
MŰHELYTANULMÁNYOK

DISCUSSION PAPERS

MT-DP – 2014/27

**Interpreting Communist Systems and Their
Differences in Operation and
Transformation as Networks**

MARIA CSANÁDI

Discussion papers
MT-DP – 2014/27

Institute of Economics, Centre for Economic and Regional Studies,
Hungarian Academy of Sciences

KTI/IE Discussion Papers are circulated to promote discussion and provoke comments.
Any references to discussion papers should clearly state that the paper is preliminary.
Materials published in this series may subject to further publication.

Interpreting Communist Systems and Their Differences
in Operation and Transformation as Networks

Author:

Maria Csanádi
research advisor, Dsc
Institute of Economics,
Centre for Economic and Regional Studies
Hungarian Academy of Sciences
email: csanadi.maria@krtk.mta.hu

November 2014

ISBN 978-615-5447-46-4
ISSN 1785 377X

Interpreting Communist Systems and Their Differences in Operation and Transformation as Networks

Maria Csanádi

Abstract

Why some party-states collapse and others don't? Why some transformations are accompanied by economic crisis while others by economic growth? Are first political or economic transformation strategic alternatives? This paper comprises the essence of the author's comparative research on party-state systems in Europe and Asia embodied in a comparative interactive party-state model interpreted as network. Networks evolve during the decision-making process formed by the tightly intertwined dependency and interest promotion relationships among actors in the party, the state, and the economy. The model also describes the structural background of the different operation and transformation of party-state systems as specific patterns of power distribution in the network forging the different ways and instruments of self-reproduction, and different sequence, speed and conditions of system transformation.

Keywords: party-state systems, network, varieties of power distribution, selective resource distribution, political rationality of economic behavior, transformation, China

JEL classification: P2, P5, D78, F5, P21, P26, P30

Acknowledgement: This work was supported along the decades by the Institute of Financial Research, the Social Science Institute and the Institute of Economics in Hungary and the Beijing Normal University (BNU) SEBA in China. From 2002 on, the research projects have been financed by the Hungarian National Research Fund. I owe my professional development and theoretical and empirical findings to the personal and professional support of András Lőrincz, István Hagelmayer, Zsolt Papp, László Antal, Mihály Laki, Károly Fazekas, János Köllő, K. Attila Soós, Ferenc Gyuris, Károly Halmos, Liu Hong, Li Shi, Lai Hairong, Mao Yushi, Wu Jinglian, Yu Yongding, Fu Xiaolan, Liu Xiaoxuan and Nie Zihan and to my research team composed of the masters and phd students at BNU.

A pártállami rendszerek működésének, átalakulásának és eltéréseinek értelmezése hálózatként

Csanádi Mária

Összefoglaló

Miért omlanak össze egyes pártállamok, míg mások tovább működnek? Miért kíséri gazdasági válság a rendszerátalakulást az egyikben és fellendülés a másikban? Stratégiai kérdés-e az, hogy előbb a politikai vagy a gazdasági átalakulásra kerüljön sor? Ez a tanulmány a szerző európai és ázsiai pártállami rendszereket összehasonlító kutatásainak esszenciája, amelyben e rendszereket interaktív hálózati modellként értelmezi. A hálók a döntési folyamat során alakulnak ki a párt-, az állam-és a gazdaság döntéshozói között a folyamatban létrejött szoros függőségi és érdekérvényesítési viszonyból. A modell a pártállamok elérő működésének és átalakulásának szerkezeti hátterét is leírja mint a hálóbeli hatalmi eloszlás sajátos mintázatát, amely eltérő működést és eltérő sorrendű, sebességű és feltételű rendszer átalakulásokat von maga után.

Tárgyszavak: pártállami rendszerek, hálózatok, hatalmi eloszlás változatai, szelektív erőforrás-elosztás, gazdasági magatartás politikai racionalitása, átalakulás, Kína

JEL kód: P2, P5, D78, F5, P21, P26, P30

INTRODUCTION

The transformation of party-state systems began either in political- or economic subfields at different periods. Party-states with different sequence of transformation were also regionally and culturally dispersed: political transformation first occurred in Europe and economic transformation first in China. Sequential difference, field of interest and regional dispersion attracted different groups of scholars with different focus dealing with the transformation of party-states: those interested in political reforms focused on European states and Russia, and those interested in economic reforms focused primarily on China. Owing to their different interest, their field of comparison remained regionally constrained and sequentially one-sided. Therefore, in content they rarely overarched, mostly as negative examples: for China experts the deep economic crisis in those states where political transformation occurred first and for the “transitologists” the steady authoritarianism in China where economic transformation was taking place first.

