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Introduction

The concept of 'mode of coordination' captures the way economy is embedded in social relationships and influences the integration of society through an 'instituted process.' Accordingly, the role of economy as the 'cement' of society (Elster, 1989) can be understood through an analysis of different modes of coordination which define the special and unique institutional arrangement through which economy may coordinate human activities in different historical situations. Another related assumption on which this concept has been founded is the inseparability of sovereignty and property. "Sovereignty is inseparable from property. It is the sanctions of sovereignty that make property what it is for the time being in any country, because physical force, or violence, is the last and final appeal when the other sanctions are deemed inadequate to control individuals. Economic science, in England and America, began with the separation of property from sovereignty, on the assumption that private property was a natural, primordial right of individuals, independent of sovereignty which might artificially and unjustly interfere with it. But this was a substitution of justification for fact, as is often the method of argument in economics and politics." (Commons, 1970, p. 41).

The separation of property rights and sovereignty muddles the concept of property rights. The reason is that among different types of property rights, the one which cannot be contracted away is *abusus*, while both *usus* and *fructus* can be contracted without causing any damage to the very right of ownership. Thus *the ultimate boundary of ownership is the right to destroy*.

The concept of 'mode of coordination' helps us to grasp how economic activity is coordinated under the dominance of each form of power. Many authors have used similar or even synonymous concepts to cast light on the integrating role of economy in human society. Among these authors we should especially note Polanyi ([1957] 1968, pp. 148-49) who employs 'forms or patterns of integration', and Lindblom (1977) who uses 'control mechanisms' and finally, Kornai (1984, 1992) who also suggests 'modes of coordination'. All these authors conceive of economy as an 'instituted process' and underline the inseparability of politics and economics in "the analysis of basic social mechanisms and systems" (Lindblom, 1977, p. 8). Three main typical or ideal modes of coordination have been identified in the literature[1]:

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[1] This classification is not exhaustive. Other types of coordination are also mentioned in the literature. For instance, Polanyi (1944) refers to 'householding' as a separate form of integration

1) Market mode of coordination is social organisation through exchange and markets. Polanyi (1944, [1957] 1968) and Lindblom (1977) coin this form of integration as 'exchange' which requires a specific institution, namely a system of price-making markets.

2) Ethical mode of coordination is social organisation through 'reciprocity' (Polanyi, 1944, [1957] 1968). It assumes for a background another specific institution, namely symmetrically arranged groupings such as a kinship system. Individuals as part of a tribe, a clan, a family or a religious community identify themselves with the group and the adherence to rules constitutes the code of honour. Lindblom (1977) calls it a 'preceptoral system', from the word 'preceptor', meaning teacher. Integration through control of communication means, indoctrination and persuasion is the core of the system.

3) Bureaucratic mode of coordination is social organisation through the authority of government. Polanyi (1944, [1957] 1968) names it 'redistribution' that designates appropriational movements toward a centre and out of it. It is dependent upon the presence of some measures of centricity in the group like the state.

A typical or ideal model is of course an abstraction that selects a group of closely related elements from real world mixed systems. There is no real social system that can be exclusively coordinated by only one of these modes of coordination. The study of these known modes of coordination is not the focus of this paper[2]. Our purpose is to introduce another type of coordination that we name 'destructive mode of coordination'. It is social organisation through the use of coercive means. This type of coordination has almost been entirely neglected in the literature, although it has existed since ancient times in different forms and varieties. A typical recent illustration is the social order under the Islamic Republic of Iran. Iran is not the sole example in the Middle East; many others can be cited in that region as well as in Africa and Latin America. Destructive coordination also describes sectoral logic of the Military Industrial Complex in developed market economies like the United States, and in Post Socialist economies such as Russia and China. Historically, colonialism, the 'primitive accumulation of capital', and the Stalinist regime from 1933 to1938 may be invoked as examples from the recent past. Looting tribes and pirate colonies in the past and present provide other illustrations. Although I will refer to all these evidences, my main focus will be Iran since the 1979 revolution. In introducing this particular type of coordination, it is however necessary first to scrutinize our notion of 'mode of coordination'.

While economy is an instituted process, the particular institutional arrangements are in turn determined by power relationships. In this perspective, the market mode of

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mechanism. Kornai (1992) also notes two other coordinating mechanisms, namely 'family coordination' (which is a synonym expression of Polanyi's 'householding') and 'self-governing coordination'. However, the difference between the latter and an ethical mode of coordination is not clear in Kornai's work.

[2] For an excellent description of these three modes of coordination from the viewpoint of decision, information and motivation structures, see Kornai (1984, 1992).

coordination is related to economic power (control over means of production and transactions) and its full development depends on the separation of economic power from other forms of power during modernity. The ethical mode of coordination is associated with moral power (control over beliefs, ideas, and means of communication), and the bureaucratic mode of coordination is linked to governmental authority or to *institutionalized* destructive power (control over coercive means). Since, the state has monopoly over violence in modern times, the predominance of *non institutionalized* violence marks anarchy or disorder (the Hobbesian state). It seems then that social organisation through the direct use of coercive means is an oxymoron.

However, even in modern times, such kind of social organisation exists and, under certain conditions constitutes a more or less stable system. In fact, I will argue that in modern times 'destructive mode of coordination' can be characterized as a specific system of contradictory orders and parallel institutions that requires the permanent use of direct coercive means to guarantee the unstable dominance of one over the other. This type of coordination is located between social order and disorder. Accordingly, the first part of this paper will introduce the concept of contradictory orders in general, and then focus on the specific types of contradictory orders on which destructive coordination is founded in modern times. Other major characteristics of destructive coordination will be discussed in the second part.

1. Main sources of contradictory orders

The new institutional economics has produced a vast literature on order and disorder. Its main result can be summarized in the following way: there are three ideal states of political organization, namely the consensual authoritarian bases of political order, and political disorder (North, Summerhill, Weingast, 2000, p. 29). "In brief, we argue that political order can emerge in one of two ways: an authoritarian society where order is based on coercion and a consensual society where order is based on social cooperation." (op.cit., pp. 50-51). In both cases, legal coercion is the monopoly of the state. The institutionalized violence is the foundation of sovereignty that guarantees the external enforcement and hence the stability of a social order. The absence of such a monopoly results in a rupture in the external enforcement and implies disorder and chaos. For example, a revolutionary period is a period of disorder or anarchy where *sovereignty crisis* or *institutional vacuum* reigns. It is a period of 'no man's land' that sometimes leads to a 'dual power' (for instance, in the Russian February revolution in 1917, or during the Spanish Civil War as well as the Iranian February revolution in 1979). This period is characterized by the fact that while the old institutional arrangements are no longer dominant, the new ones are not yet mature enough to regulate social order. Rules are challenged and not enforced, state has no monopoly over violence and anarchy prevails. The literature acknowledges then these three states: authoritarian and consensus political orders where there is a unique social order, and a regime of political disorder that lacks such kind of unified order. What the literature misses is an analysis of contradictory orders in which order and disorder

cannot be so neatly distinguished. Such kind of contradictory orders are a clue to the understanding of the coexistence of institutionalized and non institutionalized coercion.

Bureaucratic mode of coordination is a hierarchical system based on command in which subordinates know that the command is underpinned by a *legal compulsion* and *legal sanctions*. This type of coordination is based upon *institutionalized* destructive power. Disorder can be defined by a *non institutionalized* destructive power. Between the two, there exists a destructive coordination. The first characteristic of this type of coordination is that it is based on a more or less stable coexistence of contradictory rules or parallel institutions that can only mitigate or 'resolve' their differences according to their relative balance of power. While the dependence on balance of power gives an anarchic (or non-institutionalized) character to this type of coordination, its reliance on the coexistence of contradictory orders assures its institutionalized character. A somehow uncouth expression of *institutionalized non institutionalized* destructive power may capture this duality. Such kind of coordination feeds on crisis and perpetuates itself as long as the crisis lasts. Its tendency is to enhance 'organized chaos' through a 'chaotic organization' or parallel institutions. Studying contradictory orders is the first step to understand destructive coordination.

