfully incorporated at the highest levels and gradually enfranchised in intermediate staff positions to become the counterparts of the technocratic managers of the new industrial state? Or, as others claimed, would the posited antagonism of “reds versus experts” lead to an open battle between the two segments of the “new class” and thereby threaten regime stability?⁵ It was by analyzing the problem of the relationship between “intellectuals” and “bureaucrats” that modernization theory addressed the question of whether the eventual transition to full modernity would be disruptive or smooth.

In addition to applying the modernization framework from sociology and economics (associated with such figures as Talcott Parsons, Clark Kerr, and Walt Rostow), the comparative study of communist regimes was reinvigorated in the 1970s by the extension of pluralist theory from political science. “Interest group theory,” H. Gordon Skilling maintained, challenged the “concept of a totalitarian system in which a single party, itself free of internal conflict, imposes its will on society” with “an approach that took account of the conflicting groups that exert an influence on the making of policy by the party.”⁶ The consequence was a body of research on the party administration, the military, enterprise directors, and similar groups deemed influential by the new pluralist theory.

Thus dissatisfaction arising from the limited utility of the totalitarian model to explain change and diversity in communist societies stimulated interest in applying new conceptual developments in the behavioral sciences to the study of communism. Modernization theory, coupled with interest group pluralism, posited an optimistic framework of evolutionary change that, over the long run, would result in the inevitable death of the utopian goals espoused by revolutionary Marxism. Processes generic to modernization would work out their inexorable logic and remake state socialism after the image of the advanced industrial societies. The analytic tools for the comparative study of modern communism need not be taken from the analysis of Hitler’s Germany but could be applied directly from the analysis of other Western democracies because, in fact, the two systems were becoming alike. Whereas totalitarian theory had viewed capitalism and communism as polar opposites on divergent trajectories, modernization theory saw

existing socialism on an evolutionary course convergent with that of all modern industrialism.

Throughout the 1980s, researchers involved in the study of socialist societies have become increasingly dissatisfied with the reigning orthodoxies in the field, in part the shift to attempted reforms dramatized the lack of fit between the analytic problems constructed by the competing theories and those faced in the societies themselves. Contrary to the typical problematic of the totalitarian theory, in the current epoch reforming a socialist economy does not involve overthrowing a prerevolutionary order and consolidating a new one but, rather, transforming a long-established socialist order. Similarly, in contrast to modernization theory, the problem of contemporary socialism is not whether the elites of the Soviet Union, Eastern Europe, and China have modern values but whether their economies can be organizationally restructured.

The dissatisfaction with totalitarian and modernization theories, however, has gone much deeper than a simple charge that the appropriateness of the frameworks is limited to particular periods. The new perspective emerging in the field questions not only the application of the earlier theories to the contemporary period but also many of the fundamental assumptions of those paradigms. Taking the criticisms of the totalitarianism school as its starting point, it goes on to challenge modernization theory on several basic points. First, by projecting features of an idealized image of Western development onto their hypothesized socialist counterparts, modernization theory misuses the comparative method and consequently produces an inadequate understanding of the distinctive features of the economic institutions of socialism. Second, by limiting its examination of interest groups only to elite actors in or around official circles, modernization/pluralist theory unnecessarily restricts our analytic field of vision and precludes the possibility that social groups outside the state play a role in shaping society. Thus whereas the totalitarianism school attributed primacy to parties and ideologies and modernization theory saw technology and values as the keys to explain modern developments, the emerging framework focuses on institutions and social groups.

The Economic Institutions of Socialism

If modernization theory broke with totalitarianism's portrayal of communism as capitalism's polar opposite, its comparative methodology continued to analyze socialism in terms of the West. As the image of socialism's inevitable future, the advanced market industrial societies represented the "normal" case: the institutions of socialism could then be understood according to the degree of their conformity to or departure from this

standard. Initial criticism of this aspect of modernization theory came from a younger generation of scholars who, with preoccupations colored by experiences in the antiwar movement of the 1960s, looked for new terms of analysis. The problem with this revisionist scholarship was that the categories it tended to accept were often too ready-made, whether Maoist concepts of class, politics, and ideology to analyze Chinese society, or Marxist categories of modes of production and propertied classes to study Soviet-style societies.⁷ In part this approach reflected the dependence of the first wave of revisionist scholarship on communist documentary sources and the lack of access for field research in China or the Soviet Union. It also stemmed from the attempt to portray these societies through categories that were indigenous rather than imposed from outside. Like totalitarian and modernization theories, revisionist studies also had an ideological tenor. They tended to project an idealized view of social and political processes in communist societies. A series of new developments was required for Western studies of communist societies to reach maturity: the openings provided for field research in Hong Kong, China, and Eastern Europe and the intellectual influence of a new generation of Eastern European scholars on state socialism.

It is perhaps ironic that the light to guide a course out of revisionism's blind alleys came from inside state socialism, in this case from the East European social sciences. To East European social scientists both outside and inside state-sponsored academic institutions it had become increasingly clear that neither Marxism nor modernization theory could yield an undistorted picture of the complex reality of societies whose underlying dynamics were not those of "mature socialism," nor of "state capitalism," nor of some generic "industrialism."⁸ Conceptual developments in West European and North American social sciences were to be drawn upon only to borrow tools to analyze the distinctive configuration of institutional arrangements, not mechanically to find one-to-one correspondences (or to pinpoint areas of convergence) between capitalist and socialist institutions.

It was in Hungary, above all, that social scientists attempted to identify the distinctive institutional processes by which state socialism was stably (if inefficiently) reproduced. The mid- and late 1970s saw a wave of creative investigations covering almost every major institutional arena. These studies demonstrated, for example, that state socialist economies have business cycles but that their distinctive features are related to the ways in which enterprise directors "hook onto the plan" rather than to fluctuations in demand.⁹ Likewise, the socialist economy shows sectoral segmentation; but unlike capitalism, labor shortage rather than unemployment regulates the distinctive dynamics of the informal sector and the patterns of socialist labor markets.¹⁰ Patterns of

workers' shop-floor wage bargaining, regional development, housing inequalities, and social policy in the fields of education and welfare¹¹ were similarly examined within frameworks that, without apologetics, highlighted how these institutional arrangements differed qualitatively, rather than simply in degree, from their counterparts in Western Europe.

In this intellectual context of a search for concepts to understand patterns of institutional regularity and thus form the basis for genuine cross-systemic comparisons, the work of János Kornai occupies exemplary status. Kornai's doctoral dissertation, alluded to in the opening paragraphs, was completed in the summer of 1956 under the title "Overcentralization in Economic Administration" and published in 1957.¹² Based on field research in a number of Hungarian enterprises, the study has been described as the first examination of the socialist economy which "did not explain what the mechanism of the economy under central plan directives *ought to be*, but how *it did operate* in reality, and why it did not ensure the expected development and efficiency of the socialist economy."¹³ A model of rigorous empirical research, Kornai's work set the standard for a generation of young economists trained in the late 1960s and 1970s. Kornai's subsequent books, *Anti-Equilibrium*, *Rush versus Harmonic Growth*, and, most important, *The Economics of Shortage*, provided the theoretical breakthroughs that made possible the analysis of such phenomena as investment cycles, the second economy, and plan bargaining.

The significance of Kornai's theoretical breakthrough is that he showed how the same mechanisms that produced rapid economic growth in planned economies give rise, in the long run, to an economy of chronic shortage, hindering further economic growth. In Kornai's view, the problem of shortage is the central, unavoidable feature of planned economies. It is rooted in the budgetary constraints facing the socialist firm which are "soft" because the firm's survival and growth are not dependent upon its present or future financial situation. In contrast to firms operating in competitive markets in which sustained losses result in the firm's exit and profits generate the conditions for growth, firms in soft budget conditions can acquire resources and investments without demonstrating credit-worthiness or ultimately covering costs through the proceeds from sales. In other words, the socialist firm is not required to be sensitive to cost and price considerations, except as an accounting procedure. The paternalism that Kornai sees institutionalized in public ownership guarantees the firm's survival by the state regardless of its performance, and its growth is determined by central planners who allocate resources on the basis of bureaucratic procedures. Because budget constraints are lax, the firm has little pressure to use resources and investments efficiently. In fact, it often has every incentive to use

them inefficiently: rewarded for expansion and physical output, the socialist firm's managers seek to hoard and hide reserves and to maximize the resources and investments allocated to it. For this reason, the firm's demand for resources is theoretically limitless. This perpetual hunger for resources, in turn, gives rise to chronic shortages throughout the economy as firms pump the state for more workers, equipment, raw material, and investments irrespective of their financial situation or ability to use those resources efficiently. In terms of the systemic limits of production, on the basis of Kornai's analysis we might say that whereas the firm in a competitive market stops production at the point at which demand has ceased, the socialist firm keeps on producing at whatever the cost; it will stop only when it runs out of mobilizable supplies. The problem for the socialist consumer is that the chronic shortages produced by soft budget constraints lead firms to exhaust available supplies and resources before they exhaust consumer demand. It is in this sense that Kornai labels the planned economy "resource-constrained" at the macrolevel as opposed to the typically "demand-constrained" market economy.