In Eastern Europe and the Soviet Union the gradual de-legitimation of the communist parties was followed by either gradual political transformation or sudden collapse accompanied by steep economic crisis. Owing to these characteristics, “Transition to democracy” and „transformational recession” became a hot topic for more than a decade in comparative literature (Aslund, 1993; Gelb, et al. 1994; Denglian, et al., 1997; Gomulka, 1994; Sachs and Woo, 1997; Hellman, 1998; World Bank, 1998; Kornai, 1994)¹. Despite regional closeness, those post-soviet states where political outcome of the transformation was far from democratic came to the fore of comparative interest only later as „orange revolutions” in 1998 to 2005 have occurred (Bunce and Wolchik, 2011). Since the Chinese political regime managed to escape from the domino effect of regime collapses, China was seldom analyzed in the Europe-focused comparative transitology literature, unless as parallel area studies. Instead, a new group of scholars “entered” the field to compare democratization in authoritarian capitalist systems of Latin America and Southern Europe with the waning socialist dictatorships (Lynn and Schmitter, 1995). Such expansion of the field however blurred the different system characteristics of capitalism and communism and the transformation of a political subfield within one system with a whole system transformation.² On the other hand, China experts’ interest field also strongly deviated from that of “transitologists”. This is because China’s party legitimacy was only temporary shaken in the second half of the 1980s during the several rounds of decentralizing reforms. In that period, there was a sudden increase of resources in the economy due to dual-track

¹ In more detail see in Csanádi, 1995.

² See the sharp and grounding criticism of Bunce revealing the basic inconsistencies of their standpoints and ideas (Bunce, 1995).

pricing that simultaneously amplified the chances for corruption in the politically monopolized power structure. At the same time the process brought internal power struggles to the surface that were incited by reforms and institutional efforts to separate the party from the state bureaucracy and the economy (Liu H., 2012). Growing dissent and instability however was drastically suppressed in 1989-1991 with the clamp-down of Tiannanmen square demonstrations, the curbing of internal power struggles, the revoke of thus-far political reforms and by the radical restrictions on economic reforms and of those actively backing them. From the early 1990s, after new economic reforms were implemented following a strong economic recession (a steep drop in GDP, in exports, imports and investments) due to overall restrictions, steady and fast macroeconomic growth was experienced. Based on these facts, China economic policy experts and researchers focused on economic reforms and propagated the ideal sequence of reforms starting with economic rather than political changes, that induces macroeconomic growth rather than economic crisis, engagement in gradual reforms rather than shock therapy as propagated in Poland and Russia and in reforms from below rather than from above that failed in Hungary and in China (e.g. Qian and Xu, 1993; Wu, 1994; Walder, 1995; Qian, 1998; Tong, 1997; Woo, 1998; Shirk, 1993). Some of these scholars were explicitly or indirectly taking economic reforms in authoritarian systems strategically more viable than in democracy, and economic transformation first an issue of strategic choice.

After a decade, the scientific interest on transition in Europe faded away and interests first shifted to the varieties of capitalism in post-socialist countries. Later, as global crisis swept over the world's economies, attention in economics and comparative political science shifted to the dramatic consequences of global crisis both in Europe and Asia. However, the finally coinciding topic of research in both areas evolved at a time when comparison already lost common systemic ground.

THE SYSTEMIC APPROACH

This paper introduces a comparative model that puts the different operation and transformation of party-state systems on common systemic ground and reveals the structural background of the differences and its consequences. The Interactive Party-State (IPS) model is an empirically based, comprehensive approach. It serves for the better understanding of the power structure and its dynamics, its instruments, sources and conditions of self-reproduction and transformation. It reveals the reasons of its gradual disintegration or sudden collapse, the role of reforms in the conservation and transformation of party-states, the structural background of their different development

paths and the role of external and internal constraints in those paths. The IPS model concentrates on the inner workings of the party-state and highlights the interaction of individual and institutional interests and behavior defined by a characteristic structural setting. Interactivity among actors and among those actors and the external environment is central to the model since it provides the characteristic dynamics of self-reproduction and transformation of the system. The IPS model also provides a chance to reveal the decision-makers' structural motivations during interaction. It also points to the structural inequalities driving to differences in bargaining capacities in resource extraction, distribution, resource attraction and resisting intervention during the reproduction and transformation process.

The IPS model defines the self-similarity of the elements, connecting and operating principles that allow and constrain interactions, and evoke the politically rational motivations of economic behavior of decision-makers along different dimensions (time, space, and different levels of aggregation and conditions of the structure). It also reveals the self-similarity of traps that evolve from the politically rational character of the structure and operation that will lead to transformation. It also provides a coherent evaluation of the specifics of the on-going Chinese system transformation process compared to the East European transformations based on the specifics of distribution of power. Specific patterns require different instruments of resource extraction and distribution, it reflects different time span in the frequency of hardening constraint of self-reproduction, attracts different sequence, speed and conditions of transformation and different sensitivity to same external pressures during operation and transformation.