1.1 Contradictory orders and extra state law

The fact that an individual or a community may consider a plurality of contradictory systems of order as simultaneously valid has been known to sociologists for a long time. Weber provides several examples. "A person who fights a duel follows the code of honour; but at the same time, insofar as he either keeps it secret or conversely gives himself up to the police, he takes account of the criminal law." (1968, vol. 1, p. 32). In this case, an internal mechanism of enforcement, namely the 'code of honour' based on tradition and custom contradicts the state law or the external mechanism. The coexistence of the two orders may be a stable or an unstable one depending on whether the evasion or contravention of the generally understood meaning of an order has become the rule or not. If there are status groups stronger than the state which rely on the 'honour code' of the duel as means of resolving conflicts, then we may have a particular situation as in the German army till very recently. In Germany, the readiness to participate in a duel was still a *legal* obligation imposed by the state upon its army officers even though the duel was expressly forbidden by the criminal code. The 'compromise' between the state and tradition was that while in the army the code of honour was officially acknowledged, outside the status group of army officers, the situation was different and duel was subject to criminal code.

Weber also cites the example of Slavic Zadruga in imperial Austria where some of its norms were outright contradictory to the official law but enforced and supported by Zadruga's own coercive apparatus and "only the state, if invoked, would refuse recognition and proceed, through its coercive power, to break it up." (Weber, 1968,

vol. 1, p. 316). Another interesting example goes back to the Middle Ages where the prohibitions of resorting to the ecclesiastical court included in the statutes of certain merchants' guilds were clearly invalid from the point of view of canon law, but they nonetheless persisted.

To understand different sources of contradictory orders, one should remember that the monopoly of violence by the state is a new phenomenon, but even today the state has no monopoly over all the coercive means especially the *moral* means of coercion. We speak of 'state' law, i.e. of law guaranteed by the state, only when legal coercion is exercised through *physical* means of coercion of the political community. Wherever the means of coercion which provide the guarantee for a 'right' belong to some other authority such as a hierocracy, then one can speak of 'extra-state law'. Moreover, the importance of coercive means in external enforcement notwithstanding, non violent means of destructive power such as exclusion from an organization or a community, a boycott, or the promise of reward and punishment in the next world may be under certain conditions much more efficient in producing compliance than a political apparatus whose coercive functioning is not always predictable. In such circumstances, individuals and social groups may follow other orders than what is officially promulgated by the state law.

The most acute forms of 'extra-state law' are those related to a sovereignty crisis or a dual power situation that has usually been observed during revolution, war, and military occupation where the clash of contradictory orders may be so intense that disorder and anarchy ensue. But there are other more or less stable forms of coexistence between different types of authority that can lead to an intermediate state between social order and disorder with parallel institutions. The mode of coordination in such intermediate state is destructive, since extra legal or direct coercion paradoxically plays a key role in controlling and integrating parallel institutions. It should be particularly emphasised that *only contradictory orders that weaken or undermine the state monopoly over physical means of coercion come within the scope of destructive coordination*, since in such cases conflict resolution between parallel institutions relies upon extra legal coercive means or the balance of power. Other types of contradictory orders may not necessarily require the intervention of non-institutionalised coercion and can be explicated as specific constellations of the three known coordinating mechanisms, namely market, bureaucratic and ethical (reciprocity).

The emergence of different varieties of destructive mode of coordination is related to the particular way that such specific system of contradictory orders has come into existence. The rest of this section will highlight solely those contradictory orders that lead to destructive coordination.

1.2 State authority and religious authority

As earlier noted, the monopoly of the state over the physical means of coercion does not exclude religious authority over moral coercion. However, under Islamic

laws, the religious authority equally claims a dominant role over the use of physical violence in two ways. The first way of legitimating the use of immediate coercion concerns *Jihad* or the holy war, and the second one is known as *hisba*. In the Islamic legal literature (*fiqh*), the term *hisba* indicates the duty of every Muslim to command right and forbid wrong. These two ways are closely related both theoretically and practically.

From the earliest days of the Islamic polity, especially from the time of Muhammad's hegira[3], one of the most important duties of its leaders, be he the Prophet or a caliph, was to organise and lead the *Jihad fi sabil allah*, i.e. the holy war in the path of God against the unbelievers. Koranic injunctions are unambiguous on the subject and encourage the faithful for the *Jihad* (see Cook, 2005, chapter 1).

The *Jihad* was at the outset part of the holy obligations of Islamic state to conquer other non believer states and expand Islam. However, the Byzantine's offensive in the 740s changed the situation. It was the end of what has been termed "the *Jihad* state", but "the *Jihad* itself did not; it simply became what we today would call 'privatised', that is, it went from centrally directed state campaigns to independent, non-governmentally controlled, smaller scale raids led and manned by *mutatawwi'a*, volunteer warriors for the faith. This transferral of religious leadership in the *Jihad*, from the Caliph to the *mutatawwi'a*, in turn led to truly fundamental changes in all areas of Islamic civilisation." (Tor, 2005, p. 558).

The *mutatawwi'a* movement posed a fundamental question regarding the proper role of the political authorities in the *Jihad*: should political leaders have control over the *Jihad*, or is it a religious obligation, like any other ones such as giving of alms, for any believer who may commit himself to it? The victory of the second view marked the transition from caliphal religious stature and authority to Prophetic *Sunna* or guidance by the Prophetic tradition which was eventually adopted by both the Shafi'ite and Hanbalite schools of Sunnism in the late Umayyad period (Crone and Hinds, 1990, pp. 84-85). The 'privatized' *Jihad* is what being carried out today by the groups like Al Qaida in all Sunni Moslems World undermining the authority of political leaderships in Arab countries especially in Saudi Arabia.

Contrary to Sunni Traditionists, *Ithna Ashari Shiism* as a Persian version of Islam was from the outset an oppositional tendency against caliphal religious authority (Savory, 1990, p. 15). The *Jihad* has always been considered by Shiites as the individual responsibility of the believer before God. The 1979 Iranian Revolution was interpreted by Islamic Fundamentalism as *Jihad* (Özbudam, 1990, p. 244), and the war against Iraq was also coined as *Jihad* (Zabih, 1988, pp. 149-152).

After the 1979 revolution, the Shiite theocratic power in Iran had no confidence in the standing army and bureaucracy of the Shah's period, and hence created its own

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[3] Weber (1968, vol. 2, pp. 623-27) claims that during the Medina period, Islam transformed from its pristine form into a "national Arabic warrior religion".

parallel military forces and administration. The creation of *Sepah Pasdaran* (Guard Corps of the Islamic Revolution), and *Basijis* (the Volunteers Corps of the Organisation for the Mobilization) was part of the Islamisation project of the armed forces. The two central concepts on which these new 'revolutionary Islamic' institutions have been built were the *Jihad* and *Shahadat* (Martyrdom)[4]. Dozens of official or semi-official military groups attached to *Sepah* and other religious foundations that are trained in Iran for waging war against non believers and infidels all over the world and the export of *Ithna Ashari Shiism* are indoctrinated by the *Jihad* concept. Contrary to Sunnism, the 'state *Jihad*' is the dominant form in Iran. It doesn't mean that the state in Iran has control over all the semi-official or para military groups, since Shiite religious hierarchy is not mono-centrist but multi-centrist with different *Mojtaheds* (religious scholars) each having the authority to formulate his proper verdict about different issues including the *Jihad*. In other Shiite movements in Iraq, Lebanon, Syria, etc. there are a mixture of semi state and semi private *Jihad*[5]. The Iranian Republic Islamic endeavours to achieve the religious and political leadership in the Moslem World through an anti-American and anti-Israeli campaign and the state *Jihad*. This strategy has already provoked great tensions with many Sunni Arab leaders especially with those of the Saudi Arabia who have no religious authority over the *Jihad* (for other sources of tensions see, Fürtig, 2002).