Kornai's analytic strategy thus works by building up from a set of careful observations of the socialist economy and combining them with pointed contrasts of a comparative nature. Although the concept of soft budget constraint, for example, is clarified by reference to its market counterpart of "hard budget constraint," the complex processes (for example, managerial behavior such as hoarding, forced substitution, and plan bargaining) that can be explained with the ensemble of concepts around the notion of shortage are in no sense deduced or derived from the simple absence of hard budget constraints. The concepts of hard and soft budget constraints are analytically separable from those of market and planning per se. This distinction has important theoretical consequences in the analysis of reforms for, as we shall see, state ownership of large Hungarian firms can reproduce budget constraints that continue to be soft even when the firm is operating in a more decentralized and marketlike environment. Moreover, Kornai's schema makes it possible to reverse the direction of the conceptual borrowing that has for so long characterized the field of comparative economics as the concept of soft budget constraint has obvious applicability to certain sectors and industries in economies with predominantly market-regulating mechanisms.

In sum, Kornai's contribution to comparative economics has been to demonstrate that it is not only market economies that have an "invisible hand": the economies of state socialism, too, have self-reproducing institutional mechanisms.¹⁴ Such concepts as shortage and soft budget constraint give us a comprehensive model to explain their operations. Kornai's contribution to economics and the social sciences more generally has been to demonstrate that a rejection of the modernist assumption of neoclassical

economics does not mean that the analyst cannot construct a powerful explanatory model—one, moreover, with a high degree of formalization.

Kornai's careful attention to institutional features of the economy and his rigorous efforts at their formal modeling might once have seemed unlikely concomitants, yet it is precisely in this combination that Kornai's work resonates with new intellectual currents in American social science. Over the past decade, "new institutionalist" paradigms have been developed in every one of the social science disciplines, brought about in political science because internal developments in public choice theory undermined rational choice models lacking institutional constraints;¹⁵ in economics because market failures could not be explained with the standard analytic tools;¹⁶ and in sociology because efficiency models failed to explain economic behavior and patterns of organizational survival in the institutionalized sectors of the economy.¹⁷ These diverse "new institutionalisms" share a critique of the limitations of neoclassical economics, an emphasis on the interpenetration of economic organizations and social institutions, and a commitment to represent complex relationships in formalized models. These same traits, rather than an allegiance to any one of the particular neoinstitutionalisms, characterize the recent institutional analysis in the study of state socialism.¹⁸

With Kornai's analytic schema as a backdrop, much of this new work examines the economic institutions of socialism through systematic comparison. For example, in an innovative comparison of the foreign economic policies of the CMEA economies of Eastern Europe and those of the New Industrializing Countries (NICs) of East Asia, Laura Tyson demonstrates that foreign debt can have entirely different consequences when acquired to confront systemic shortages rather than to take advantage of favorable conditions in financial and product markets.¹⁹

Similarly, Ivan Szelenyi adopts a comparative analytic strategy to explore the relationship between markets and inequality. As does much of the new institutional analysis, Szelenyi's work shows the influence of the economic anthropology of Karl Polanyi as he adopts the Polanyian term redistribution to characterize the budgetary processes analyzed by Kornai. Under state socialism, inequalities in areas such as income and housing are produced and reproduced, Szelenyi maintains, by the redistributive processes of bureaucratic allocation. Szelenyi's contribution to the comparative study of social policy is the suggestion that in societies where inequalities are produced by the market, redistribution by the state will reduce inequalities. In societies in which redistribution is the dominant mode, however, inequalities can be reduced by giving greater scope to market mechanisms.²⁰

Victor Nee extends the Polyanyian concept of redistributive economy and Szelenyi's hypothesis that markets will reduce inequality in state socialism to develop a theory of market transition.²¹ Nee argues that the transition from redistribution to markets in state socialism results in net transfers of power and privilege from the redistributive class to direct producers, that markets provide efficient incentives for direct producers whereas the redistributive mechanism depresses individual-level incentives, and that market reform creates new structures of opportunities centered on the marketplace, eliminating the monopoly of the redistributive sector. Nee tests the market transition theory with Chinese data and opens up the prospect of theoretically driven comparative analysis across state socialist societies.

The idea that research should address institutional configurations rather than comparing particular elements was further developed by David Stark in his model of mirrored opposition to analyze organizational features of the capitalist and the socialist firm. In economies in which the firm operates in a market environment, Stark argues, systemic uncertainties regarding labor are reduced through internal bureaucratic rules. In the socialist economy, by contrast, where systemic uncertainties are produced by a bureaucratic environment, workers and managers respond through internal market transactions.²² Szelenyi's comparative schema challenges conventional views that markets necessarily produces inequalities; Stark's model suggests that the "internal labor markets" of the capitalist firm are a set of bureaucratic rules whose logic is more classificatory than transactive. Whereas modernization theory posited the West as the standard from which to gaze at the "other," in these and other studies the new comparative institutional analysis provides a vantage point from which to look back at the institutions of capitalism as the specific features of each system are revealed in their mutual contrast.

A Focus on Society

If familiarity with the work of scholars from state socialist societies has stimulated new concepts to analyze the economic institutions of socialism, so the opportunities provided by detente for fieldwork in the societies themselves have stimulated Western social scientists to analyze the social relations in which these economic institutions are embedded. No longer confined to reading party documents, official newspapers, and the writings of ideological leaders, social scientists could now directly observe behavior in natural settings and interview informants to understand their motivations, perceptions, and meanings. A new set of methods could be applied to understanding and explaining

patterns of social life and the workings of organizations. Village society could be richly documented by field researchers, who could interview informants or live with peasants observing and recording patterns of economic, communal, and political life.²³ From the village up, interviews with party cadres revealed a complex social world in which rural cadres acted within networks of exchange and obligation.²⁴ Fine-grained accounts of the labor process and factory management emerged from field observation, in-depth interviews, and examination of enterprise records. Seen from the shop floor, the picture of the state socialist factory was not one of despotism but an arena of bargaining and negotiation.²⁵ Survey research using probabilistic samples opened up the possibility for modeling the causal processes of occupational mobility, income determination, and mate selection in socialist societies.²⁶ Economists, for their part, gained access to detailed enterprise records which permitted a new microeconomics of the socialist firm. Detente also opened up new sources of macroeconomic data, providing economists and economic historians the opportunity to reconstruct the economic history of communist development.²⁷ Historians collected oral histories from participants in revolutionary movements and used previously unavailable archival sources to write local and regional histories.²⁸

In short, the result of new research methods and new theoretical models has been a profound shift in the kinds of problems studied in the most recent work on socialist societies. The new social histories, for example, are more likely to analyze the speech patterns of workers and peasants than the speeches of party leaders.²⁹ Similarly, though not ignoring the ideological categories of official proclamations, social anthropologists are attentive to how symbolic categories influence the negotiations of everyday life.³⁰ Whereas the modernization school once attended to the careers of the technocratic elite, researchers today can map the patterns of occupational mobility and income determination among several generations of manual workers and nonmanual employees.³¹ And whereas Kremlinologists traced changing cliques and factions from the lineup of party leaders on the May Day reviewing stand, the new sociology of socialist societies examines shop-floor patterns of clientelism and obligation on the assembly line and charts networks of reciprocity and friendship in the markets for houses and spouses.³²

Far from trivial, this close attention to spontaneous processes in the everyday life of factories, villages, and neighborhoods raises important theoretical questions about the sources of change in communist societies as it reveals significant spheres of social action outside the direction and control of the party-state. Earlier, of course, in arguing that even a "mono-organizational" society would have organizational infighting,³³ interest group

theory had challenged the view of a monolithic, undivided ruling class and stimulated research on the bureaucratic politics among competing interests within the elite. Building on this organizational emphasis, the new research in the field, however, studies how the dynamics of organizations are shaped by the actions of subordinate groups as well as by those of leaders and staff.³⁴ In place of pluralist theory's exclusive focus on interest groups within the bureaucracy, institutional analysis examines the activities of subordinate social groups within society.

If the shift to bringing society into the analysis of state socialism was facilitated by new research methods and new institutional models, the emphasis on subordinated groups such as workers and peasants was stimulated by events in Poland in 1980 and 1981. As millions of industrial workers and white-collar employees organized in Solidarity and their village counterparts joined Rural Solidarity, it was impossible to look solely to intellectuals as agents of change in socialist societies. Whether as a trade union defending the interests of those employed by the state, as a political party articulating policy options to the state, or as a social movement representing "society" against the state, Solidarity was the organized expression of transformative strivings from below.³⁵ Its defeat and current underground existence, however, do not signal the wisdom of the totalitarianism thesis or the payoffs of focusing on modernizing elites: the failures of the Jaruzelski government in the martial and post-martial law periods of the 1980s, no less than the limitations of the Gomulka and Gierek governments toppled in the preceding decades, can be understood only by studying a working class that was not allowed to make policies but was strong enough to veto them.