The analysis also reflects on widely recognized models on socialism. For example, it argues that as opposed to the IPS model, interactivity fails to gain emphasis in Kornai's causal model on the operation of communist systems (Kornai, 1992, pp. 565-580) despite acknowledging mutual influences in several directions. Since arrows in his model only point in one direction, its other end being the origin of its cause (Kornai, 1992, pp. 569-70), it cannot analyze the interactive impact each block has on all previous ones, neither on the interactivity of those factors within each block with the external environment and the consequences of this interactivity on the whole system. For example, while the consequences of „bureaucratic coordination” include plan bargaining, paternalism, quantity drive, soft budget constraint and weak responsiveness to prices, it is unclear what consequences do these have on the self-reproduction of the system. Moreover, without interactivity the reasons of changes are unclear: how departure from the classical type of communist system is motivated, why crisis takes place in this model and why reforms emerge? Why and how do decentralization, disintegration, collapse and transformation of party-states result from this causal dynamics without internal and external interactivity and

what is the cause of the differences among socialist systems?The remaining paper is divided into the following chapters: the first deals with the structure of party-states, the second with the operation of party-states, the third with the structural specifics of different party-states and the conditions of shifting structural specifics, the fourth with the role of structural specifics in the dynamics of transformation and the fifth with the sensitivity of transformation to global dynamics followed by the conclusion.

THE NETWORK STRUCTURE OF PARTY-STATE SYSTEMS

Economy and society are closely interlinked and have many facets. From our point of view, models dealing with this coupled system can be seen as

- (1) mathematical or descriptive, i.e., if it characterizes systemic properties and interactions through equations or by their verbal description.
- (2) models that elaborate on equilibrium or potential evolutionary aspects, i.e., if the model deals with the features of the actual system or describes processes that change as time develops
- (3) analogical or detailed, i.e., if it deals with high level concepts such as control or feedback with a few parameters, or if the model treats the details of the networked society

The role of networks in the society has been recognized over the years. Globalization and the increased speed of information exchange emphasize the role of network society (see, e.g. Castells, 2011). From our point of view, it is important to note that such networks change very slowly and influence the processes over longer time scales, including short term and longer term effects and feedbacks in the societal changes. The detailed description of the structure and the dynamics of such network are of utmost relevance for the understanding of economic-societal changes, including their constraints.

Networks and their dynamical properties as an elaborate structure in party-state systems were described already in mid 1980's (Csanádi, 1984). Peculiar features of these studies indicated fractal properties; namely that the network looked similar at different levels of aggregation, e.g., at the level of enterprises, at the level of districts, or even at the level of the Eastern Block, but also in time (at different periods) and in space (in different regions) (Csanádi, 1997).

Due to the broadly accepted view that networks play a crucial role in our societies and that networks are relatively stable, the key features of the party-state networks as well as their subtle differences can have strong lasting influences on the behaviour and development of party-states.

In what follows, I describe the key components of the Interactive Party-State (IPS) model. The IPS model is a descriptive verbal model. The advance of network theory may lead to quantitative and thus predictive dynamical modelling in the future. Here, we elaborate on the details of self-similarities and differences of the structure and dynamics of this network in different communist countries and on the consequences of system transformation in these party-states.

My methodology of building up the model as a network changed over time: first interviews, documents, circulars, archives and statistics provided the material for the empirical surveys tracing down the network in the Hungarian party-state during 1980-1989 through case-studies on decision-making process; next secondary analysis of empirical and theoretical works on different aspects of party-state systems were interpreted from the point of view of general and specific features of the network, thereby extending the model to party-states in general; and later, in order to test the theoretical findings on the general and specific features of the structure, operation and transformation new empirical surveys were carried out during 2001 and 2013 in the Chinese party-state system.

Party-state structures are generally taken as hierarchical and monolithic where society is clearly separated from state, so is politics from economics, ruling elite from working classes, the paternalistic state from the economic units. Thus economic behavior is economically rational but soft budget constraints are taken as uniform in these systems. The IPS model instead demonstrates the institutional background of blurred boundaries between the above dicotomies:

- It reveals the elements, connecting and operating principles of a politically monopolized institutional structure where party as a political entity develop into a social system.
- It shows the different ways the characteristics of a hierarchical structure are overcome through the multiple closed channels of dependencies and interest promotion;
 - it points to the phantom mass behind bargaining capacities based on closed channels and the complexity of inequalities built in the network; through that
 - it points to the subtle stratification in this structure based on bargaining capacities within the network comprising the whole society (Csanádi, 1997);
- It reveals the political rationality of economic behavior in the selectivity of resource distribution, resource extraction and attraction and resistance to intervention, resulting in selectively soft constraints instead of generally soft to reproduce and improve bargaining capacities within the network.

The complex network structure of party-state systems represented by the IPS model can be described in terms of hierarchical structures and the links between them. It is composed of three interactive layers that incorporate each other: the party and state hierarchies, the