If the *Jihad* focuses on imposing the divinely-ordained order upon the Dar al-Harb (belligerent countries), the *hisba* seeks to impose this same order within the Dar al-Islam (the Islamic community). Although all Muslim scholars and Islamic schools of law agree to regard *hisba* (to command right and forbid wrong), there is no consensus about the way it should be put in effect. The ambiguity of the concept (Cook, 2003) has lent credence to the controversy about: "Which kind of duty must the *hisba* be related to? Who may and who must fulfil these duties respectively? With what means may this duty be fulfilled and is it allowed to use violence?" (Abdelsalam, 2005, p. 548). The majority of scholars regard *hisba* as a collective duty incumbent upon the Muslim community as a whole. Regarding the question of who is allowed to fulfil the duty of *hisba*, Ghazali (1058-1111), the great scholar of the Shafi'i school, holds that every Muslim is allowed to exercise *hisba*. The scholars disagree in their answers to the questions of when, how, and by whom *hisba* should be practiced in a violent way. "Whereas Mawardi permits the legal usage of violence only by the *muhtasib* appointed on behalf of the ruler, Ghazali Juwaini (d. 1085, *shafi'i*) and Shaykhzada al-Hanafi (d. 1887, *hanafi*) allow the use of violence by any Muslim to prevent *munker* [the one who denies the faith]. At the same time, Ghazali and Juwaini recommend the prior approval of the sultan -albeit legally not necessary- to prevent disturbances." (Abdelsalam, 2005, p. 551; the phrase in the bracket is added).

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[4] For the Islamisation of the Armed Forces in Iran after the 1979 revolution, see Eisenstadt, 1996; Entessar, 1988; Katzman, 1993; Schahgadian, 1987; Zabih, 1988.
[5] Regarding Hezbollah, see Kramer, 1990, pp. 105-130.

In Islamic Republic of Iran, *hisba* is practised systematically both at the state and the private level. The state has created several special repressive units against non compliance to *hijab* (the Islamic way of covering women's body). But unofficial and semi-official extremist squads such as the Vengeance of God patrol also intervene to punish insufficiently veiled women or feminist protesters. It should not be forgotten that an Iranian non state foundation (*panzdah khordad*) unilaterally took the initiative in 1989 to offer the 2 million dollars "bounty" for Mr Salman Rushdie, the British author of the *Satanic Verses* (1988) (*Financial Times*, July 17, 1997).

In both the *Jihad* and the *hisba*, non institutionalized or 'private' and semi-state violence may be legitimized and institutionalized by some doctrinal and religious references. The monopoly of state over physical coercion will accordingly be undermined and as a result of this specific type of contradictory orders destructive coordination pervades.

1.3 Formal central authority and informal local authority

Contradictory orders also emerge when the formal central rules coexist with opposite informal rules at a local level. The examples are abundant. Weber's reference to Slavic Zadruga in Imperial Austria is one of these illustrations that may be completed by many other examples where local ethnic or non ethnic customs and traditions are commonly practiced despite explicit opposite prescriptions by the official law. Different regional traditions as well as different religious rituals in India provide ample evidences in this respect. The disintegration of a central government into regional warlords due to power vacuum or separatist ethnic movements such as China in the 1920s and 1930s, and ex-Yugoslavia during the 1990s are extreme cases where contradictory orders lead to chaos and anarchy. But contradictory orders are not always so extreme.

For example, the coexistence of contradictory local and central rules is the key to grasp the Mafia. According to Hobsbawm, a mafia "recognized no obligation except those of the code of honour or *omertà* (manliness), whose chief article forbade giving information to the public authorities. In other words *mafia* …was the sort of code of behavior which always tends to develop in societies without public order, or in societies in which citizens regard the authorities as wholly or partly hostile (for instance in jails or in the underworld outside them), or as unappreciative of the things which really matter (for instance in schools), or as a combination of both." (1963, p. 32).

The historical development of the Mafia under a central state also testifies that the existence of this organization is related to what is called "parallel system". Undoubtedly, the Mafia's period of greatest glory comes after 1890. Sicilian peasants have throughout history lived under the double régime of a remote and generally foreign central government and a local régime of slave or feudal lords; since theirs was *par excellence* the country of the *latifundium*. They were never, and

could never be, in the habit of regarding the central government as a real state, but merely as a special type of brigand, whose soldiers, tax-collectors, policemen and courts fell upon them from time to time. Their lives were lived "between the lord with his strong-arm men and parasites and their own defensive customs and traditions. In a sense, therefore, something like the 'parallel system' must always have existed, as it exists in all backward peasant societies." (Hobsbawm, 1963, p. 36). Although, this 'parallel system' was not yet the Mafia, it was the foundation on which this organization grew. In other words, even in case of organized crimes, the question is not one of the absence of rules or code of honor but a *private* code of honor and *rival* rules of conduct. The Mafia is another salient example of destructive coordination.

1.4 Borderline situations

Contradictory orders are not only the outcome of divisions between the state and the religious authorities or central and local ones, they can directly stem from the internal contradictions of an autonomous state apparatus and its ruling elite in a critical situation *vis-à-vis* the society. By 'borderline situations', I mean intense critical social and political situations where order is on the verge of transforming into disorder. It can be depicted as a *civil war within the state apparatus* and its officeholders due to the internal contradictions of the apparatus itself and its structural and functional inability to deal with social and economic problems. Borderline situations may transpire both in authoritarian and democratic regimes.

An authoritarian regime is more prone to turn into a struggle of each against all within officialdom in borderline situations. One classical example is the Soviet Union during the period of 1933-1938 which Kornai (1984) refers to as an illustration of 'aggressive mode of coordination'[6]. There is a vast literature that attributes the planning and execution of police repression during the 'Great purge' to Stalin's vengeful tyranny. However, the recent studies of Rittersporn show that "the terror emerges as a typical product of the system's internal conflicts, one of its instruments, so that even if it served as an *ultima ratio*, its use was chaotic, uncontrollable and manipulated by almost every dignitary." (1991, p. 114).

The period under consideration was the transition of an authoritarian regime to a chaotic order within the state apparatus, while the civil society could use only one powerful weapon to confront the rulers: sabotage, absenteeism, or passive resistance. The political disorder in the summit of power could not yet burst into

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[6] An expression that Kornai uses only once (Kornai, 1984), and does not repeat in his later classification of different modes of coordination (Kornai, 1992). He dwells very briefly upon 'aggressive mode of coordination' and defines it in this manner: "This is a wilful force not acknowledged by law and morality. This is precisely what distinguished it from No. 1 [a bureaucratic mode of coordination]: coercion is not institutionalised. For this reason it is mostly not lasting but of occasional nature." (Kornai, 1984, p. 308; the phrase in the bracket is added). Perhaps Kornai's insistence on 'occasional nature' of this type of coordination is the reason for his later omission of it. Despite Kornai's insightful remark, he fails to note the relationship between contradictory orders or parallel institutions with more stable forms of 'aggressive coordination'.

major political upheavals in the society. The final outcome was the creation of a 'state within the state' that I call a borderline situation between order and disorder where destructive coordination was dominant. This borderline situation was neither an authoritarian regime, nor a consensus regime, and yet it was different from social disorder.

Borderline situations also occur in consensual regimes. Borrowing from the author of *Della ragione di Stato* (1589), this type of situation can be called 'reason of state' (raison d'Etat)[7]. In later editions of his book, Botero (1599) distinguishes two types of 'reason of state', namely ordinary and extraordinary ones. The first designates all the governmental imperatives that are generally compatible with the common morality and Christian divine laws, whereas the second alludes to those imperatives which do not obey morality. The first type of 'reason of state' concerns the knowledge about the ordinary means of governing in order to *establish* or to *expand* the domination. The extra-ordinary 'reason of state' alludes to all the necessary means for *preserving* the domination (Bonnet, 2003, p. 321). The recent usage of the expression is limited to the latter one where the use of all coercive means are exceptionally authorized for the sake of 'the national interest' and for maintaining 'public order' regardless of its compatibility with divine or human laws. The focus on interest and expediency divorced from morality is justified on the grounds that a 'bad' action should be taken to avoid a 'worse' or a more disastrous one (Descendre, 2003). Presently, it is cited to support the action of a state or that of state officials which should remain secret to avoid a war, a revolution, a pandemic, or an abdication.

