"A social system [...] is any system generated by the interaction of two or more behaving units. The basic criterion for establishing the existence of such a system is the existence of meaningful interdependence between the actions of the units (interaction). Thus[,] the consequences of actions by any one unit can be traced through the system; ultimately[,] these consequences 'feed back' to the units initiating the change. All this is implied by the notion of interdependence. In this more general sense we propose to treat the economy as a social system.

A collectivity, on the other hand, is a special type of social system which is characterized by the capacity for 'action in concert'. This implies the mobilization of the collectivity's resources to attain specific and usually explicit goals; it also implies the formalization of decision making processes on behalf of the collectivity as a whole. This explicitness applies both to the legitimation of the rights of specific units to make such decisions and the obligations of other units to accept and act upon the implications of these decisions. The formal organization (e.g. a bureaucracy in the widest sense) is the prototype of such a system.

It follows that the economy as we [i.e. Parsons and Smelser] conceive it is not a collectivity, even though every concrete social system has an economic aspect. [...] It is, in its 'developed' sense, a sub-system of the total society. As a social sub-system, the economy is differentiated on the basis of functions in the society. As such[,] it consists of modes of orientation of actors and their relation to the orientations of other actors through a process of mutually oriented decision. A collectivity, on the other hand, is never unifunctional but always multifunctional. For this reason[,] the economy cannot be a collectivity. Certain concrete acts and certain collectivities (e.g., the business firm) may have primarily economic functions, to be sure. But a collectivity's primary function never exhausts its functional significance in the larger system in which it is a concrete unit.

The concept of the functional differentiation of a social system and the concept of a collectivity thus in principle cut across each other. Both are types of organization in terms of social sub-systems, but they must not be identified with each other. [...]
What are the most important features of a social system by means of which we may define the cognate features of an economy? In what respects is an economy, considered as a differentiated sub-system of a society, differentiated from other cognate (i.e., functional) sub-systems of the same society?

According to the general theory [of systems of action], process in any social system is subject to four independent functional imperatives or 'problems' which must be met adequately if equilibrium and/or continuing existence of the system is to be maintained.

A social system is always characterized by an institutionalized value system. The social system's first functional imperative is to maintain the integrity of that value system and its institutionalization. This process of maintenance means stabilization against pressures to change the value system, pressures which spring from two primary sources: (1) Cultural sources of change. Certain imperatives of cultural consistence may mean that cultural changes taking place outside the value system relevant to the social system in question (e.g., changes in the belief system) may generate pressures to change important values within the social system [in question]. The tendency [and functional imperative] to stabilize the system [i.e. maintain and preserve its institutionalized value system] in the face of pressures to change institutionalized values through cultural channels may be called the 'pattern maintenance' function [and functional imperative]. (2) Motivational sources of change. Motivational 'tensions', arising from 'strains' in any part of the social situation or from organic or other intra-personal sources [i.e. sources internal to persons], may threaten individual motivation to conformity with institutionalized role expectations. Stabilization against this potential source of change may be called 'tension management'. The first functional imperative, therefore, [of a social system of action] is 'pattern maintenance and tension management' relative to the stability of the institutionalized value system.

Every social system functions [i.e. operates] in a situation defined as external to it. The processes of interchange between systems and situation are the foci of the second and third major functional imperatives of the system.

The first interchange concerns the situation's significance as a source of consummatory goal gratification or attainment. A goal state, for an individual actor or for a social system, is a relation between the system of reference and one or more situational objects which (given the value system and its institutionalization) maximizes the stability of the system. Other things equal, such a state, once present, tends to be maintained, and if absent, tends to be 'sought' by the action of one or more units of the system [N.B. This is merely asserted. The causal mechanisms whereby the 'absence' of a relation between the system in reference and one or more situational objects which (given the value system and its institutionalization) maximizes the stability of the system results in one or more UNITS of that system acting in order to "seek" it is not specified. Given what was said above about collectivities vs social system, it would appear that this
"seeking" and this functional imperative, in general, can only apply to social systems of the collectivity type.] The latter case is necessary because only in limiting cases are processes in the situation closely 'synchronized' with processes in the system of action; hence the system must 'seek' goal states by controlling elements of the situation. Goal states may be negative, i.e., [minimization or elimination of] noxious situational conditions, or positive, i.e. a maximization of favourable or 'gratifying' conditions.