An analysis of the economic institutions of socialism requires careful examination of the ways state officials are limited by the resistance of subordinate groups. The Polish case is exceptional in the degree to which workers and peasants achieved an organized opposition. Elsewhere, in Hungary for example, the activities of subordinate groups are expressed less through formal organizations of a representational character than through networks of social organizations involving reciprocity and exchange. Outside the direct control of the central planners, the "second economy" is a sphere of increased maneuverability for subordinate groups. Its expansion not only limits the scope of action of state officials but also provides shelter to incubate new institutional forms.

Thus if the political sociology of the advanced democracies has been revitalized by attention to the "relative autonomy of the state" and by the analysis of state and party institutions as not shaped directly by class or societal interest groups,³⁶ the political sociology of state socialism is now moving away from its almost exclusive preoccupation with state and party organizations as its research findings point to the relative autonomy of

society and to the institutions in society that place limits on the scope of the state and on the power of state managers.

Remaking the Economic Institutions of Socialism

Our discussion now turns from broad developments in the study of state socialism to outline central problems of reforming socialist societies. First, we examine the problem of the transition from bureaucratic to market coordination. Specifically, we focus on the dilemma posed by attempting to carry out partial reform in which a mix of bureaucratic and market coordination is pursued simultaneously. Next, we examine reforms as redrawing the boundaries between the state and society and shaping new patterns of transaction, mediation, and bargaining across them. In particular, we focus on the shift from a conception of reform as a mix of plan and market within the state sector to a conception of reform as the transition to a mixed economy of public and private property forms with implications for the emergence of new social groups and autonomous social organizations. Finally, we introduce the political dynamics that give rise to cyclical patterns of reform and retrenchment.

Hierarchies and Markets

Just as the evolution of hierarchical organizational forms has been explained as a means to economize on transaction costs in capitalist economies,³⁷ so the shift from hierarchies to markets should be understood as a response to organizational failures in socialist economies. Kornai's soft budget constraint, for example, can be viewed as an organizational failure generic to centrally planned economies. Organizational failures in state socialism are rooted in the relationship between the firm and the state, that is, in the allocative processes of central planning. Public ownership, Kornai argues, fosters paternalism on the part of central planners. Ultimately responsible for the well-being of the economy and of the enterprises put under their care, central planners want organizational instruments that can allow them to steer production directly when necessary. The problem is that once the tools for central management are available, they tend to be used.³⁸ The hyperactive role that comes with public ownership and the resulting multitude of direct microinterventions on the firm have the effect of distorting the regulation of the firm's survival and growth. Moreover, central planners undertaking these interventions are disadvantaged in making rational allocative decisions because prices set

by bureaucratic procedures cannot convey detailed information on changing conditions.³⁹

These allocative inefficiencies of central planning led early reformers in state socialist societies to advocate incorporating the market mechanism into central planning. The socialist state would control the commanding heights of the economy, regulating the market mechanism by manipulating investment credits, amortization rates, depreciation allowances, interest rates, prices, wage structures, and other macroeconomic controls. With the correct mix of plan and market, the market mechanism would not generate spontaneous economic processes but instead would serve as an instrument to reduce the transaction costs of central planning. In short, early reformers believed that the most efficient governance structure for socialist economies was a combination of market and central planning. In the words of Brus, "The use of profitability as the main efficiency criterion and the basis of incentives is intended to foster rational management in production and exchange efficiency."⁴⁰

The outcome of market reform in Eastern Europe has been largely disappointing, especially in light of the early reformers' extreme confidence in the harmonious, mutually correcting duality of plan and market. Instead, partial reforms both perpetuated problems of the prereform economy and created new distortions and imbalances. As Kornai suggests, the naiveté of the early reformers was to believe that in combining central planning with the market mechanism, they could achieve the best of both worlds. They failed to consider fully the possibility that partial reform would result in the worst of both worlds. The command economy was replaced by a hybrid economy, which Kornai argues⁴¹ operates in a condition of "dual dependence" in which the economy is coordinated by both vertical bureaucratic and horizontal market relationships. The essence of dual dependence, however, is the continued dominance of hierarchical forms of coordination over the socialist firm and the debilitation of the market mechanism by persistent and pervasive bureaucratic microinterventions. Kornai's analysis points to the dilemma of partial reform, that despite giving a greater role to the market, all of the critical decisions—entry, exit, investments, prices and wages, output, credit—still depend more on processes internal to the planning governance structure than on the market. As a result, the problems of the soft budget constraint, shortage economy, and investment fever of the prereform socialist firm persist in the postreform economy. Kornai's analysis of the reforming socialist economy reveals the relative weakness of the market mechanism when confronted with an intact bureaucracy accustomed to controlling economic action. Whether the actual mechanism of bureaucratic control is direct or indirect, the effect on the firm is to weaken its responsiveness to the market and

perpetuate the conditions of inefficiency associated with central planning. Kornai concludes from the Hungarian experience of partial reform that without a decisive shift from plan to a structure of market governance, characterized by hard budget constraints and market competition, there can be no escape from the dilemma of dual dependence.

The transition from bureaucratic to market coordination in China's industrial sector, Nicholas Lardy argues,⁴² has proceeded far more slowly than the stated intentions of Chinese reform leaders would suggest. Though there are indications of a renewed attempt to carry out financial reforms in the urban-industrial sector, the urban reforms have clearly lagged behind the rural reforms, which have resulted in sweeping structural transformations. Despite the stated intention of reducing China's high investment rate of over 30 percent per annum, during the reform years the rate has remained at essentially the same level as in the past, indicating a continuation of the prereform reliance on resource mobilization for extensive growth. Intersectoral allocation continues to follow the essence of the Stalinist model in which the state procurement system sets the price of agricultural products at lower than market prices and in turn sells industrial products at higher than world prices through the state monopoly over sales of industrial growth. Unlike the Hungarians, the Chinese did not reform their price structure in preparation for market reform, but instead continued to rely primarily on a central price determination system. Not only does this undermine the potential for a shift to market coordination, but the disparity between domestic and foreign prices also gives rise to distortions in foreign trade. Chinese reformers have been unwilling to shift to market determined prices, despite the acknowledged constraint that an irrational price system has on reform, due in part to the political complexity and costs of an overhauling the price structure. Changing price structures can result in major disruptions to firms accustomed to hidden subsidies passed on through the price structure. In these crucial areas, argues Lardy, China has yet to go as far as Hungary and Yugoslavia in changing the governance structure from hierarchical to market.

The difficulties of bypassing hierarchies and shifting to market coordination point to the extraordinary staying power of established bureaucracies in charge of economic allocation. Kornai's view of the tenacity of the bureaucratic mode of organization echoes Weber's "iron cage" metaphor in which humanity becomes imprisoned by bureaucratic rationalization. Kornai asks: "What caused this tenacity? What is the explanation for the fact that the growth of bureaucracy is an almost irreversible process?"⁴³ There are distinctive aspects of reforming socialist economies that contribute to the tenacity of hierarchical modes of control. In a shortage economy, when markets cannot accomplish the mutual adjustment of supply and demand, bureaucratic coordination, argues Kornai,

becomes indispensable. Bureaucratic allocation encourages firms both to make exaggerated claims for resources to strengthen their bargaining position and to hoard, which when aggregated to the economy as a whole, is reflected in excessive or limitless demand, and therefore in permanent shortages. The existence and perception of widespread shortages in turn necessitate continuation of bureaucratic allocation. Moreover, the same bureaucracy trusted by reformers to implement market reform has strong vested interests in maintaining its power and prestige, which is based in its control over economic transactions. Contributing to a conservative bias, firms and individuals themselves develop vested interests in maintaining bureaucratic allocation. Lardy points to the hidden subsidies built into the price structure which redistributed profits among firms, locality, provinces, and ministries so that price adjustment are "fiercely contested." Subsidized industries are net losers when the rigors of the market determine the allocation of resources and investments. Similarly, workers are ambivalent about economic reform in that, while they may enjoy the greater range of personal choice and economic opportunities afforded by a mixed economy, they too have a vested interest in secure jobs and benefits, which are threatened if competitive markets impose hard budget constraints on firms, making the prospect of bankruptcy and job layoffs real threats to workers' livelihood.

Are markets and hierarchies incompatible dualities, fundamentally at odds with each other as forms of coordination in socialist economies? The distinction between bureaucracy as a control-allocative mechanism and the qualities of the modern legal-rational bureaucracy is the central theme of Martin Whyte's analysis.⁴⁴ Whyte points out that analysts often confuse the two distinct aspects of bureaucracy and bureaucratization. Bureaucratization in one sense refers to the expansion of hierarchical forms of control and allocation over spheres of social and economic life. In its other meaning, it refers to Weber's analysis of the rise of the legal-rational ideal type in the functioning of organizations. The abuses and inefficiencies associated with bureaucracy as a method of allocation and coordination are the foci of criticism by both radicals and market reformers in state socialist societies.