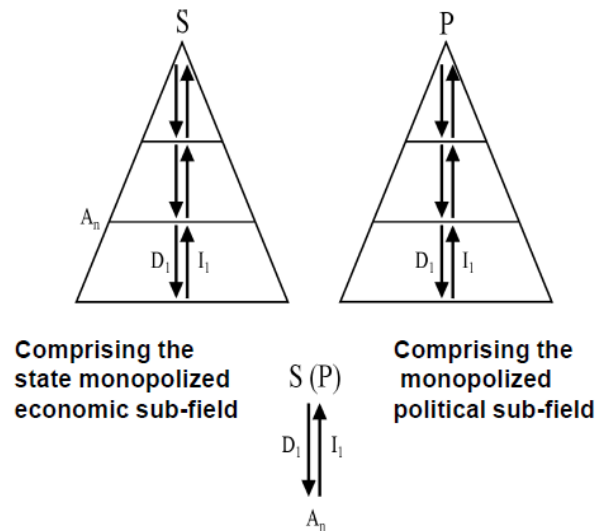
instruments of power of the party interlinking those hierarchies and the privileges of short-cuts for some in the decision-making process. The first layer is the basic network structure (Figure 1) is made of the set of formal hierachies that are already specific to party-states: the party hierarchy monopolizes the political subsphere, the state (non-party) hierarchy monopolizes the economic sub-sphere and thereby both the extraction and distribution of resources and the instruments serving those. Still, in the this basic network structure, characteristics of hierarchies are clear: actors on one level are equally powerful towards lower levels and equally dependend of higher levels of the hierarchy, dependency is unilinear, ie. there is no way to circumvent direct subordination levels for interest promotion.

Figure 1

The first layer: the formal hierarchies of the party-state structure

Key:

- S** State (non-party) hierarchy
- P** Party hierarchy
- A_n** Decision-makers (actors) at the nth level of the structure
- D₁** Direction of intra-hierarchy dependence
- I₁** Path of intra-hierarchy interest promotion



An augmented network evolves through the second layer, as the party, originally one entity in one subfield (political) monopolizes its own sub-field and stretches out its instruments of power to other sub-fields, permeating the boundaries on non-party organizations, and overlapping the decision-making process through positional structure (nomenklatura responsibility), activity structure (subject metter responsibility), organizational structure (instructor system) and individual decision-makers (party discipline of party members).³

Figure 2 depicts the augmented network that incorporates the first one with the directions of dependencies providing the multiple ways and interest promotion. Figure 3 looks into the same in more detail based on empirical research done in Hungary in the

³ Instruments of party power and their functions are detailed in Csanádi, 1996

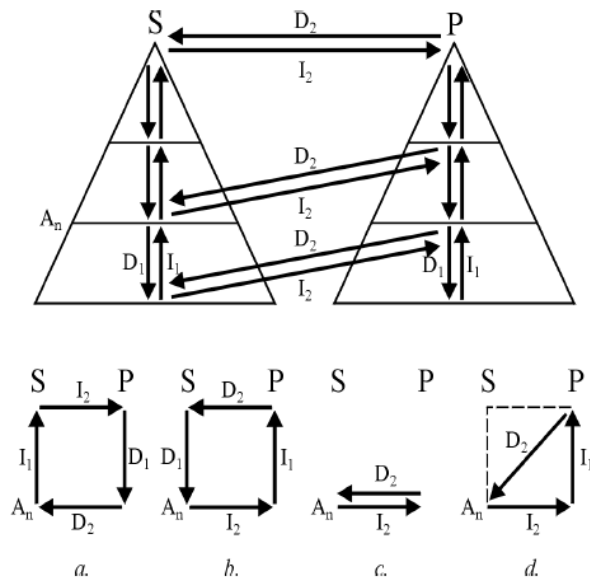
1970s and 1980s. The sketch contains the organizations within both hierarchies and the different power instruments that interlink those from the party hierarchy.

Figure 2

The second layer: the augmented network through the interlinking threads

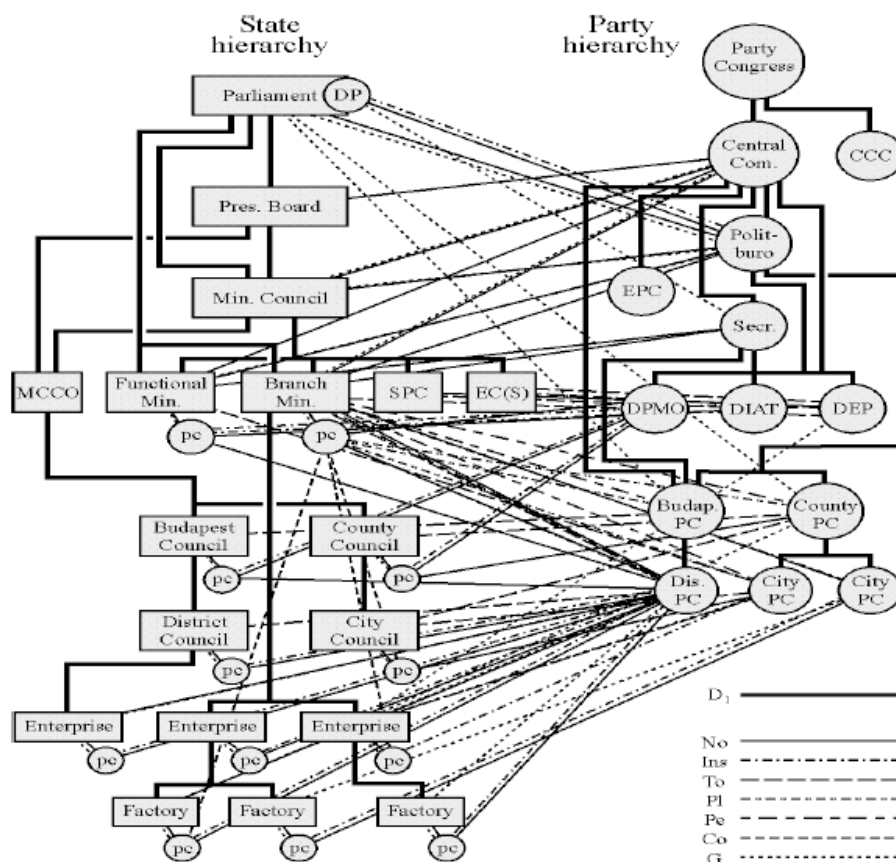
Key:

- S** State (non-party) hierarchy
- P** Party hierarchy
- A_n** Decision-makers (actors) at the nth level of the structure
- D₁** Direction of intra-hierarchy dependence
- D₂** Direction of cross-hierarchy dependence
- I₁** Path of intra-hierarchy interest promotion
- I₂** Path of cross-hierarchy interest promotion



In the augmented network, actors attached to interlinking lines are dependent on as many ways expectations or orders run through the channels of different power instruments of the party and the hierarchy. But, at the same time, interlinking dependency lines multiply the chances for interest promotion in as many directions as dependency lines are held in the party hierarchy, and allow to circumvent actors' own hierarchy in several modes (Figure 2). Room for manoeuvre in this figure depends on the number of interlinking lines attached to the actors (Figure 3): the more interlinking line an actor is attached to, besides more dependency, the larger the actor's options for manoeuvring. Consequently, interlinking lines not only allow for larger room for manoeuvre by circumventing direct subordination and multiplying channels of interest promotion, but also introduce structural inequalities in bargaining capacities among actors of the same level in the hierarchy depending on the number and strength of interlinking lines attached to the actor. Through interlinking lines direct sensitivity evolves towards each other at both ends of the channel: decisions taken in the party hierarchy may directly stabilize or destabilize actors in the economic subfield, while decisions in non-party hierarchy may quickly stabilize or destabilize the political subfield.

The hierarchical and the interlinking lines (traced empirically in Hungary)



Note: hierarchical (D1) lines within party and state hierarchy; interlinking (D2) lines as instruments of Party power: No nomenklatura responsibility; Ins instructor system To subject-matter (topic) responsibility system; Pl party liaison system: coordination and consultation between branch ministries and local party organizations; Pe connections of party organizations in enterprises with the Personnel Department of the branch ministries concerning cadre issues Co regular consultation between enterprise pc and ministry pc; G interventions in the name of general economic policy responsibilities of the party; DP deputies in the Parliament with party membership; PC local party committees; pc party committees within organizations; CCC central controlling committee; EPC Economic Policy Committee; DPMO Department of Party Mass Organizations; DIAT Department of Industry, Agriculture and Transportation; DEP Department of Economic Policy; MCCCO Ministerial Councils' Council Office; SPC State Planning Office; EC(S) Economic Committee of the State

The augmented network is strengthened by a third layer: the network of shortcuts (Figure 4), that complements and incorporates the previous two layers and can efficiently influence the decision-making process (I3). Shortcuts will evolve into structural feedback loops within hierarchies through D1 dependency lines, or across hierarchies through D2 dependency lines (Figure 4) during the decision-making process.⁴ Structural feedback loops

⁴ Short-cuts may occur occasionally e.g. an enterprise manager is invited to a ministerial level session where export strategy is developed as an important exporter to the Soviet Union, he may be part of the delegation of bilateral bargaining with the Soviet Union, or a strategic exporter to the

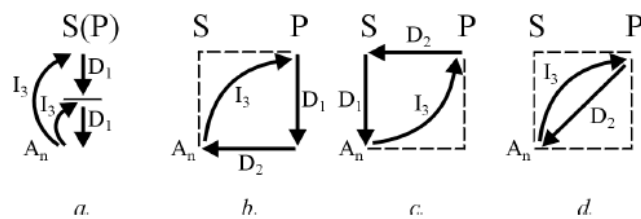
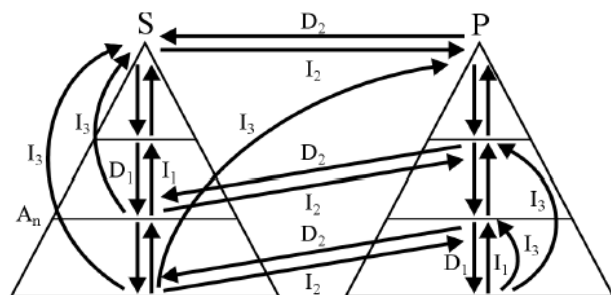
will introduce new structurally built-in inequalities in the capacity to promote interests „on the spot”. This is because short-cuts allow privileged actors to communicate with decision-makers whom otherwise would never meet given the difference in the level of their formal position in the hierarchy; with short-cuts they may directly acquire and forward information that otherwise would be impossible or only through mediators, look into documents they would never access, meet higher level decisionmakers on party and state hierarchies they would never meet, participate in decisions they would never be able considering their formal position. Consequently, through structural feedbacks actors become able to directly and efficiently influence those decisions that would affect them, accumulate further connections and feed-backs, attract new resources, resist interventions or prepare for the unavoidable decisions, both within their own hierarchies and across the party hierarchy. Chances for short-cuts however are not uniform, this is the privilege of few whose properties and instability is able to provoke higher political sensitivity of those holding the dependency lines in both hierarchies.