Accordingly, 'reason of state' allows a 'state within the state' situation with parallel institutions where direct coercion occupies a central place in controlling and integrating activities. A destructive mode of coordination is thus in order either for temporary periods or for more stable periods in specific sectors such as defence and military ones. During the Algerian war, France pleaded for 'raison d'Etat' and came to this borderline situation. Watergate, Iran Gate and many other secret activities of the Pentagon and the CIA such as launching coup d'Etat against 'non friendly' governments such as Iranian's Prime Minister Mossadeq in 1953 have been initially justified on the basis of 'reason of state'[8]. Of course, the examples can be easily

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[7] Niccolo Machiavelli is usually cited as the pioneer of this concept. The author of *The Prince* (1519) has pointed out that the state's highest good was to maintain itself; it often had to take an expedient course of action which was in fact contrary to religion and morality.

[8] Heilbroner ([1962] 1972, p. 256) has noted this 'aggressive' tendency in American capitalism after the second World War: "There is no doubt that in recent years American capitalism has become a military state that feels itself impelled to police the world. Since World War II, the United States has intervened in Lebanon, the Dominican Republic, Cuba, South Vietnam, Cambodia, and Laos; has clandestinely overthrown at least one government (Guatemala), and *probably another (Iran)*." Heilbroner's clever guess is today a certainty, since during Clinton's presidency, Mrs Madeleine Korbel Albright who served as the Secretary of State officially acknowledged the CIA's involvement in the putsch against Mossadeq's cabinet in 1953.

multiplied in dozens[9]. The activities of the Military Industrial Complex (MIC) in developing different forms of destructive technology and in trading armaments require extreme confidentiality, and are usually covered legally by 'reason of state' or 'the national interest'. It is not shocking that the profits of this sector depend on warfare, and hence 'chaos' is their source of revenue. Destructive coordination depicts the rationale of the MIC. However, in consensual or democratic regimes, such borderline situations are more exceptional and sectoral than common and durable. Parliamentary or Senate commissions can check the extra legal activities within the state apparatus, and independent journals can sometimes play a countervailing force.

1.5 Emerging state and factional politics

In a democratic regime, different political formations can resolve their conflicts and find a compromise or at least an arrangement on the basis of established constitutional law and institutions. However, in the absence of such institutions, the formation of a coalition government or the resolution of political disputes requires an arbiter who can fill the institutional gap by exercising an influential role on all the parties. A charismatic leader, a powerful external force, or traditional arrangements may assume the arbitrage. But in any case, arbiter is by himself an institution over and above the nascent institutions. In case of charismatic leadership, such as what Iran witnessed under Khomeyni, the arbiter represents once and at the same time all social groups despite their opposite and sometimes antagonistic interests. If necessary the arbiter may be more 'leftist' than any leftist group in defending workers demands, and more 'rightist' than any farouche partisan of the sanctity of private property. In short, the arbiter 'represents' all social groups and at the same time suppresses all of them by depriving them from their direct organised political representations. Accordingly, every major change in the political balance between different social groups provokes a 'representation' crisis, and the use of extra legal or coercive means would be in order. In the absence of organised political representations, demagogy and populist mobilisations combined with a dozen petit coups are the 'normal' way of governing and resolving factional rivalries.

The Islamic Republic of Iran since 1979 and Lebanon's coalition government during the 1980s are two recent examples of contradictory orders due to intense factional rivalries. In both cases, a destructive mode of coordination is in place. The constitution of an official or unofficial 'coalition' government in Lebanon and in Iran does not imply a 'consensual' regime. Moreover, none of them can be simply considered as 'authoritarian' despite all the atrocities and continuous severe human violations under the Islamic Republic of Iran. However, the major difference between them resides in the fact that the coalition government in Lebanon was the outcome of an international arrangement between different religious communities, whereas in Iran, Bazaar-Mosque alliance constituted the basis of a new state

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[9] For an analysis of the new reason of state as a problem for democracy in world society, see Wolf (1999).

apparatus under the charismatic figure of Khomeyni as arbiter. The emerging state in Lebanon is now marred by a new international arrangement where disorder and chaos pervade. We will briefly discuss the Lebanese case and then dwell upon the Iranian situation in more detail, since it provides the most typical illustration of parallel institutions and destructive coordination.

In Lebanon, the establishment of a coalition government composed of Christian Maronites, Sunni Druzites, and Shiites Hezbollah during the 1980s came after a long period of civil war in the seventies, and in the aftermath of the PLO's withdrawal from South Lebanon due to Israeli's invasion in 1982. The creation of a coalition state was brought under the auspices of International community. Although the state should have officially maintained the monopoly of all coercive means, each constituency of the coalition continued to have its 'private' militia and para military forces. A system of contradictory orders with extra-legal law was the rule. But this system was yet unstable and internally weak. Various political factions were supported by different external forces whose compromise at an international level could construct a central state. During the nineties, the strengthening of Hezbollah's faction that represents the poor working Shiite population in the south of Lebanon and has the support of Syria and Iran rapidly changed the balance of power. The crumbling of this international arrangement since July 12th 2006 by Israeli's devastating military assault on Lebanon with the United States' support is now shattering the very foundation of this nascent state and reintroduces disorder and chaos.

Since its foundation, the Islamic Republic of Iran has always been an *unofficial coalition* state under a charismatic leadership and marked by factional politics (Mohammad Ali Najafi, 2004, p. 412). In the absence of labour unions, political parties, professional societies, and neighbourhood associations during the Shah's period, the bazaar-mosque alliance proved to be the central core of the revolutionary movement in 1979. The bazaar and the mosque, as inseparable twins, have served for many centuries and all through the Pahlavi's dynasty, as the primary arena of public life in urban Iran (Ashraf, 1988; Ashraf and Banuazizi, 1992). This central core entered into alliance with the militant intelligentsia and successively mobilised the marginal urban population and other social groups. It is usually argued that the Shah's rapid modernization was the cause of the revolution. But in terms of material interests, the *ulama* (the Shiite clerics) had much more to lose than the bazaaris (traditional merchants) from the results of modernization. As Ashraf (1988, p. 562-63) rightly notes the *ulama* "were demoted from being a partner in the network of political domination to a position of relative powerlessness, while the bazaaris gained considerably in terms of material fortune. The majority of the ulama supported the 1977-79 revolution as a protest against their lost privileges. The big merchants and prosperous bazaaris supported the revolution on the assumption…that their lifestyle would be respected by the Islamic state, that they would be free from arbitrary domination of the state, and that in the new regime they would have many felicitous contacts within the state bureaucracy…Yet, on the whole, the revolution was primarily aimed by its

leadership at seizing the apparatus of the expanding modern state in order to export the revolution and establish an Islamic empire."

A theocratic regime was in opposition to the socio-economic requirements of a developing modern society and Western cultural values. In a sense it was the exact opposite of the Iranian incomplete constitutional revolution in 1906, since it introduced the new theocratic institution of the divine commission of the vicegerent of the jurisconsult (*Welayat-i faqih*) to assume political authority and sovereignty as the vicegerent of the Hidden Imam. But at the same time, Khomeyni was the heir of a revolutionary uprising against the Shah's autocracy. The Islamic Republic was an oxymoron, since it should combine together a 'republic' (the continuity of the constitutional revolution) and 'Islamic' government (a rupture and direct opposition with the constitutional tradition). The outcome of this contradiction was the new constitution adopted in 1980 that was advocating simultaneously parallel 'elective' (republican) and 'nominative' (theocratic) institutions.