Whyte agrees with Alec Nove's view that there can be only two alternative forms of economic coordination in socialist societies, market and bureaucratic, and differs with those who conceived of the Maoist mobilizational approach as an alternative to central planning and market. Whether or not it is mass mobilizing does not alter the essential form of coordination if hierarchical rather than market forms are the dominant means of economic allocation. Thus despite Mao's avowed intentions of doing away with bureaucracy, the Great Leap Forward and the Cultural Revolution resulted in an

enormous expansion in the scope of human activity under the control of state regulation and allocation as private markets and autonomous social action came under relentless attack. During the Great Leap Forward and Cultural Revolution periods, coordination was pushed to its extreme pure form through mobilizational politics. The collapse of these Maoist reform efforts bears some resemblance to the aftermath of War Communism in the Soviet Union, suggesting the instability of pure forms of bureaucratic modes of coordination in the absence of the market mechanism.

Both Nee and Whyte concur that the post-Mao market reform has brought about a reversal in the ascendancy of the Maoist mobilization bureaucracy. The expansion of markets in the post-Mao reforms, Whyte suggests, has been accompanied by the reduction of substantive bureaucratic control over social and economic processes and the emergence of legal-rational modes of organizational functioning. Nee extends Weber's analysis of the relationship between competitive markets and bureaucratic rationalization to develop an institutional theory of changing state-society boundaries in China, showing that the process of establishing the institutional framework of a mixed economy generates pressures for bureaucratic rationalization within state socialism.⁴⁵ As the state withdraws from direct control over the economy, and as markets expand in scope and generate new entrepreneurial activity in the private sector, the state must adopt a regulatory role in specifying and enforcing rules and procedures within which economic actors operate and which define the limits of state power. Modern markets seem to require not only rules and procedures within the firm but also a legal-rational institutional environment in which firms and individuals coordinate economic activity within a mutually understood framework of action. Nee contends that the growth of competitive markets generates organizational dynamics that may result in greater reliance on legal-rational procedures and indirect macroeconomic regulation to economize on transaction costs.

In addition to restructuring the relations between firms and ministries in industry, reforms in socialist societies involve remaking economic institutions outside the state sector. Kornai writes that "it has been exactly the nonstate sectors that have brought the most tangible changes into the life of the economy." As with reforms in the bureaucratic sector, the expansion of petty commodity production has gone furthest in Hungary and China. In Hungary, dramatic changes have taken place among private household farms, many of which were originally set aside to help provide for the subsistence needs of cooperative members. Since the reforms of 1968, however, production for the market has grown rapidly, although not continuously, and the entrepreneurial character of petty commodity production can be seen in the sophisticated marketing network through which

Hungarian private farms sell their livestock and produce on foreign as well as domestic markets.

Similar market-oriented policies were introduced in China in the early 1980s, but the Chinese agricultural reform opened up new possibilities for private market production and exchange in the institutional context of a mixed economy. Whereas the private sector in Hungary is still based primarily on the relatively small proportion of land set aside for household and auxiliary plots, in China virtually all the arable land has been assigned to households to farm. Once peasants have met the assigned quota production for sale to the state, they are free to produce for the marketplace. Central to the Chinese strategy has been the state's emphasis on encouraging private investment in starting up small industrial firms in villages and small rural towns throughout China. As private household farms increased agricultural productivity, the surplus agricultural labor pool fed new labor markets opened up by the diversification of the rural economy. The increase in agricultural productivity has already resulted in the diversion of 20 percent of the total rural labor force—about 76 million peasants—from agriculture to village industry, construction, trade, transport, and other services in the rural market economy. Chinese labor economists anticipate that by the end of the century, another 100 million peasants will have left farming for other lines of private sector business. By 1986 nonagricultural production accounted for 46.9 percent of the total output in rural areas. In both China and Hungary changes in the nonstate sector have been so dramatic that they are leading to a fundamental transformation in thinking about the process of reform. Whereas for several decades debate centered on finding a harmonious mix of plan and market in the state sector, today in China and Hungary one is more likely to find economists arguing about the most advantageous mix of public and private property forms across sectors of the economy.

Redrawing the Boundaries of State and Society

The classificatory and organizational struggle over the changing boundaries of public and private, state and society, the political and the personal, is a characteristic feature of every modern society.⁴⁶ Redrawing the boundaries of the state is especially marked in societies with Stalinist or Maoist legacies in which, for longer or shorter periods, a concerted effort had been made to deny these boundaries altogether. The penetration of the state into all realms of life did not extend a public sphere so much as negate it, for without attachment to the party or one of its subsidiary organizations, no particular individual could make claims with any general validity. Yet at the same time, the

omnipresence of ideas about universal interest threatened to eliminate the particular as individuals lived in fear that the simplest particularity—a joke between workmates or an innocent remark on the sidewalk—could be interpreted as intending to convey a general comment. For the everyday citizen there was little space for politics because everything could be politicized and affairs of heart and hearth be treated as affairs of state.

In an important sense, reforms in a socialist society, even when they do not challenge the sacrosanct institutions of the Communist party or raise the issue of political democracy, always involve a reconceptualization of the relation between particular and general interests. At a basic level, genuine reforms legitimate the particular—in the sense that particular interests can have validity without being expressed in immediately universal terms. To take the problem of enterprise autonomy seriously, for example, means that an enterprise director can legitimately justify a decision on the grounds that it is good for his firm. He might go on to make a link to general interests, adding that if it is good for his firm, it is good for the country; but that is quite different from the earlier situation in which the argument from the central planners usually ran the other way around: since it was good for the national economy, it followed that it would be good for the firm. Similarly, legalization (as opposed to mere toleration) of private ventures involves a legitimization of particular interests.

Thus remaking the economic institutions of socialism involves redefining the conceptions of interests and redrawing the boundaries of state and economy as well as of state and society. Nee, for example, documents how Chinese state elites at the beginning of the 1980s devoted considerable organizational resources and propaganda instruments to persuade local-level party cadres to regard the pursuit of private profit by rural entrepreneurs within their jurisdictions as legitimate activity. Entrepreneurship, they argued, could contribute to public goals by promoting economic growth and, in villages or provinces with surplus population, by providing new workplaces for the underemployed. This policy called for new measures to alter both the frequency and the type of exchanges that occur between cadre and peasants at the state-economy boundary requiring a modification from the open or porous state-society boundaries of the Maoist mobilization era (in which the penetration of society by the state can also be seen as a penetration of the state by society) to a system in which state and society are insulated from each other to a greater degree. In the new arrangement cadres, ideally, are not mobilizing but monitoring behavior in the economy. Nee's study of state policy toward rural entrepreneurs thus provides a specific illustration of Martin Whyte's more general argument that reforms that increase bureaucratic procedures in the internal administration of the state can reduce bureaucratic intrusion in the everyday life of society.

But the state-society boundary is not only redrawn by state policy makers; it is also reshaped by society, that is, by the activities of peasants, manual workers, and other employees who are not functionaries in the bureaucracy. Stark's analysis of Hungary's second economy, for example, demonstrates that subordinate groups in socialist economies can create and maintain spheres of activity that are relatively autonomous from the state.⁴⁷ In the late 1960s and throughout the 1970s, the second economy expanded because peasants and workers did not wait for the government to pass new legal measures before venturing into activities in agriculture, construction, and repair. Because many did so, they opened wider the border zone of the "not illegal," forcing the state to tolerate activities that were once illegal but were not yet legalized. Stark's analysis of the politics of the shop floor similarly points to the strategic actions of workers who attempt to enlarge the zone of limited but significant autonomy that is produced by the systemic uncertainties inherent in the production process of a socialist economy.

Ivan Szelenyi's important contribution to bringing society into the analysis of state socialism is to suggest that it may now be appropriate to speak of an embryonic "civil society" in Eastern Europe.⁴⁸ The scope and the depth of such relatively autonomous spheres are not, of course, uniform throughout the region. Moreover, the roads to a civil society and its eventual character can differ fundamentally, as Szelenyi's comparison of the Hungarian and Polish cases demonstrates. If the term *civil society* is not to be used capriciously, it must refer to the self-organization of society, and in Hungary Szelenyi finds such activity in the economy. It is above all in the second economy, whether in the dense network of exchanges outside the state enterprises or in the semiautonomous units spawned by the second economy inside the official enterprises—that Hungarian society is organizing (and not of course without limits) its affairs. The Polish road to civil society, by contrast, bypasses the economy as institutions such as Solidarity or independent publishing houses have sought to create an autonomous public sphere within the polity. Although Szelenyi does not use Albert Hirschman's terms,⁴⁹ it is as if Hungarians through their second economy have taken the path of "exit" whereas, through Solidarity, Poles have attempted the avenue of "voice." In such a scheme, East Germany, with its strategy of rationalizing an unreformed economy without an embryonic civil society, represents the path of "loyalty."