Figure 4

The third type of linkages: the structural feedbacks (shortcuts)

Key:

- S** State (non-party) hierarchy
- P** Party hierarchy
- A_n** Decision-makers (actors) at the nth level of the structure
- D₁** Direction of intra-hierarchy dependence
- D₂** Direction of cross-hierarchy dependence
- I₁** Path of intra-hierarchy interest promotion
- I₂** Path of cross-hierarchy interest promotion
- I₃** Direction of feedbacks



With the three layers that mutually incorporate each other, a complex party-state power network is formed (Figure 5). Elements of this network are: the Party hierarchy,

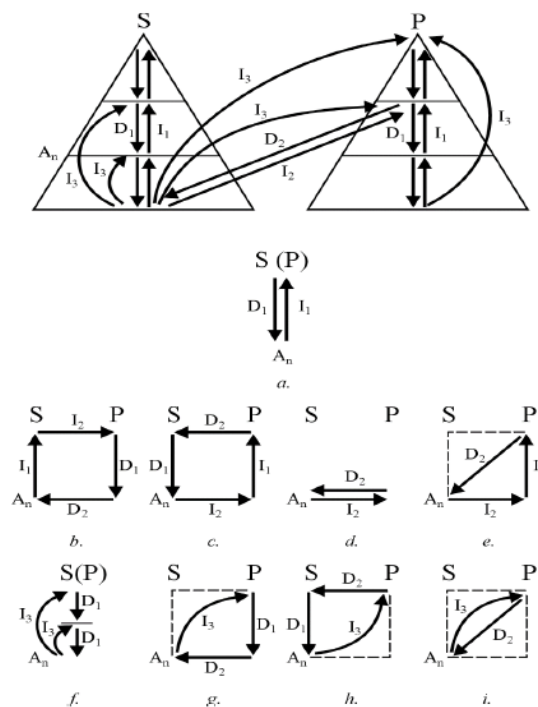
West. Short-cut may be formed for or longer term, such as being appointed as key enterprise of long-term technical development programs, or providing pre-plans for the medium or long-term national plan, or if they are important enterprises appointed for closer statistical monitoring by the central government or elected to the district, city or county level party executive (standing) committee, or that of the CC.

monopolizing the political sub-sphere, the state hierarchy, monopolizing the non-party sub-fields, including economy, and thereby monopolizing the extraction and distribution of resources and the instruments serving those; the interlinking lines directly or indirectly through the state politically monopolizing dependencies and interest promotion (I2) and the feedback loops (I3), both providing structural inequalities of interest promotion. Thus, owing to I2 and I3, formal position in the hierarchy and bargaining position in the complex network differ. The network has closed channels and actors can efficiently utilize their channels independently that leads to atomization, i.e., non-synchronized dependency and interest promotion. Consequently, actors' bargaining capacities are obscure and can change quickly if their shortcuts or interlinking lines undergo changes. In other words, behind each actor there is an indeterminate „phantom force” the partner can only guess (Csanádi, 1997, p. 30). In this network dependencies are unidirectional, but multi-threaded and so are the channels for the promotion of interests. At the same time, direct connections of party and non-party actors maintain high sensitivity to each others' decisions.

Figure 5

The complex network of party-states

- Key:**
- S** State (non-party) hierarchy
 - P** Party hierarchy
 - A_n** Decision-makers (actors) at the nth level of the structure
 - D₁** Direction of intra-hierarchy dependence
 - D₂** Direction of cross-hierarchy dependence
 - I₁** Path of intra-hierarchy interest promotion
 - I₂** Path of cross-hierarchy interest promotion
 - I₃** Direction of feedbacks



THE OPERATION OF PARTY-STATES

Elements and principles of connection will bring about characteristic principles of operation: since all actors have D1 lines, but only party actors have D2 lines interlinking all others in other subfields, dependencies and interest promotion as well as resource extraction and distribution are directly or indirectly (through state hierarchy) politically monopolized.

In this politically monopolized structure actors are in dual position: They are simultaneously holders of and captured by dependency lines, thereby incorporating two functions: distributors and pleaders in one single entity.⁵ As monopolistic holders of the lines, they are able and simultaneously forced to intervene – otherwise losing bargaining position; As embraced by these lines they are exposed and simultaneously interested in keeping and multiplying dependency threads for interest promotion and in exchange accommodate to expectations – otherwise losing bargaining position. Capacity and force, exposure and interest together ensure the politically rational motivations of economic behavior for self-reproduction and thereby the cohesion and reproduction of the whole network.