Khomeyni's position incarnated this paradox: he had the control of a modernising state apparatus, while as a supreme theocratic ruler he transcended the constitutional constraints of an apparently legal-rational order, and assumed the title of the Imam, the position reserved in the Iranian Shii community exclusively for the twelve infallible Imams (see Ashraf, 1994; Ruhani, 1984). The Islamic Republic of Iran as a traditional theocratic state could only continue to live against the requirements of a modern society thanks to its monopoly over political power. Hence, it was not only born in a revolutionary crisis, but its continuity required a constant crisis on which it could nourish. One of the fundamental sources of parallel institutions or contradictory orders in Iran is this incompatibility between a theocratic regime and a modernising society. This incompatibility provides the basis of a destructive coordination where even identity of decision makers cannot be easily known due to the pervasiveness of the parallel institutions. Smith (1997) puts it in a nice way: "Ask an Iranian official, even a junior minister, what is going on and he is quite likely to answer that 'they' are doing this or that, rather than 'we'. The Islamic Republic has come to depend on a system of parallel powers that keeps everybody, government servants included, partly in the dark. Most obscure is the identity of those who take the decisions that count. Almost every organisation has its shadow, and the shadow is often the weightier of the two." The army has *Sepah*, the police and *Komitehs* are now formally unified, though practice may be lagging behind. In provinces, the provincial governors, appointed by the Ministry of the Interior, are shadowed by the *imam jomeh* (Friday prayer leaders) nominated by *Wali Faqih* (the supreme theocrat leader). The 270-member Majlis (Parliament) is officially shadowed by the 12-member Council of Guardians, whose six clerical members are appointed by the Leader. In case of conflict between the Majlis and the Guardians, another body named Expediency Council arbitrates between them. This institution has become a lawmaker of its own.

Parallel institutions reflect political factionalism[10] in the absence of organised political representations of different social groups due to the charismatic role of the Supreme Leader as the 'final arbiter'. When a consensual regime is not at work, intense political factionalism leads to destructive coordination.

1.6 Colonialism and Military occupation

In analysing colonialism and military occupation as a major source of contradictory orders, it is useful to distinguish between "empires of domination" and "territorial empires" (Mann, 1986). The former relies solely on the empire's military striking power, whereas the latter hinges upon all the forms of power including the moral, economic and political ones. Compared to the British Empire, the recent American empire is an 'incoherent' one, since it lacks the necessary power to institutionalise its domination (Mann, 2005).

For example, the occupation of Afghanistan and Iraq by the United States was much easier than the instauration of a stable regime in both countries. In fact, for many years, conservative politicians in the U.S. have looked at peace keeping as a diversion from the main task at hand: fighting and winning the nation's wars. But that was before the Bush administration made the pre-emptive use of military force and "regime change" the heart of its foreign policy. As Michael Gordon (2003, p. 4) rightly remarks, "Officials who dismissed the value of peace keeping are now committing American forces here to 'peace enforcement' operations to stabilize the country and lay the foundation for a new Iraqi government."

The presence of a 'low intensity' civil war is now an undeniable fact in Iraq and political analysts discuss the probabilities of its transformation into a 'high intensity' civil war. The outcome of such a full fledged civil war will be the disintegration of Iraq into three regions, namely a northern Kurdish region, a Shiite southern part, and probably a middle region with Sunnite dominance. An unstable destructive mode of coordination is presently dominant in Iraq, and may turn into complete chaos. The situation in Afghanistan is quite similar to that of Iraq. Although, the European and American occupying military forces tried to build a new state through the convention of several *Loya Jergas* (grand assembly, or grand council) since December 5, 2001, this allegedly historical tool of 'consent-building' among the settled and nomadic *Pashtun* and other tribes did not fulfil 'conflict resolution'[11] that was expected from it. The *Taliban* militia are once again gaining power in different regions and even within the nascent official state (Mann, 2005, Chapter 5).

Throughout history, colonialism has always led to the fragility of the colonial state due to its dependence on outside resources. The sovereignty crisis nurtures the

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[10] For a detailed analysis of different political factions in post-revolutionary Iran, see Barzin, 1995, 1998; Mortaji, 1999; Zarifi Nia, 1999; Shadloo, 2000; Saeidi, 2002.

[11] For a very critical assessment of *Loya Jerga* in the past and present, see Hanifi, 2004.

development of local (religious or non religious) networks of resistance and strengthens coordination through customs and traditions. This crisis is particularly acute in case of military occupation and 'empire of domination' since it destroys the existing sovereignty and provokes at the same time a resistance movement. The dominance of a destructive mode of coordination is the normal outcome.

The coexistence of state and religious authority with regard to physical coercion, the mafia type of association, the borderline situations, factional politics, military occupation and colonialism are different situations in which a specific type of contradictory orders pervades and leads to destructive coordination. The list is not exhaustive and other sources of destructive coordination may be identified. However, a general characteristic of destructive coordination is that *it is based on parallel institutions that require the use of extra legal, non-institutional coercion to regulate their relationships*. The other characteristics of this type of coordination will be studied in the following section.

2. Main characteristics of destructive coordination

Each mode of coordination is backed up by an institutional arrangement that is related to a particular form of power. In the previous section, we argued that destructive coordination is supported by parallel institutions and it can be defined as a social organization through the direct use of non-institutional coercive means.

Social organization embraces allocation of scarce resources and direction of human activities. The allocation mechanism includes real and monetary transactions. The role of monetarized transactions in coordination should also be studied. The decision structure or the particular domination relationship, the information flow between different levels of decision making, and the motivation structure of agents determine the direction of human activities. Hence, a systematic analysis of destructive coordination requires investigating the specific characteristics of its: 1) Allocation mechanism; 2) Monetary and non monetary transactions; 3) Decision structure; 4) Information flow; 5) Motivation structure.

2.1 Appropriative allocation of resources

In the neo-classical economics, the closest expression to the 'mode of coordination' is the 'allocation mechanism' that captures the allocation of scarce resources. The concept is devoid of any institutional connotation, and ignores non economic factors altogether especially the sovereignty question. Nevertheless, it is noteworthy that Pareto acknowledges at least two different 'allocation mechanisms', namely the productive and the appropriative ones: "The efforts of men are utilized in two different ways: they are directed to the production or transformation of economic goods, or else to the appropriation of goods produced by others" (Pareto, [1927] 1971, p. 341). However, since the appropriative activity does not come within the scope of free choice, it cannot under the neoclassical view concern the economist.

Hence, throughout history the 'allocation mechanism' for scarce resources has been limited to the the market allocation[12].

Borrowing Pareto's distinction between 'productive' and 'appropriative' human efforts, the allocation mechanism in a destructive coordination should be characterized as 'appropriative'. Social organization through the direct use of non-institutional coercive means assumes a situation where the protection of one's life and property is yet the primordial concern of everybody. The allocation of resources to protect one's life and property, to be part of power circles or to be protected from the state's abuses leaves less resources to be devoted to productive activities. Instead it enhances investing in protective and appropriative means. Adam Smith's [1776]1961 contention that security is more important than opulence is particularly relevant in destructive coordination. Property rights depend on sovereignty. Once sovereignty relies more on direct use of physical coercion than legal rights and sanctions, then one's property may be confiscated arbitrarily by those who control coercive means. The entitlements and obligations then become conditional on one's relationship with power circles. In other words, destructive rather than economic power plays a primary role in the resource allocation.

Private as well as state ownership assumes that property rights are institutionalized and are well defined so that the ultimate boundary of ownership, namely the right to destroy (*abusus*) is also legally clarified and enforced. But the primary role of destructive power in resource allocation implies extra legal, ambiguous, undefined, or non-institutionalized (or insufficiently institutionalized) property rights. Booties in warfare and looting, or confiscated properties in a revolution are what I call 'indeterminate' properties. Although they can be transformed into 'public', 'personal', 'private', 'combinatorial', or other types of property ownership, their initial status remains indeterminate. In 'indeterminate' properties, entitlements to property rights depend on the discretionary power of the coercive authority. Appropriative allocation leads to indeterminate property. One salient illustration of indeterminate property is the *Bonyad*s (Foundations) in post-revolutionary Iran.

Bonyads are regarded as 'para-governmental' (Saeidi, 2004), or 'parastatal foundations' (Maloney, 2000). There exist a great variety of Bonyads among which Bonyad-e Mostazafan va Janbazan (BMJ, Foundation of the Oppressed and Self-Sacrificers) and Bonyad-e Shahid (Martyrs' Foundation)[13] are the most prominent

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[12] Frank Knight (1947) contends that other forms of allocation existed during the primitive stages of human history through 'custom' and 'authority' that stand for instinctive and half conscious behaviors of human beings. Market allocation based on free enterprise is the only form related to deliberate consensus and conscious activities of human beings.