In his comparison of East European economies, Szelenyi concludes that the Hungarian trajectory toward a socialist mixed economy is the most likely course for a transition to "intensive" economic development. Such a mixed economy cannot occur through the simple quantitative growth of the second economy. In order to speak of a genuine mixed economy, privately owned productive units must be motivated and able to

expand their operations. From their current aims of supplementing income, existing second economy producers would, in a mixed economy, calculate with an aim to accumulating capital. Such a development requires a double ideological shift as state functionaries must eye private producers with less suspicion and private producers must have some confidence that the state will not expropriate their businesses. Nee's analysis of China indicates that these obstacles are enormous but perhaps not insurmountable. Stark's analysis of Hungary suggests that the institutional prerequisites for a mixed economy are a wide range of intermediate property forms. Rather than a strict dividing line between private and public (in which the private always needs to fear expropriation if it should grow too large), such a framework might encourage the private entrepreneur to grow—provided that the private unit grows into an intermediate form. Similarly, private individuals would be able to own stock in public companies and state firms could hold shares in private ventures. The boundary between public and private sectors would thus be crisscrossed by multiple strands of joint ownership forms and related leasing arrangements. The legalization and institutionalization of a private sector in a socialist mixed economy might, in this sense, have the paradoxical effect of reducing the dualistic character of the present-day economic structure of state sector and second economy. Redrawing the boundaries between private and public, between state and society, need not entail making them more distinct and clearly defined but may mean widening the boundary zones and blurring the distinctions.

Politics of Reform Cycles

The history of market reform in socialist economies has been marked by cycles of decentralization and centralization, expanding markets and restoration of hierarchies, and alternating periods of reform and counterreform. From the 1960s to the present, reforms in Eastern Europe have taken a zigzag course of initiatives and retrenchment. Stimulated by the post-Stalinist climate of greater flexibility and openness to change as well as by anxiety over the loss of dynamism under central planning (reflected in the downturn in the rate of growth of the Czechoslovak economy in 1963), a wave of reform fever swept through Eastern Europe in the mid-1960s infecting even the most deeply conservative regimes such as the German Democratic Republic (GDR) and the Soviet Union. With the exception of Hungary and Yugoslavia, these reforms proved to be short-lived, and by the 1960s, retreat from reform policies was in full progress, as central planning bureaucracies reasserted their dominant control over the economy. Such was the fate of reforms in the GDR, Czechoslovakia, and Bulgaria. Reforms in Poland, halfhearted at best, were

derailed after the 1970 workers' rebellion resulted in the overthrow of Gomulka, though attempts were resumed in 1972-73. By 1975 reform measures were tabled under the pressure from Poland's rapidly deteriorating economic conditions. Only Hungary and Yugoslavia retained the basic features of the reform programs, though the efforts in these countries also fell short of reformers' expectations.

In China developments in the 1950s and 1960s also reflected dissatisfaction with the Soviet-style central planning model. In contrast to the East European reforms, however, the Maoist Great Leap Forward and the Cultural Revolution experimented with mobilizational approaches in the attempt to adapt the Soviet-style command economy to Chinese conditions. Both the Great Leap and the Cultural Revolution ended in economic as well as political failures for Mao. Significantly, Chinese market reformers emerged in response to perceived organizational failures of the Maoist mobilizational approach to economic growth. Both sources of opposition to Mao's economic policies, central planners and market reformers, joined hands in the reform coalition that sought to restore economic efficiency and normalcy in the aftermath of the failed Cultural Revolution.⁵⁰ Like the Eastern European reforms, the current Chinese market-oriented reforms appear to be following a cyclical pattern of development. In striking ways the early years of Deng Xiaoping's reform were similar to Mao's trial and error approach, which like the start of current reform lacked a prior blueprint or clearly charted course of action. This open-ended process of economic reform has allowed the Chinese greater flexibility and creativity in the implementation of their reform.

As Cyril Lin points out the Chinese reform follows a logic in which the politics of reform cycles pushes reformers to assume more radical positions, while more conservative reformers and hard-line opponents pressure for retrenchment, establishing a dialectics of reform that alternates between retrenchment and radicalization.⁵¹ By bringing firms under market pressure in which some will fail, genuine reforms can produce a constituency for reversal. As Ellen Comisso has illustrated with her analysis of the Yugoslav case, hierarchical arrangements give rise to pressures for decentralization and market alternatives, while competitive markets stimulate demand for protectionist measures or hierarchical allocation of resources on behalf of threatened firms and sectors of the economy.⁵² Thus the underlying dynamics of reform in Yugoslavia is the oscillation between plan and market in which initiatives in one direction set off political pressures to correct for resulting imbalances by resorting to the alternative coordinating mechanism.

A central contradiction of reform efforts in socialist economies derives from the reform leadership's failure to cut back sharply or dismantle entirely the bureaucracy that

managed the command economy. This is largely because inherent in any reform effort is the fear that the reform may fail to realize desired results. The difficulties and uncertainties of changing a pricing system, or moving away from wage regulations, or imposing hard budget constraints on firms and thus risking plant closures and large-scale layoffs of workers have a conservative influence on reform leaders. To minimize the risk of failure, reformers tend to move gradually in carrying out organizational reforms that are aimed at sharply reducing the size of the economy bureaucracy. Moreover, the political coalitions required to get reform on the agenda may require compromises with more conservative party and ministerial factions. The compromise means that conservative factions remain within the ruling coalition monitoring the reform process, posing a political threat to the reform if turbulence, whether economic or political, appears, which is almost inevitable. The presence of conservatives within the reform coalition and the ready availability of the prereform economic bureaucracy, which only requires reactivating from its dormant or reduced state, suggest that the reform faction is always vulnerable to political opposition from conservatives or hard-liners who were skeptical about reforms in the first place.

In a one-party Leninist state, without competing political parties, there is little scope for open debate to ensure thoughtful consideration of alternative visions, programs, agendas, and public policies. Progress and successes in reform typically have no secure institutional basis or guarantees. "Those groups in society which are interested in the reform do not articulate their interests," argued Erzsébet Szalai on the basis of the Hungarian reform experience, "they are isolated from each other, they have no autonomous institutions, and within existing institutions the positions of those who represent them are vulnerable."⁵³ The reform opposition, on the other hand, is entrenched at all levels of the party-state; moreover, the decision to recentralize is invariably made at higher levels of the party where organizational boundaries are closed to societal influences.

Some analysts believe that the concentration of political power in a Leninist party-state without electoral accountability and public scrutiny seriously complicates, if not ultimately jeopardizes, any attempt at market reform. There is no political penalty for failure in the absence of genuine opposition parties capable of mounting political challenges through electoral politics. Thus, for example, despite Deng's admission of more than two decades of economic and political failures under the leadership of the Chinese Communist party before the current reform, the same political party that was responsible for a dismal record of failures still presides, unchallenged, over the reform. Włodzimierz Brus argues that without the capability for autonomous economic decisions, neither the firm nor the bank is capable of making investment decisions on the basis of market

considerations; instead they are subject to the potential or actual microinterventions of the local party organization, thus imposing political priorities on economic transactions.⁵⁴ Brus, Whyte, and Lin thus contend that the Leninist state is the main obstacle to remaking the economic institutions of socialism.

In marked contrast, Susan Shirk argues that it is precisely the concentration of power in a few top leaders in setting the reform agenda, shaping the reform ideology, and managing conflicts in subordinate agencies that provides the tools to manage the implementation process.⁵⁵ Far from an obstacle, the Leninist state is the instrument of reform. To support this position, Shirk notes that although reform in Hungary and China has not brought about a decisive shift from bureaucratic to market coordination, we should not lose sight of the larger cumulative trend across cycles toward the increased role of the market mechanism in these reforming socialist economies. Shirk points out as well that the "minicycles" of decentralization and centralization in China reflect temporary compromises and adjustments, not the abandonment of reform. The success of reform is to a large extent dependent on the political skills of top reform leaders such as Deng Xiaoping and Zhao Ziyang in proceeding cautiously with the reform agenda, compromising when faced with stubborn bureaucratic opposition, and artfully building consensus to sustain the reform through its various minicycles. In East Asia, as illustrated in the cases of Taiwan, South Korea, Singapore, and to a more limited extent Japan where the LDP party has ruled uninterruptedly since the Allied Occupation, market economies have thrived in states governed by a single dominant political party. If China remains a one-party state, which it is likely to do, and succeeds in creating an economy that relies on a mix of market and state coordination, it will not be the first East Asian country to have done so.

The cycles of reform resulting from the interplay of politics and economics, moreover, are not simply the result of internal factors but are rooted in external forces as well. The limits of market reform in Eastern Europe, Walter Connor states, are to a large extent defined by its relationship with the Soviet Union.⁵⁶ The reversal of domestic reform movements in Czechoslovakia and Poland illustrates how the Soviet Union, through direct intervention or the threat of it, has in the past aborted reforms in these countries. Connor argues, however, that within these limits Eastern European countries may, nonetheless, move further in remaking the economic institutions of socialism than the Soviet Union, even though the technological needs of a great military power exert enormous pressure for economic change. Satellite status attenuates risks associated with reform; superpower status exacerbates the risks. In such a view, what the East European nations lack in sovereignty, they gain in room for experimentation. But what will

be the impact on the other socialist economies if the Soviet Union under Gorbachev launches its own market reforms? What are the prospects for reform in the Soviet Union?