The second interchange deals with the problem of controlling the environment for purposes of attaining goal states. Since relations to the situation are [invariably] problematical (sic), there arises a generalized interest (sic) in establishing and improving control over the situation in various respects. Of course, the pursuit of particular goal states involves such control. A different order of problem is involved, however, in the generalization of facilities for a variety of system and sub-system goals, and in activity specialized to produce such facilities. When a social system has only a simply defined goal, the provision of facilities or the 'adaptive function' is simply an undifferentiated aspect of the process of goal attainment. But in complex systems with a plurality of goals and sub-goals the differentiation between goal-attainment and adaptive processes is often very clear.

Whatever the interacting units in a system process -- motivational units of personality (need-dispositions), roles of individual persons in a social system, or roles of collectivities in a more macroscopic social system -- the actions of the units may be mutually supportive and hence beneficial to the functioning of the system; but also they may be mutually obstructive and conflictual. The fourth functional imperative for a social system is to 'maintain solidarity' in the relations between the units in the interest of effective functioning; this is the imperative of system integration.

The four fundamental system problems under which a system of action, in particular a social system, operates are thus (latent) pattern maintenance (including tension management)[L], goal attainment[G], adaptation [A] and integration[I].

Any system of action can be described and its processes analyzed in terms of these four fundamental [dimensions]. The aim of analysing a system is to assess the effects of changes in the data of the system, the situation and the properties of its units, on changes in the state of the system and the states of its component units; statements about the effects on the system and its units are framed in terms of these four dimensions. For instance, we say a system 'adapts' to certain situational disturbances. Furthermore, if these categories formulate 'directions’ in which process can move, certain constraints prevent processes from moving equally in all directions at once, at least unless very specific conditions are fulfilled. Indeed, the idea of system itself implies such constraints.

[The specific references and more empirical content of the above basic categories (L, G, A, I) are different according to the system in question. So, for example LIGA for the economy as a functional sub-system of a society will have different empirical content than LIGA for the society itself as a system]"
“The scheme of pattern variables originated in an attempt to classify modes of orientation in social roles in order to connect role structure with an analysis of values as institutionalized in social systems. The starting-point was Toennies’s famous distinction between Gemeinschaft and Gesellschaft as types of social relationship. Gradually it became clear that this dichotomy concealed a number of independently variable distinctions. The empirical starting point of the pattern-variable classification was the problem of assessing the relation between the professional practitioner and his client or patient. By the criterion of universalism as distinguished from particularism – a criterion in the medical case associate with the application of scientific knowledge and with the universalism of rights to medical care – the professional relationship was one of Gesellschaft, whereas Gemeinschaft, in which Toennies included the family, is clearly particularistic. By virtue of the canon that ‘the welfare of the patient’ should come ahead of the self-interest of the doctor, this case was clearly one of Gemeinschaft.

On this kind of basis, four independently variable dichotomies were distinguished, and for a considerable time used in comparative analyses of social structure. The four were

1. self-interest vs. ‘disinterestedness’ (later change to self-orientation vs collectivity-orientation)
2. universalism vs particularism
3. functional specificity vs functional diffuseness, and
4. affectivity vs. affective neutrality.

The first concerned the structure of the ‘market’ relation in terms of the extent to which pursuit of ‘advantage’ took precedence over the performance of ‘service.’ This was essentially the problem of self-interest in the traditional sense of economic theory; in its sociological application it raised the question of the range of social relations to which this conception was applicable. The second dichotomy concerned the criteria of eligibility for certain services in a functional role. The criterion of eligibility for the services of a physician, for instance was to be sick, which is defined as an objectively determinable condition which ‘might happen to anyone.’ On the other hand, the obligations of kinship applied only to persons standing in a particular pre-existing relationship to the actor. ‘Ego’s son,’ for example, is to be treated by ego, as ‘his father,’ quite differently from other boys of his age, ability and other characteristics. The third dichotomy concerned the basis of interest in an object or scope of the definition of an obligation. In most occupational roles in our society, the specific function which the incumbent performs is the basis of his interest in the role. Thus, a patient is important to a doctor in the context of ‘health,’ but the patient’s morals, or even his financial condition, are not of the same order of concern to his physician. On the other hand, an object, e.g. a person, may be of interest in a diffuse, non-specific way in a role-relationship. This is generally true in kinship and friendship relations. The fourth dichotomy, that between affectivity and affective-neutrality concerned the type of attitude which was considered appropriate toward the object. This is a matter of whether it is held to be legitimate to
have a positively ‘emotional’ attitude, which is not merely permitted but expected in most kinship relations, or in friendship, but is not appropriate in most occupational roles. The physician, for instance, is expected to treat the patient in a ‘job’ context and not to become too ‘emotionally involved’ with him as a person.