[13] This Foundation was established a month after the 1979 revolution to support the surviving relatives of the martyrs and the disabled veterans of the revolution and later the families of the martyrs of the eight year war with Iraq. For a more detailed report, see *Encyclopedia Iranica*, 1987, pp. 360-61; Maloney, 2000, pp. 151-2; Saeidi, 2004, pp. 488-490. For some recent data regarding its activities as well as a similar Bonyad, namely Imam Khomeyni Relief Aid Committee, see Sazman Modiryaat va Barnameh Rizi Keshvar *Salnameh Amari Keshvar 1383* (The annual statistics of the country) 2004, pp. 551-2, 565-571.

ones. The BMJ was set up after the confiscation of the assets of the late Shah and 53 industrialists in exile in the aftermath of revolution in conformity with Khomeyni's injunction that called these assets 'spoils' and added that 'they must be kept and controlled separately from state properties' (Saeidi, 2004, p. 484). The size and scope of the BMJ is like a government (*the New York Times*, Jan 8, 1995). With holdings worth 12 billion US dollar, the BMJ constitutes the largest non-state sector in the economy, second only to the National Iranian Oil Company in size[14] (Smith, 1997; Maloney, 2000). Although, because of total opacity, there is no accurate information about Bonyad's activities, the recent Economic report of the French Embassy estimates that its different branches contribute to 7-10 per cent of GDP (Ambassade de France, Mission Economique, 20 juin 2006). The BMJ operates like a holding with many enterprises extending almost in all sectors of the economy such as mining, housing, manufacturing, trade, shipping, transportation, airline, tourism, agriculture, food industry and soft beverages, etc. Recently, it has been strengthening its position in the energetic (including hydrocarbon) and communication (second Iranian mobile operator, etc.) sectors. However, this giant holding has an 'ostrich position' with regard to its institutional status. It can change its spots at will, acting as a private economy when buying privatized firms[15], but going 'public' to control such 'strategic' businesses as the national shipping line, enshrined in the Iranian constitution as a publicly owned agency. This ostrich position is due to its indeterminate property structure. It is neither private nor state-owned. The legal status of the foundations has been described as public, non-governmental organizations, a somewhat paradoxical classification, but faithful in reflecting their 'indeterminate' nature. With no governmental discretion over their expenses, no shareholders, no public accounts, and no well defined legal status, they have been operating autonomously from the government. However, as professedly 'charitable' organizations, they have been benefiting from tax exemptions (IMF Staff Country Report, 1998, p. 26), preferential bank credits, subsidies and special 'quasi-budgetary redistribution' (Coville, 2002).

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[14] Saeidi (2004, p. 493) notes that the total budget of the foundations was estimated at nearly half of the government's national budget, 6000 billion rials, at the end of the 1980s.

[15] Regarding the 'privatisation' policy advocated in the first and second quadrennial programmes known as the 'Adjustment Programme' and the 'Stabilisation Programme' during two periods of presidency of Rafsanjani (1989-1997), it is noteworthy that the fourth Majlis (1992-1996) passed a law in 1994 which allowed the government to sell state enterprises in different ways. The law stipulates that *Isargaran* (sacrificers), namely those who devoted themselves to the war, the prisoners of war, and the relatives and members of those who were killed in the war have the priority to own the privatised enterprises. In this way, the 'privatisation' trend consists in transferring state enterprises to the Foundations or to the parastatal sector (Adeli, 2004, pp. 474-75). In the same vein, the recent intervention of the Supreme Leader, Khamenei, in favour of privatisation in July 2006 has been preceded by the conclusion of two important contracts with Bonyads and *Sepah* for the construction of Line 6 and 7 of Tehran's subway reaching to a total amount of two and a half billion dollars. Finally, Tehran Stock Exchange TSE is principally a market for the parastatal sector. As Jbili, Kramarenko, and Bailen (2004, p. 44) note: "Most listed companies [in TSE] are parastatal enterprises with a varying degree of direct and indirect government ownership." (The phrase in the bracket is added).

Despite the historical defense of the *vaqf*[16] (Islamic religious endowment) by the ulama, the foundations, as 'charitable' organizations, are not attached to any religious institution. Of course, they are absolutely loyal to the supreme leader and to local religious leaders who act as their representatives. But they are unconnected to the clerical Shiite hierarchy and the traditional religious networks: "the Bonyad-e Mostazafan operates, for all intents and purposes, outside the scope of both the traditional religious power structure and the government." (Maloney, 2000, p. 157). Religious endowments (*Vaqf*) continue to command vast amounts of resources in the Islamic Republic; and the Bonyad-e Astan-e Qods, which manages the endowments related to the shrine of Imam Reza at Mashhad, owns property all over the country[17]. Contrary to the Shah's regime, the Islamic Republic has guaranteed the independence of *Vaqf* from the government; but the Foundations maintain their autonomy from both the government and the traditional religious hierarchy.

What then are these Foundations, and to whom do they belong? They own 'confiscated' properties ('spoils' in Khomeyni's terminology) that could have been transformed into private or state properties, but were not. Contrary to the dominant view, the state sector in the post-revolutionary Iran does not resemble the omnipresent state of the USSR. The analogy to post-Soviet Russia, where the dismantling of an entrenched system of power and the concomitant rise of new political and financial magnates (powerful transitory 'financial-industrial groups'[18]) has empowered an array of puissant clientelist networks, is more appealing. But unlike their Russian counterparts, they have not transformed into private monopolies either. Their permanent position as an 'indeterminate' form of property is due to the extension of parallel institutions even into the Iranian economy under the Islamic Republic. "These organizations represent the dual power structure in Iran which reinforces the financial authority of religious leaders without accountability" (Saeidi, 2004, p. 479). They constitute the *authoritative* resources of theocrat leaders: they favor and empower the parallel military and paramilitary groups belonging to theocrats, and enrich their traditional allies, namely the bazaaris, and thence reproduce the authority of the Supreme Leader and theocrats. They enjoy an almost unconstrained capacity of intervention in the Iranian economy and in political competition between different factions, and may be depicted as 'a state within a state.' (Scheuer, 1994).

The close relationships of the BMJ with the Bazaaris, and the Iranian security apparatus and its institutional authority were confirmed by the appointment of one of the main trusted figures of the Bazarris, Mohsen Khamooshi, as the first manager of the establishment, and then by the nomination of Mohsen Refiqdust, the former commander of the Revolutionary Guard (*Sepah*) to lead the foundation in 1989.

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[16] For an analysis of *Vaqf* as a credible commitment device to give property owners economic security in return for social services, see Kuran, 2001.

[17] For a historical account of Astan-e Qods-e Razawi, see Mawlawi, Mostafawi, and Sakuurzada, 1987, pp. 826-837.

[18] Regarding these transitory groups in post-Socialist transition in Russia, see Mathilde Mesnard, 2001.

Due to unaccountability and total opacity of its activities, widespread corruption in the BMJ and its diverse branches involving Refiqdust's brothers and many other directors (see *The Economist*, Sep 25, 1993; *The New York Times*, Jan 8, 1995; *Financial Times*, Jul 17, 1997; Saeidi, 2004, pp. 495-98) led to the replacement of Refiqdust by the former Defense Minister Mohammad Foruzandeh in July 1999[19]. During Refiqdust's direction, the organizational connections between the Revolutionary Guard and the BMJ developed substantial involvement in weapons procurement and production. For example, "the Bonyad's heavy presence in legitimate mining and chemicals production allegedly camouflage IRGC [the Revolutionary Guard] chemical weaponry plants. In addition, German intelligence sources contend that the MJF [Bonyad] has utilized a network of sham enterprises to acquire inputs for the Revolutionary Guard's defense industry, including its biological, chemical and nuclear weapons as well as its missile development. In addition, the foundation apparently undertakes international endeavors that transgress the traditional definition of trade - the MJF is commonly cited as a generous supporter and active political patron of the Lebanese terrorist organization, Hezbollah…In addition, state control over the industrial sector meant that 'the commercial bourgeoisie became the most active faction of the ruling class.' This, of course, represents another potent link between the bazaar and the *bonyads*: they are 'the only winners' in the Islamic Republic's lackluster economic history." (Maloney, 2000, pp. 159-160).