The consensus of opinion among scholars of the Soviet Union suggests that thus far Gorbachev's reform in the USSR is more rhetorical than substantial and that the Soviet economy is far less changed than Gorbachev's speeches would indicate. To date, the Soviet reform efforts have centered on improving the quality of central planning through streamlining the ministerial system, improving the quality of central directives, and stressing the "human factor" in filling key posts with new personnel.⁵⁷ In many respects, Gorbachev's reform echoes the earlier Kosygin reform effort. "Their actions demonstrate the conviction that reorganizing hierarchical structures will solve deep-rooted economic problems," observes Gertrude Schroeder. "Central planning in the view of Gorbachev and his advisors is a sine qua non of socialism that needs to be 'strengthened.'"⁵⁸ Edward Hewitt notes that it is "clear, from what Gorbachev has both said and not said, that he does not intend to imitate the Hungarian economic reform model, which virtually abolishes the ministerial system and moves to a system in which enterprises operate without an obligatory plan from the center. Nor has he indicated a willingness to follow the Chinese in their dramatic shift from collectivized agriculture to a decentralized system emphasizing family farming."⁵⁹

Despite the scholarly consensus that the USSR is not likely to pursue a genuine reform strategy—one that seeks to bypass bureaucracies and resort to markets—to rule out the possibility of market reform in the Soviet Union may prove shortsighted. At least one Soviet scholar predicts that by 1993 the USSR under Gorbachev's leadership will have gone further than both Hungary and China in the scope of economic reform. Jerry Hough notes that neither Hungary nor China has made significant progress in shifting to market coordination in the core heavy industrial sectors.⁶⁰ Whereas Hungary and China have made their most dramatic breakthroughs in the nonstate agricultural sector and in the second economy, Hough believes that Gorbachev can be expected to make a move at the periphery of the socialist economy as well and then move to reform the core industrial sectors. Thus far, conjectures about the future of Soviet reform are just that. But as Connor argues, whatever the outcome of Gorbachev's reform, whether he does or does not lead the USSR on the road to remaking its economic institutions, the Soviet Union will continue to define the limits of reform in Eastern Europe. If, however, the USSR also embarks on an ambitious agenda of market reform, the consequence of this departure is likely to encourage more radical reforms in Eastern Europe and China.

The new institutional analysis of state socialism, defined in opposition to the earlier theories of totalitarianism and modernization, posits an orienting framework within which theories drawn from the social sciences can compete. The ground rules of this intellectual competition are based on the assumption that state socialism represents a distinctive social formation that has its own institutional logic and dynamics of development. This logic is not derived from capitalist development, either as its polar opposite or its convergent future. The institutional perspective insists first, that theories explaining processes and outcomes in state socialism must take into account the institutional arrangements specific to state socialism. Second, rather than an exclusive focus on party and state elites, the new institutional perspective opens up society and economy and their relationship to the state as arenas of research. Thus subordinate groups, popular culture, social networks, markets, entrepreneurship, organizational innovations, political coalitions, local-level administration, and new forms of interest representation become objects of study.

Market reform and its social consequences will no doubt stimulate interest in models of convergence between capitalism and state socialism. Projecting the logic of capitalist development onto reforming socialist economies, journalists and scholars speculate about the rise of social inequality. Increased imports of Western technology and science fuel the fascination with modernization theory's predictions of homogenization of social, economic, and political institutions. Far from convergence as a likely outcome of market reform in state socialist economies, the societies of China and Eastern Europe are giving rise to a new diversity in social life that stems from dynamics peculiar to state socialism. Images that may have appeared incongruous now blend together, juxtaposing elements of socialist realism with Western commercial culture, traditional cultural forms with contemporary practices. Boys in Belgrade wear cowboy hats with red stars, and a billboard in Beijing extols the virtuous one-child family alongside an advertisement for Seiko watches. At a high school graduation dance in Budapest, village women in folk dress sing the chorus of "Honky Tonk Women" as backup to a rock band and a sixteenth century prisoners' melody used by Bartok blares from the bass guitar. But it is not only in culture that the incongruous are juxtaposed. Pigeons are raised for sale in the Department of Chemistry of a Chinese university to upgrade faculty benefits. With a photograph of Lenin over his shoulder the president of an agricultural cooperative computes hypothetical profit margins at variable interest rates with a pirated version of Lotus 1-2-3, and the owner of a truck repair shop contemplates joining the newly formed Communist party cell for private tradesmen. The plurality of property forms in reforming

socialist societies thus is giving rise to a hybrid version of socialism that accepts practical compromises and mutually contradictory principles as a given condition of social life.

Endnotes

- 1 On Chinese perceptions of East European experiences with economic reform see Nina P. Halpern, "Learning from Abroad: Chinese Views of the East European Economic Experience, January 1977—June 1981," *Modern China* 11 (January 1985): 77-109. For a Hungarian view of Chinese reforms see János Kornai and Zsuzsa Dániel, "The Chinese Economic Reform—As Seen by Hungarian Economists," *Acta Oeconomica* 36, Nos. 3-4 (1986): 289-305.
- 2 Classic statements in the 1950s include Carl J. Friedrich, ed., *Totalitarianism* (Cambridge, MA: Harvard University Press, 1954), and Carl J. Friedrich and Zbigniew K. Brzezinski, *Totalitarian Dictatorship and Autocracy* (Cambridge, MA: Harvard University Press, 1956); in the 1960s Adam Ulam, *The New Face of Soviet Totalitarianism* (Cambridge, MA: Harvard University Press, 1963), and Leonard Schapiro, *The Government and Politics of the Soviet Union* (London: Hutchinson, 1967). For criticisms of the theory of totalitarianism by prominent Sovietologists see David Lane, *The Social Industrial State* (London: Allen & Unwin, 1976); and Stephen F. Cohen, *Rethinking the Soviet Experience* (New York: Oxford University Press, 1980), pp. 3-37.

A notable exception to the almost unchallenged prevalence of the totalitarianism perspective in Soviet studies was Barrington Moore's *Terror and Progress, USSR* (Cambridge, MA: Harvard University Press, 1954). Though scholars at the height of the Cold War between the United States and the People's Republic of China sought to extend the totalitarian model to China during the 1950s, applications of this model to the complex and protracted processes that gave rise to Chinese Communism, with its base in the peasantry and the Chinese hinterlands, seemed to raise more questions than they answered. By the early 1960s mainstream scholarship on China began to turn away from the totalitarian model, emphasizing instead the social and economic origins of the Chinese revolution. Influential studies that compared the rise of Chinese Communism with the partisan movement in Yugoslavia (Chalmers Johnson, *Peasant Nationalism and Communist Power: The Emergence of Revolutionary China, 1937-1945* [Palo Alto: Stanford University Press, 1962]), analyzed the societal sources of Chinese Communist organizational dynamism (Franz Schurmann, *Ideology and Organization in Communist China* [Berkeley: University of California Press, 1965]), and described with ethnographic detail land reform in a Chinese village (William Hinton, *Fanshen: A Documentary of Revolution in a Chinese Village* [New York: Monthly Review Press, 1965]), both reflected the weaker grip of the totalitarian model on the China field and accelerated its rejection.

The new direction in the study of socialist societies was charted in 1967 and 1968 by a group of social scientists appointed to the Planning Committee for Comparative Communist Studies under the auspices of the American Council of Learned Societies. The results of a two-month workshop at the Center for Advanced Study in the Behavior Sciences at Stanford sponsored by the committee

and attended by twenty scholars were published in Chalmers Johnson, ed., *Change in Communist Systems* [Stanford: Stanford University Press, 1970].

- 3 Richard Lowenthal, "Development vs. Utopia in Communist Policy" in Chalmers Johnson, ed., *Change in Communist Systems*, p. 54.
- 4 Radovan Richta, *Civilization at the Crossroads: Social and Human Implications of the Scientific and Technical Revolution* (White Plains, NY: International Arts and Sciences Press, 1969); and essays in Mark G. Field, ed., *Social Consequences of Modernization in Communist Societies* (Baltimore: John Hopkins University Press, 1976).
- 5 Thomas Baylis, *The Technical Intelligentsia and the East German Elite* (Berkeley: University of California Press, 1974); Frank Parkin, "System Contradiction and Political Transformation" in Anthony Giddens and David Held, eds., *Classes, Power, and Conflict* (Berkeley: University of California Press, 1982), pp. 574-87; Jack Bielasia, "Modernization and Elite Cooptation in Eastern Europe, 1954-1971," *East European Quarterly* (Fall 1980), pp. 345-69; Rudolf Bahro, *The Alternative in Eastern Europe* (London: New Left Books, 1979).
- 6 H. Gordon Skilling, "Interest Group and Communist Politics: An Introduction" in H. Gordon Skilling and Franklyn Griffiths, eds., *Interest Groups in Soviet Politics* (Princeton: Princeton University Press, 1971), p. 17.
- 7 In the China field, the revisionist perspective had a broad influence on scholarship in the 1960s and 1970s and for a time became the dominant perspective. Notable examples of revisionist scholarship in the China field include James Townsend, *Political Participation in Communist China* (Berkeley: University of California Press, 1967); Mark Selden, *The Yen-an Way in Revolutionary China* (Cambridge, MA: Harvard University Press, 1971); Richard Pfeffer, "Serving the People and Continuing the Revolution," *China Quarterly*, no. 52 (October—December 1972), pp. 620-53; Victor and James Peck, eds., *China's Uninterrupted Revolution* (New York: Pantheon Books, 1975); Philip Huang, "Analyzing the Twentieth-Century Chinese Countryside: Revolutionaries versus Western Scholarship," *Modern China* 1 (April, 1975); John G. Gurley, *China's Economy and the Maoist Strategy* (New York: Monthly Review Press, 1976); Steven Andors, *China's Industrial Revolution* (New York: Pantheon Books, 1977); Maurice Meisner, *Mao's China: A History of the People's Republic of China* (New York: Free Press, 1977); Vivienne Shue, *Peasant China in Transition* (Berkeley: University of California Press, 1980); and Carl Riskin, *China's Political Economy: The Quest for Development since 1949* (New York: Columbia University Press, 1987).
 In the Soviet and Eastern European fields revisionist studies tended to assume orthodox Marxist categories of analysis: examples include Charles Bettelheim, *Class Struggle in the U.S.S.R.* (New York: Monthly Review Press, 1976); Sheila Fitzpatrick, "Culture and Politics under Stalin: A Reappraisal," *Slavic Review*, June 1976, pp. 211-31; and Sheila Fitzpatrick, "Cultural Revolution as Class War" in Sheila Fitzpatrick, ed., *Cultural Revolution in Russia, 1928-1931* (Bloomington: Indiana University Press, 1978).
- 8 See especially, György Markus, "Eastern European Societies and the Western Left" in Ferenc Feher, Agnes Heller, and György Markus, eds., *Dictatorship over Needs: An Analysis of Soviet Societies* (Oxford: Basil Blackwell, 1983), pp. 1-44.
- 9 Tamas Bauer, "Investment Cycles in Planned Economies," *Acta Oeconomica* 21, no. 3 (1978), pp. 243-60.