This scheme, consisting of four dichotomous concept-pairs and applying mainly to the classification of social role-relationships, remained substantially unchanged for several years. In connection with a general collaborative review of the theory of action, however, the scheme was revised considerably and extended in relevance. It became clear that the classification had roots not only the structure of social systems, but could be generalized to the theory of action, including personality systems and certain aspects of culture. […]

The revision of the content of the scheme involved the addition of a fifth dichotomy, proposed by Linton as the distinction between ascription and achievement, which has been widely used in sociological and anthropological analyses. Later, this was altered to the quality-performance distinction, on the grounds that ascription-achievement was too specifically oriented to social system problems of a certain type.

Furthermore, a determinate order among the different category components emerged. Of the five pairs thus far formulated, two, universalism-particularism and quality-performance, concerned criteria for the categorization of objects, whereas two others, specificity-diffuseness and neutrality-affectivity, concerned the definition of attitude toward the objects. This basic distinction formalized that which was implicit in the general frame of reference of action, namely the distinction between those elements pertaining to the situation of action, and those pertaining to orientation of actors toward that situation. Though all action is relational and hence involves both these references, the stress can be placed either on the situational or the orientation pole of the relationship.

This left the fifth pair, self- vs collectivity-orientation, in a special position. In the course of time it became apparent that the categories of this pair were not significant as defining characteristics of one specific system of action; rather they defined the relations between two systems place in a hierarchical order. Self-orientation defined a state of relative independence from involvement of the lower-order in the higher-order system, leaving the norms and values of the latter in a regulatory, i.e., a limit-setting, relation to the relevant courses of action. Collectivity-orientation on the other hand defined a state of positive membership whereby the norms and values of the higher-order system are positively prescriptive for the actions of the lower-order system.

This addition to and rearrangement of the pattern variable scheme focused attention on the four pairs grouped as attitudinal and object-categorizing, respectively. Since a system of action was held to be a system of relations between actor and situation, it seemed reasonable to use this arrangement as a basis for attempting to establish connections across the attitude-object line. From this perspective the following set of correspondences emerged: specificity-universalism, diffuseness-particularism, neutrality-quality, and affectivity-performance. It was then discovered that these
correspondences converged logically with Bale’s fourfold classification of the functional problems of systems of action. In the terminology finally adopted, the adaptive problem was defined from the attitudinal point of view in terms of specificity, from the object-categorization point of view in terms of universalism [so A is defined by the specificity-universalism combination of pattern variable values]; the goal attainment problem from the attitudinal point of view in terms of affectivity, from that of object-categorization in terms of performance [so G is defined by the affectivity-performance combination of pattern variable values]; the integrative problem from the attitudinal point of view in terms of diffuseness, from the object-categorization point of view in terms of particularism [so I is defined by the diffuseness-particularism combination of pattern variable values]; finally, the pattern-maintenance and tension management problem from the attitudinal point of view in terms of affective-neutrality, from the object categorization point of view in terms of quality (so L is defined by the affective neutrality-quality combination of pattern variable values).

When the pattern variables were seen in this perspective and thus related to the functional system problems, the scheme seemed to possess the characteristics of a [logical] space which, because of its logical structure, had four dimensions. Ever since this formulation became consolidated we have been dealing these four, plus the factor of relative importance or ‘weight’ of a unit in a system, as the basic variables of a system. The distinction between the attitudinal and the object-categorization aspects of the four dimensions has not, however, ceased to be important. It has been used above all to differentiate perspectives or reference relative to different aspects of the functioning of a system. For example, the object-categorization version is appropriate to the definition of performances in an interaction process, whereas the attitudinal version is appropriate to the formulation of sanctions.

In general terms this four-dimensional scheme has been used […] in the analysis of processes of input into and output from a system of action over its boundaries, with special reference to the significance of the categories of rewards and facilities. […] The same dimensional scheme was used to analyze the main trends of functional differentiation in a system of action […]

[…] We feel that it is fruitful to treat the system-function (pattern-variable) scheme as the main frame of reference for analyzing the structural differentiation of the large-scale society. The primary basis of this differentiation is the process of meeting the functional exigencies of a system in relation to its situation. In this sense, we propose that an economy, as this concept has been defined in economy theory, can be treated as that functionally differentiated sub-system of a society which is specialized to meet [that society’s] adaptive exigencies.

We have then used this conception of the economy as a differentiated sub-system (analogous to a differentiated role in small-scale systems) to attempt to relate the economy systematically to the other cognate [i.e. functionally differentiated] subsystems of the same society. This is achieved by analyzing input-output processes of exchange between sub-systems.