A close examination of the Foundations in Iran shows that they promote 'destructive creation' which is the exact opposite of Schumpeter's 'creative destruction'. Schumpeter (1951, chapter VII) referred to the process of capitalist development as 'creative destruction', namely the destruction of old products, past processes of manufacturing and archaic forms of organization through the introduction of new products, ways of producing and organizational methods. In destructive coordination, we have the opposite process of 'destructive creation' implying the production of destructive means and the necessary infrastructure and skills related to such means so that the authoritative resources and relationships could be reproduced. The dynamic of appropriative coordination can be defined as destructive creation[20]. Does this mean that this type of coordination is by definition a hindrance to the economic growth?

Historical investigation shows that 'destructive creation' has not always been an impediment to productive activities. In fact, the military revolution and the development of the 'industry of destruction' in the sixteenth and seventeenth centuries (Roberts, 1956; Parker, 1988) prepared the industrial revolution in the

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[19] When the latter came to the office, he announced that eighty percent of its 350 companies were losing money.

[20] The sectoral activities of the Military Industrial Complex (MIC) comes within the scope of 'destructive creation', and as Galbraith (2004, chapters 7 and 11) and Weber (2001, chapter 2) rightly note the blurred frontiers between 'public' and 'private' sectors is also an undeniable fact in case of the MIC. The similarities between the MIC sector in the advanced market economies and the Iranian Foundations with regard to the secrecy, non-accountability, and inseparability of 'public' and 'private' sectors, as well as the influence over foreign policy are striking (see Caldicott, 2002).

eighteenth century. In some countries like England and France, destructive coordination during the 'primitive accumulation of capital' provided the necessary prerequisites of industrialization and economic growth. All this depends on the way destructive coordination articulates with market, bureaucratic, and ethical coordination and whether it plays a dominant role. For instance, in post-revolutionary Iran, it has occupied a predominant place and directly favored traditional social groups such as theocrats and their coercive military and paramilitary apparatus, as well as traditional merchants (Baazaris). This social alliance between the theocrats, new coercive apparatus, and bazaaris has hindered the development of modern sectors especially in industry and service. Nonetheless, even under these circumstances, 'destructive creation' contributed to the development of infrastructures necessary for military purposes as well as the armament industry with some positive spillovers for civil industries such as car manufacturing during the war with Iraq (see Mohammadi, 2006). Unquestionably, the overall impact of such coordination in terms of provoking critical situations through which the theocrats could reproduce their authoritative resources had been an eminent catastrophe for Iranian economy[21]. One would have a better appraisal of the extent of the catastrophic economic and social consequences of destructive coordination, when one notice that despite tripled revenues from petrol, the capital flight from Iran has reached to its highest point since the presidency of Ahmadinejad.

Since Pahlavi's dynasty, Iran's economy has been characterized by the dominance of a rentier state dependent on petrol revenue (Katouzian, 1981). The underdeveloped character of the industrial sector has accordingly been related to 'the Dutch Disease'. But the post-revolutionary Iran has been witnessing the dominance of destructive coordination that can be called 'the Iranian Disease', a pandemic more dangerous than 'the Dutch Disease' for economic growth and development in Iran as well as in the whole Middle East.

2.2 Inflationary economics

The market mode of coordination is the only form of coordination which is necessarily monetarized. Transactions in an ethical coordination (reciprocity) are, as a rule, not monetarized, though exceptions may exist where gifts are given in a monetary form. In the bureaucratic mode of coordination, the transactions are not necessarily monetarized, but if they are, the subordinates are financially dependent on the superiors. In bureaucratic coordination, the money is semi passive and the syndrome of the 'soft budget constraint' (Kornai, 1980) is usually prevalent. In destructive coordination, due to appropriative, predatory, or grabbing allocation of resources, *money's role is superseded by the violence*. In fact, as Clower and Due (1972, p. 320) have already averred, 'theft and philanthropy' are not subject to the

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[21] Detailed studies of military industrialization in Third World countries that emerged as arms producers in the 1970s and 1980s such as Brazil, India, and South Korea aver that "Third World military industries face enduring and formidable obstacles to sustained expansion" (Conca, 1997, p. 255).

budget constraint postulate. Although, the army has been the cradle of wage relationship (McNeil, 1982), and the war spoils have been the source of market extension (Vahabi, 2004, pp. 208-215), the war economy as well as revolution escapes from the cost-benefit analysis. In destructive coordination, transactions may be either monetarized or not, but unlike market coordination, the money does not play the central role in coordinating activities.

In recent periods, destructive coordination is marked by a chronic inflationary tendency. Several institutional factors underline this tendency. The first one is the primary role of authority relationship over property ownership that gives a priority to strategic non economic (political or ideological) considerations over the economic considerations. Keynes (1940) was also emphasizing that the warfare is not subject to the cost-benefit analysis, and military expenditures lead to inflationary pressures. The political instability provides a second reason for the chronic inflationary tendency. In fact, destructive coordination is usually related to a sovereignty crisis that undermines a credible commitment by the state to monetary stabilization. The state can never respect the independence of central bank and easily violates it even if it is legally proclaimed, since the discretionary authority of coercive bodies and the predatory activities of all the shadow institutions override the monetary considerations. The parallel institutions and their intense rivalry[22] to 'grab' resources increase highly the amount of resources allocated to 'protective' expenditures. An expansionary budgetary policy ensues that breeds in its turn more rivalry in grabbing resources. This 'intensified' rivalry provokes a cumulative process that inflates more and more the current expenditures of different official and non official organizations detrimental to productive activity *stricto sensu*. Last but not least, the opacity and non accountability[23] of strategic parallel organizations may lead not only to excessive 'corruption', but also to an ever increasing allocation of resources to grabbing the 'state' resources by the state officials or other unofficial authorities. The extra budgetary expenditures underpin the expansionary budgetary policy, and given the same level of supply, it leads to inflation.

In short, in a monetary economy, destructive coordination may be characterized by a chronic inflationary tendency in which quasi-budgetary and redistributive policies supersede the monetary policy.

2.3 Dual decision structure

Parallel institutions shape a dual decision structure, formal and informal. *Formally*, decision structure in destructive coordination resembles bureaucratic coordination, in the sense that it is also hierarchical and marked by vertical linkages between superiors and subordinates. The superior is not elected by the subordinates, but appointed by another superior at a higher level of hierarchy. The relationship between different levels of hierarchy is thus asymmetrical and based on domination

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[22] I will further refer to this 'rivalry' as 'negative competition' (see next section 2.3).

[23] Regarding the opacity and non accountability problems, see section 2.3.

and authority. Although the higher level depends to some extent on the lower level, the subordinates are more dependent on the superiors. This unified and centralized decision structure at a *formal* level, does not exclude an *informal* non-identified hierarchy that undermines and even violates totally the formal decisions of the superiors and changes radically the orientation of activities prescribed officially.

The legal or *formal* laws can be contradicted, discredited, or simply ignored by other *informal* institutions. Thus, the formal unified centralized structure coexists with an informal decentralized one. The decentralized character of parallel institutions seems to be less 'authoritarian' or hierarchical and closer to the market coordination with different autonomous units, and marked by horizontal linkages between decentralized units. However, there exists a sharp difference between the two types of coordination. In destructive coordination, the relationships between different autonomous centers are based on *negative competition*, implying that each center tries to influence the decision making process by its threat power to jeopardize the decisions taken by others. The participation in decision making is not related to what you can positively contribute to the results (for instance, your ability to reduce the costs or improve the quality) as in the case of 'positive competition' within the market coordination[24], but rather to the extent you can destroy, obstruct, harm or provoke annoyances for others. I have previously called it individual or collective 'threat power' (Vahabi, 2004). Threat power covers a wide range of menaces or nuisances, mild as well as harsh, such as disseminating rumors to stain one's reputation, falsification, exclusion, lynching, etc. When 'negative competition' is in order, you may decide to associate someone with your project not because s/he is qualified or can add to the project but rather to protect yourself against any harm s/he can cause. Furthermore, in this particular case, *negative competition* refers to competition within the realm of public goods, or public service among different 'public' or 'parastatal servants' and bodies. They are 'rivals' for 'non rival' and 'non excludable' goods and services. Thus, parallel institutions in providing 'public services' are particularly prone to *negative competition*.