- 10 István Gábor, "The Second (Secondary) Economy," *Acta Oeconomica* 22, nos. 3-4 (1979), pp. 291-311; András Hegedus and Maria Markus, "The Small Entrepreneur and Socialism," *Acta Oeconomica* 22, nos. 3-4 (1979), pp. 267-89.
- 11 Lajos Héthy and Csaba Makó, "Work Performance, Interests, Powers and Environment: The Case of Cyclical Slowdowns in a Hungarian Factory" in Paul Halmos, ed., *Hungarian Sociological Studies*, Sociological Review Series, no. 17 (1972), pp. 125-50; George Konrad and Ivan Szelenyi, "Social Conflicts of Underurbanization" in Michael Harloe, ed., *Captive Cities: Studies in the Political Economy of Cities and Regions* (New York: Wiley, 1977), pp. 157-74; Zsuzsa Ferge, *A Society in the Making: Hungarian Social and Societal Policy, 1945-1975* (White Plains, NY: M. E. Sharpe, 1979); and Ivan Szelenyi, "Social Inequalities in State Socialist Redistributive Economies: Dilemmas for Social Policy in Contemporary Socialist Societies of Eastern Europe," *International Journal of Comparative Sociology* 19, nos. 1-2 (1978), pp. 63-87.
- 12 János Kornai, *Overcentralization in Economic Administration: A Critical Analysis Based on Experience in Hungarian Light Industry* (Oxford: Oxford University Press, 1959).
- 13 L. Szamuely, "The First Wave of the Mechanism Debate in Hungary (1954-1957)," *Acta Oeconomica* 29, nos. 1-2 (1982), p. 15.
- 14 István Gábor, "Reforms, Second Economy, State Socialism: Speculation on the Evolutionary and Comparative Economic Lessons of the Hungarian Eighties," paper presented at the Conference on Economic Reforms in China and Eastern Europe, Montecito, California, May 8-11, 1986, published in Hungarian in *Valóság*, 1986, no. 6, pp. 32-48.
- 15 On the problem of intransitivity of preference orderings in rational choice models and the need to specify appropriate institutional constraints see, for example, R. D. McKelvey, "Intransitivities in Multidimensional Voting Methods and Some Implications for Agenda Control," *British Journal of Sociology* (1979), pp. 472-82; and Norman Schofield, "Instability and Development in the Political Economy" in Peter C. Ordeshook and Kenneth A. Shepsle, eds., *Political Equilibrium* (Boston: Kluwer-Nijhoff, 1982). James March and Johan Olsen survey broader institutionalist approaches in the field of political science in "The New Institutionalism: Organizational Factors in Political Life," *American Political Science Review* 78 (September 1984), pp. 734-49; and for an excellent example of this broader institutionalism see Peter Hall, *Governing the Economy* (London: Oxford University Press, 1986).
- 16 Oliver Williamson's "transaction cost economics" is only one of the competing theories making new institutionalist claims in economics. See his *The Economic Institutions of Capitalism: Firms, Markets, and Relational Contracting* (New York: Free Press, 1985). For discussions of this new institutionalism see Richard N. Langlois, "The New Institutional Economics: An Introductory Essay" in Richard N. Langlois, ed., *Economics as a Process* (Cambridge, England: Cambridge University Press, 1986); and Terry Moe, "The New Economics of Organization," *American Journal of Political Science*, 28 (1984), pp. 739-77. For a broader conception of institutions and a rejection of the narrow efficiency views of Williamson see, for example, Michael Piore and Charles Sabel, *The Second Industrial Divide* (New York: Basic Books, 1984).
- 17 John W. Meyer and Brian Rowan, "Institutionalized Organizations: Formal Structure as Myth and Ceremony," *American Journal of Sociology* 83 (September 1977), pp.

- 340-63; and Paul Dimaggio and Walter Powell, "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields," *American Sociological Review* 48 (April 1983), pp. 147-60. The new institutionalism in sociology builds on the assumption of the embeddedness of economic action in noneconomic social relationships and examines how markets are shaped by social institutions such as the family and kinship groups, by cultural conventions governing economic transactions, and by formal organizations such as the state, labor unions, and firms. See Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology* 91 (1985), pp. 481-510; and Sharon Zukin and Paul Dimaggio, "Preface," *Structures of Capital*, special issue of *Theory and Society* 15, nos. 1-2 (1986), pp. 1-10.
- 18 In theoretical orientation, the new institutional analysis of state socialism most closely resembles work in comparative political economy such as Suzanne Berger et al., eds., *Organizing Interests in Western Europe* (Cambridge, England: Cambridge University Press, 1981).
 - 19 Laura D'Andrea Tyson, "The Debt Crisis and Adjustment Responses in Eastern Europe: A Comparative Perspective," *International Organization* 40 (1986), pp. 239-85.
 - 20 Ivan Szelenyi, *Urban Inequalities under State Socialism* (London: Oxford University Press, 1983). For a modification of Szelenyi's argument that takes into account the inequalities produced by the market mechanisms of the new private sector see Robert Manchin and Ivan Szelenyi, "Social Policy under State Socialism: Market Redistribution and Social Inequalities in East European Socialist Societies" in Martin Rein, Gosta Esping-Anderson, and Lee Rainwater, eds., *Stagnation and Renewal in Social Policy* (White Plains, NY: M. E. Sharpe, 1987), pp. 102-39.
 - 21 Victor Nee, "From Redistribution to Markets in a Socialist Mixed Economy," paper presented at the Conference on the Social Consequences of Market Reform in China at the Fairbank Center for East Asian Research, Harvard University, May 13-15, 1988.
 - 22 David Stark, "Rethinking Internal Labor Markets: New Insights from a Comparative Perspective," *American Sociological Review* 51 (1986), pp. 492-504.
 - 23 See the essays in William L. Parish, ed., *Chinese Rural Development: The Great Transformation* (Armonk, NY: M. E. Sharpe, 1985) for examples of studies based on field research in Chinese villages. The studies of Chinese peasant society based on interviews of refugees in Hong Kong have held up remarkably well. It is likely that interviews of emigrants in Hong Kong will continue to provide an alternative to direct fieldwork in China. See William L. Parish and Martin K. Whyte, *Village and Family in Contemporary China* (Chicago: University of Chicago Press, 1978); Anita Chan, Richard Madsen, and Jonathan Unger, *Chen Village: A Recent History of a Peasant Community in Mao's China* (Berkeley: University of California Press, 1984); Richard Madsen, *Power and Morality in a Chinese Village* (Berkeley: University of California Press, 1984); and Martin K. Whyte and William L. Parish, *Urban Life in Contemporary China* (Chicago: University of Chicago Press, 1984).
 - 24 C. M. Hann, *Tazlar: A Village in Hungary* (Cambridge, England: Cambridge University Press, 1980); C. M. Hann, *A Village without Solidarity: Polish Peasantry in Years of Crisis* (New Haven: Yale University Press, 1985); Katherine Verdery, *Transylvanian Villagers: Three Centuries of Political, Economic, and Ethic Change* (Berkeley: University of California Press, 1983); and Victor Nee, "Between Center and Locality: State, Militia, and Village" in Victor Nee and David Mizingo, eds., *State and Society in Contemporary China* (Ithaca: Cornell University Press, 1983).