Owing to actors' dual position and functions the capacity for self-reproduction is complex. One single actor as holder (intervener) of the lines has resource extracting and redistributing capacity and as embraced by those (pleader), has resource attracting and resisting capacities to interventions. These capacities together will provide the constraints of self-reproduction of an actor. However, constraints of self-reproduction are not uniform but selective: positional differences due to built-in inequalities – interlinking lines (D2, I2) and feedbacks (I3) – will forge selective chances (capacities) for resource attraction, extraction, allocation and resisting interventions. Consequently, actors' selective chances according to structural bargaining capacities lead to selectively soft or hard constraints of self-reproduction. Selectively soft and hard chances for self-reproduction challenges Kornai's widely accepted paradigm on generally soft budget constraint of enterprises in communist systems (Kornai, 1980, 1992, Kornai et al. 2003). Since in case we nest budget constraints in the politically monopolized network of power relations it will turn out that budget constraints are selectively soft rather than generally soft. Validity of this argument no matter the space, time and different levels of aggregation is supported both by statistical analysis of manufacturing enterprises on national level in Hungary during 1970-1979

⁵ This argument counters Kornai's where pleaders (enterprises) and distributors (paternalistic state) are separate entities (Kornai, Maskin, Roland 2003).

(Csanádi, 1997) or in China in 2008-2011 among manufacturing enterprises at city level (Csanádi and Liu, 2012). According to the surveys, chances radically increase if enterprise size at national and local level, the level of integration into the network and in the Chinese case state ownership of enterprises are considered. Thus, empirical results support the structural background of the selectivity of soft budget constraints nested in power relations within the network (Csanádi, 1997). Selectively soft constraints are politically rational, according to bargaining capacities. This distribution characteristics will have crucial consequences on actors' behavior and on the reproduction of the whole system. It will bring about politically rational fixed paths of resource distribution; politically rational selectively soft reproduction constraints; this will conclude in politically rational motivations of economic behavior: the strive for growth, for resources and for cumulated integration (I2, I3) into the decision-making network and political adaptation in order to achieve this goal. These circumstances provide a structural motivation and system characteristics to actors' behavior rather than relyig on „natural instincts” of enterprise managers for growth and power argued by Kornai (1980, pp. 78, 204-206). The steady structural motivations for growth and thereby to reproduce and improve bargaining capacity to be further privileged, and the repeated allocation of resources according to politically rational rather than economically rational criteria forge the structural (Csanádi, 2013) and those of occasionally meeting hard reproduction constraints of the whole network ending up in repeated investment cycles (Csanádi, 2014).

POLITICAL CONCERNS VERSUS ECONOMIC EFFICIENCY IN THE NETWORK

We may conclude from the so-far analytical description that both structure and operation are based on political concerns: the rationale of connecting subfields, the instruments for connection and the concerns of in-built inequalities. Based on the politically constructed network also factors of self-reproduction of the structure are politically motivated: the principles of operation; dependencies, interest promotion and resource distribution; the criteria of selection and -- based on that -- the fixed paths of resource distribution, the selectively soft/hard reproduction constraints and the politically rational economic motivation and behavior (accumulating feedbacks and drive for growth). In sum, the reproduction of the whole network is politically motivated. In this politically motivated structure and operation economic efficiency constraints and motivations for efficiency in self-reproduction will be lacking both individually and for the whole structure. Instead, structural constraints – that is, the given distribution of power (attracting and resisting,

extracting and allocating capacities) – determine the hardness or softness of reproduction constraints, both for individuals, units and the net as a whole. Thus, since economic behavior is politically rational instead of economically and power distribution rather than economic efficiency determines the hardening constraints of self-reproduction, the process of self-reproduction on the long-term leads to self-consumption in other words, to transformation.⁶

SENSITIVITY TO EXTERNAL DYNAMICS: THE INTERPLAY OF EXTERNAL AND INTERNAL CONSTRAINTS

Efficiency constraints external to the network and specific structural (reproduction) constraints internal to it are strongly interdependent through the dynamics within and outside the network. If efficiency (budget) constraints are soft (e.g. external loans and FDI flow easily, competitive pressures are low, export demand is high import conditions are favorable), resources entering the network from outside of it are flexibly “form-fitted” according to power relations. Thus reproduction constraints remain soft and soft external constraints contribute to the conservation and reproduction of the given power relations. These conditions prevail until efficiency constraints exerted by the external environment and reproduction constraints defined by internal power distribution are soft for self-reproduction. If structural constraints in self-reproduction are met and resources from higher aggregation levels flow poorly, structural constraints become hard and exposure to external factors arise and importance of external constraints exerted from outside the net emerges. When both external and structural constraints become hard, adaptation pressures and drives intensify (Csanádi, 2013).⁷

⁶ The logic of this process was analyzed in the case of the Soviet Union when Eastern Bloc turns from assets into devastating liabilities of the Soviet empire leading to possible self-consumption was described by Bunce already in 1984, years ahead of the collapse of the Soviet Bloc.