One of the major characteristics of this dual decision structure is that the decision centre cannot be identified or at least easily known. Faceless deciders or *eminence grise* are more powerful than known officeholders. Moreover, it is never clear at what level the decisions are made, who is responsible and with whom should the negotiations be engaged. For instance, not only the decisions of the President of the Republic, but even the verdicts of the Supreme Leader in Iran whose authority is generally uncontested, may be overruled by some concerted acts of unofficial parallel groups. Although decisions are made by faceless people, the decision making is extremely imbedded in local and personal networks far from any type of

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[24] Market competition can also be negative. Chamberlin (1953) imagines this type of competition regarding monopolistic competition: each producer tries to minimise costs by altering the product (and selling the product at a less expensive price than his competitors) leading to the general deterioration of the quality of the products as described in Gresham's law: the bad products drive out the good ones from the market.

'impersonal' processes of market decision making. Negative competition makes trust a highly valuable asset, since one can only rely on the circle of trust. The members of the circle, of course, can change from time to time, but the fundamental ties and bonds should be rooted in customary and traditional relationships such as marriage, family, clan, caste, etc. so that they cannot be easily broken. Hence, destructive coordination shares a common point with ethical coordination regarding the reciprocity relationship and internal enforcement. But it is in sharp contrast with ethical coordination with regard to its dependence on hierarchical relationship as well as to the use of direct coercive means in settling the unsettled disputes among parallel institutions.

2.4 Secrecy, indoctrination, and scream

In destructive coordination, the flow of information is *formally* vertical or through commands coming from the superiors to the subordinates. In this respect, it resembles bureaucratic coordination. However, given the dual decision structure, commanding is not the only type of information flow. The *informal* 'commands' coming from 'nowhere' are more important than commands given by official superiors. Bypassing official orders through coup-type activity and populist mobilization is a common method. Moreover, to keep the identity of the *eminence grise* secret requires control over the means of communication through systematic censorship. The informal decision structure requires total opacity and non accountability of the parallel economic and non-economic organizations to the public. However, censorship is not sufficient to guarantee the bypassing, since compliance to informal orders rather than legal orders should be justified. The justification of authority needs indoctrination. Hence, in addition to secrecy, like 'ethical' or 'preceptoral coordination', persuasion is usually employed in destructive coordination to legitimate the compliance to informal orders.

Despite secrecy and indoctrination, negative competition among parallel institutions leads to sporadic 'public' revelation of information through fracas. Borrowing Hirschman's distinctions between 'exit', 'loyalty' and 'voice' as different feedbacks or information mechanisms (Hirschman, 1970), market, ethical, and bureaucratic coordination may be classified according to their reliance on these mechanisms. Market coordination uses 'exit', whereas bureaucratic coordination is associated with 'voice'[25]. Ethical or preceptoral coordination takes 'loyalty' as a background. In destructive coordination, however, secrecy and loyalty, is completed by what I have elsewhere called 'scream' (Vahabi, 2004, pp. 88-96). What is 'screaming' and how can it fit into the above classification? 'Scream' may be defined as a form of 'voice' if Hirschman's ambiguous concept of 'voice' is clarified.

Hirschman fails to distinguish two different types of 'voice': *voice* within the existing rules, and *voice* against the existing rules. While *voice* within the existing rules can be opposed to *exit* as abandoning the existing rules or organization, *voice*

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[25] Hirschman himself argues for such a relationship between private versus public sectors. While in the former, 'exit' dominates, in the latter 'voice' pervades (Hirschman, 1970, 1981, 1982).

against the existing rules cannot clearly be opposed to *exit*, since in this case the frontiers between *voice* and *exit* become blurred. In other words, *voice* within the existing rules comes within the scope of Hirschman's dichotomy of *voice* versus *exit*, whereas *voice* against the existing rules escapes this dichotomy and cannot be opposed to *exit*. To *voice* against the existing rules, one should also do a particular kind of *exit,* for example not to be among "loyalists" and join "others" or opponents.

I define 'scream' as voice against the existing rules. With parallel institutions at work, the negative competition of one faction against the others overrules the *formal* legal rules. Ruling factions then behave as if they are both formal supporters and informal adversaries of the existing order at the same time. They occasionally jeopardise or even torpedo each others' projects by revealing information through scandals or fracas; in brief, through 'scream'. Iran Gate is a taste of what is to come in such circumstances. The flow of information in destructive coordination consists of secrecy, indoctrination, and scream.

2. 5 Negative incentives and being in the serail

In market coordination, exchange is preferable to autarky, since one may augment one's utility without decreasing that of others. *Positive incentives*, or the exchange of 'benefits', constitute the fundamental motivational structure of the market exchange. But the situation is completely different in destructive coordination.

In destructive coordination, an agent (A) can offer another agent (B) the benefit of *not* injuring him as long as (B) acts according to (A)'s wishes. But is that a benefit to (B)? It is not a benefit to (B), if measured against his welfare, if (A) and (B) did not have any relationship in the past. In the presence of threat, one prefers autarky to exchange. Shakespeare's *Measure for Measure* provides a nice example. Angelo, acting in place of the Duke, decides to execute one of his prisoners. Before execution, he could torture him, but he has no motivation to do that. The victim has a sister, who comes to Angelo to plead for her brother's life. Angelo, finding the sister pretty, changes his mind and announces that he will torture the victim to death if the sister does not sleep with him. But if the sister accepts the dishonourable deal, he will only execute the brother. The sister submits. Angelo's only interest in torturing the brother is in what he may gain by making this threat; once there is somebody available to whom the threat can profitably be communicated, the possibility of torture has value for Angelo - not the torture itself, but the threatening of it. The sister has obtained negative value out of her trip. Having identified her interest and made herself available to receive the threatening message, she has been forced to suffer what she would not have had to suffer if she had never made her identity known or if she could have disappeared into the crowd before the threat was made. In this case, avoiding the worst or *negative incentives* shape the behaviour of agents.

Like market coordination, profit-seeking is an important motivation in destructive coordination based on appropriative allocation of resources. However, where appropriative or predatory activities occupy pride of place, property rights may easily be endangered. That also explains why the resources are principally directed towards protective activities, and even property is regarded as an authoritative resource. It may be then assumed that like bureaucratic coordination, in destructive coordination status is the most important motivation. But status does not provide the best guarantee. You can be the President of a Republic today and a political refugee the next day as it happened to Bani Sadr, the first President of the Islamic Republic. The most important motivation in destructive coordination is to become a 'member of the serail' or part of the 'circle of trust'. In that case, you will have access to all authoritative resources including property and status, though being perspicuously rich and puissant provokes negative competition of rival factions. Agents are thus motivated to stay in the shadow and within the serail.

Conclusion

We demonstrated clearly that besides market, bureaucratic and ethical coordination, there existed another type of coordination that we coined as destructive coordination. Destructive coordination as social organisation through the use of coercive means has existed throughout history, but in recent times its emergence is related to a particular type of contradictory orders and parallel institutions. This form of coordination must not be confused with chaos and anarchy, and may not necessarily be transitory. Although located on the borderline of social order and disorder, it may be more or less stable and owns its particular characteristics with regard to allocation mechanism, monetary and non monetary transactions, decision structure, information flow, and motivation structure.

It is an appropriative allocation with a dual decision structure and negative competition in which information flow is marked by opacity, non accountability, indoctrination, and scream. Transactions may be monetarized but not necessarily so. In a monetary economy, destructive coordination breeds a chronic inflationary tendency. Finally, its motivation structure embraces a mixture of profit-seeking, status, negative incentives and being a member of the serail. The last two motivations are dominant.

There are still several issues that require further investigation. For instance, 1) if a social system is a constellation of different modes of coordination, then how does destructive coordination interact with the other ones? 2) Can destructive coordination be transformed into other types of coordination? If so, to what other types of coordination? Hence, the interaction of destructive coordination with other modes of coordination and its transformation should be the subject of future research.

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