- 25 Ellen Comisso, *Workers' Control under Plan and Market* (New Haven: Yale University Press, 1979); Charles Sabel and David Stark, "Planning, Politics, and Shop-Floor Power: Hidden Forms of Bargaining in Soviet-Imposed State-Socialist Societies," *Politics and Society* 11, no. 4 (1982), pp. 439-75; Andrew Walder, "Industrial Reform in China: The Human Dimension" in Ronald Morse, ed., *The Limits of Reform in China* (Boulder, CO: Westview Press, 1983). For an illustration of the persistent grip of the totalitarianism legacy, however, see the use of the label "bureaucratic despotism" to characterize the socialist factory by Michael Burawoy in "The Politics of Production and the Production of Politics: A Comparative Analysis of Piecework Machine Shops in the United States and Hungary" in Maurice Zeitlin, ed., *Political Power and Social Theory* (Greenwich, CT: JAI Press, 1980), 1: 261-99. In a striking reversal of his position, Burawoy now argues the reverse—that the socialist firm is a site of workers' control and that it is more efficient than its capitalist counterpart. See Michael Burawoy and János Lukacs, "Mythologies of Work: A Comparison of Firms in State Socialism and Advanced Capitalism," *American Sociological Review* 50 (December 1985), pp. 723-37.
- 26 Albert Simkus and Rudolf Andorka, "Inequalities in Educational Attainment in Hungary, 1923-1973," *American Sociological Review* 47 (1982), pp. 740-51.
- 27 Thomas Lyons, *Economic Integration and Planning in Maoist China* (New York: Columbia University Press, 1987); Christine Wong, "Material Allocation and Decentralization: Impact of the Local Sector on Industrial Reform" in Elizabeth J. Perry and Christine Wong, eds., *The Political Economy of Reform in Post-Mao China* (Cambridge, MA: Harvard University Press, 1985), pp. 253-77; and David Granick, *Enterprise Guidance in Eastern Europe: A Comparison of Four Socialist Economies* (Princeton: Princeton University Press, 1975).
- 28 Philip Huang, *The Peasant Economy and Social Change in North China* (Stanford: Stanford University Press, 1985); Sherman Cochran, "Economic Institutions in China's Interregional Trade: Tobacco Products and Cotton Textiles, 1850-1980" in Robert M. Hartwell et al., eds., *Region, State and Enterprise in Chinese Economic History, 980-1980* (Berkeley: University of California Press, forthcoming); Emily Honig, *Sisters and Strangers: Women in the Shanghai Cotton Mills, 1919-1949* (Stanford: Stanford University Press, 1986); James Lee, "Food Supply and Population Growth, 1250-1850," *Journal of Asian Studies* 41 (August 1982), pp. 711-48; Elizabeth Perry, *Rebels and Revolutionaries in North China, 1845-1945* (Stanford: Stanford University Press, 1980); Laura Engelstein, *Moscow, 1905: Working-Class Organization and Political Conflict* (Stanford: Stanford University Press, 1982); S. A. Smith, *Red Petrograd: Revolution in the Factories, 1917-1918* (Cambridge, England: Cambridge University Press, 1983); and Victoria E. Bonnell, *Roots of Rebellion: Workers' Politics and Organization in St. Petersburg and Moscow, 1900-1914* (Berkeley: University of California Press, 1983).
- 29 Diane Koenker, *Moscow Workers and the 1917 Revolution* (Princeton: Princeton University Press, 1981); Emily Honis and Gail Hershatter, *Personal Voices: Chinese Women in the 1980s* (Stanford: Stanford University Press, 1988); Ann S. Anagnost, "Politics and Magic in Contemporary China," *Modern China* 13 (January 1987), pp. 41-61.
- 30 Martha Lampland, "Working through History: Ideologies of Work and Agricultural Production in a Hungarian Village, 1918-1983" (Ph.D. dissertation, University of Chicago, 1987); Gail Kligman, "Poetry and Politics in a Transylvanian Village," *Anthropological Quarterly* 56 (1983), pp. 83-89; Mayfair Yang, "The Art of Social Relationship and Exchange in China" (Ph.D. dissertation, University of California at Berkeley, 1986); Jean DeBarnardi "Chinese Rhetoric of Politeness and

Persuasion," paper presented at the 86th Annual Meeting of the American Anthropological Association, November 18-22, 1987.

- 31 Nan Lin and Wen Xie, "Occupational Prestige in Urban China," *American Journal of Sociology* (January 1988), pp. 793-832; Albert Simkus, "Structural Transformation and Social Mobility: Hungary 1938-1973," *American Sociological Review* 49 (June 1984), pp. 291-307; Robert M. Jenkins, "Social Inequality in the State Socialist Division of Labor: Earnings Determination in Contemporary Hungary" (Ph.D. dissertation, University of Wisconsin, 1987); and Sonja Szelenyi, "Social Mobility and Class Structure in Hungary and the United States" (Ph.D. dissertation, University of Wisconsin, 1988). A number of survey research projects have been recently completed or are currently in process in China on diverse subjects. These include studies by Deborah Davis on occupational mobility, Nan Lin on social resources and networks, Victor Nee on the peasant household economy, Martin Whyte on mate selection in urban China, Peter Blau and Andrew Walder on urban status attainment and wage distribution, and Glen Elder on the life course in Shanghai.
- 32 Andrew G. Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986); Endre Sik, "Small Is Useful: The Reciprocal Exchange of Labour in Residential Construction" in Peter Galasi and Gyorgy Siraczki, eds., *Labor Markets and Second Economy in Hungary* (Frankfort: Campus, 1985), pp. 179-214; Thomas B. Gold, "After Comradeship: Personal Relations in China since the Cultural Revolution," *China Quarterly*, No. 104 (December 1985), pp. 657-75; Jean Oi, "Communism and Clientelism: Rural Politics in China," *World Politics* (January 1985), pp. 238-66; and Vladimir Shlapentokh, *Love, Marriage and Friendship in the Soviet Union: Ideals and Practices* (New York: Praeger, 1984).
- 33 T. H. Rigby, "Crypto-Politics" in Frederic J. Fluron, Jr., ed., *Communist Studies and the Social Sciences* (Chicago: Rand McNally, 1969), pp. 115-28.
- 34 See Vivienne Shue, *The Reach of the State* (Stanford: Stanford University Press, 1988), for an eloquent interpretation of state and society relationships in contemporary China that emphasizes the importance of focusing on subordinate groups; and Ivan Szelenyi, *Socialist Entrepreneurs' Embourgeoisement in Rural Hungary* (Madison: University of Wisconsin Press, 1988).
- 35 On the evolution of Solidarity see Henry Noor, "Self-Management and the Politics of Solidarity in Poland" in Carmen Sirianni, ed., *Worker Participation and the Politics of Reform* (Philadelphia: Temple University Press, 1986), pp. 267-97; Andrew Arato, "Civil Society against the State: Poland 1980-81," *Telos*, No. 47 (Spring 1981), pp. 23-47; Timothy Garton Ash, *The Polish Revolution: Solidarity* (New York: Scribner's, 1984); Alex Pravda, "Poland 1980: From 'Premature Consumerism' to Labour Solidarity," *Soviet Studies* 34 (April 1982), pp. 167-99; and M. C. Nagengast, "Poles Apart: Polish Farmers and the State" (Ph.D. dissertation, University of California, Irvine, 1985).
- 36 The argument for a state-centered political sociology of advanced capitalist democracies is presented in Peter Evans, Dietrich Ruschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge, England: Cambridge University Press, 1985); and Peter Hall, *Governing the Economy* (New York: Oxford University Press, 1986).
- 37 Oliver E. Williamson, *Markets and Hierarchies: Analysis and Antitrust Implications* (New York: Free Press, 1975).

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- 43 János Kornai, "Bureaucratic and Market Coordination," *Osteuropa Wirtschaft* 29 (December 1984), p. 310.
- 44 Martin Whyte, "Who Hates Bureaucracy? A Chinese Puzzle" in Nee and Stark, eds., *Remaking the Economic Institutions of Socialism*.
- 45 Victor Nee, "Entrepreneurship and Regulation in the Making of Markets in Rural China" in Nee and Stark, eds., *Remaking the Economic Institutions of Socialism*.
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- 50 Dorothy J. Solinger, *Chinese Business under Socialism: The Politics of Domestic Commerce in Contemporary China* (Berkeley: University of California Press, 1984).
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- 52 Comisso, *Workers' Control under Plan and Market*.
- 53 Erzsébet Szalai, *Beszélgetések a gazdasági reformról* [Conversations about the economic reform] (Budapest: Pénzügykutató Intézet, 1985), p. 65.
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- 58 Gertrude E. Schroeder, "Gorbachev: 'Radically' Implementing Brezhnev's Reforms," *Soviet Economy* 2, No. 4 (1986), pp. 299.
- 59 Edward A. Hewitt, "Reform or Rhetoric: Gorbachev and the Soviet Economy," *Brookings Review* (Fall 1986), p 16.
- 60 Jerry Hough, "The Gorbachev Reform: A Maximal Case," *Soviet Economy* 2, No. 4 (1986), pp. 302-12; see also Peter Hausloner, "Gorbachev's Social Contract," *Soviet Economy* 3, No. 1 (1987), pp. 54-89.