⁷ Stimulus package introduced in late 2008 in China was the direct adaptive consequence of an external shock caused by the global crisis and the subsequent internal government reaction in the form of intensified state intervention that mobilized economic actors. New chances for resource distribution and investments through state intervention have mobilized characteristic distribution priorities of the system according to the size and extent of integration of economic units into the network. Chances similarly mobilized the politically rational economic behavior of actors to hoard resources and invest leading to investment overheating (csanádi, 2013)

THE COMMON GROUNDS OF PARTY-STATES: THE SELF-SIMILARITY IN THE IPS MODEL

Concluding the above, we now may define the concept of party-state systems based on the IPS model by combining the structural and the dynamic characteristics. The party as one political entity in one sub-field (political), by monopolizing the political subfield and the non-party subfields through its instruments of power, evolves into a politically monopolized institutional power structure embracing and infiltrating all other sub-spheres of the society structurally determining its inequalities. Thus, the network as an institutional power structure operates as a social system. In this social system, no matter the time, the space or the level of aggregation - enterprise level or the Soviet block (Csanádi, 2006) the political concerns of building the structure and its structural and dynamic consequences are self-similar.⁸ The system's self-similar characteristics are: the elements, the principles of connection, the principles of operation, the in-built inequalities, the structural duality of decision-makers' functions, the political rationality of interest and behavior fed by the political rationality in the selective distribution of resources and the subsequent selectively hard/soft reproduction constraints of actors according to political rationality, the according structural motivations for the drive for growth and for embeddedness in the network that leads to overheating and thereby to the occasional meeting of hard reproduction constraints, and the traps of self-reproduction owing to the lack of efficiency constraints in strong interaction with the external environment, in case both hard, leading to transformation. These self-similar structural and dynamic characteristics forge the common basis of party-state systems that may be found within each system at different level aggregations, and in space among systems and in different times of their existence.

THE STRUCTURAL BACKGROUND OF THE DIFFERENCES

If so many factors contribute to self-similarities and these prevail in time, space and levels of aggregation than why did and do party-states operate and transform so differently? Is there a systemic explanation to these differences? The IPS model offers a comprehensive explanation of the varieties of party-state systems despite self-similarities. A more thorough look on the self-similar elements of the structure, one discovers that these elements may

⁸ The IPS model's self-similarity concept was one of the key explanatory factors applied by Bunce (1999) to describe the similarities in the design and destruction of socialism and the state in the Soviet Union, Czechoslovakia and Yugoslavia.

vary in time, in space and different levels of aggregation while principles of connection and operation remain constant. So is the strictness and depth of D1 lines in both hierarchies, the level of centralization or decentralization of discretions over interlinking lines along the party hierarchy, the level of centralization or decentralization of the discretion over resource extraction and allocation along the state hierarchy and the density, accumulation, origin and arrival of feedbacks in the party or state hierarchies and across hierarchies (Csanádi, 2006).⁹ Taking all together, the combination of the variations of the structural elements will present the innumerable variety of power distribution. Differences occur both in time (e.g. Hungarian power distribution before and after 1956 revolution), in space (e.g. the Romanian and Chinese power patterns in the 1980s) and different level aggregations (e.g. at township or provincial level in China in 1990s after local elections).

Varieties of power distribution involve different extent and distribution of resisting and attracting capacities of actors within the network that bring about different frequency of meeting hard constraints of self-reproduction of the structure as a whole, that requires different instruments of resource extraction and distribution that will conclude in different paths of self-reproduction and different paths of transformation.

PATTERNS AND PATTERN CONFORMING TRANSFORMATIONS

Differences may be grouped into three characteristically different patterns of power distribution: the Self-exploiting, Self-disintegrating and Self-withdrawing patterns (Table 2). Each one of the names suggests the network's structural and operational traps that lead to system transformation.

Within those patterns a wide variety of structures may be found but with the same main pattern characteristics. The table is composed by the structural characteristics and the dynamics these characteristics incite: the pattern of power distribution, the instruments of

⁹ In more detail: strictness of dependencies within the hierarchies may be different as well as their depth (e.g. compulsory planning in the 1950s in many party-states, or indirect planning in Hungary in late 1960s); Interlinking dependency lines (D2) may originate at different levels of the party hierarchy, (e.g. centralized in Romania until the late 1980s or North Korea until presently, relatively decentralized in China since the 1960s); interlinking lines may be dense or scarce, may overlap more or less sub-spheres (e.g. in Poland agriculture was not overlapped by interlinking threads, while in China even streets were under the surveillance of the party through interlinking lines in the 1960s), within those the density of organizations reached in non-party hierarchy; variation in the level of discretion over resource extraction and distribution in the state hierarchy (centralized in all countries in the 1950s, presently in North Korea and decentralized to date through Mao's campaigns during the Great Leap Forward and the Cultural Revolution); strength of feedbacks may also vary, depending from where they originate in the formal hierarchy, which level they reach within their own hierarchy or across in party hierarchy, how dense they are, how cumulated they are, etc.

resource extraction and distribution the given pattern allows as a result of actors' resisting and resource attracting capacities, that will determine the frequency the whole pattern meets hardening reproduction constraints that invite new pattern-conforming measures that result in characteristic ways of development and transformation.

According to this table, Self-exploiting pattern is characterized by centralized origin of interlinking threads in party hierarchy, centralized discretions of resource extraction and distribution in state hierarchy, and weak and scarce feedbacks from economic sub-field. This pattern was characteristic to any party-state in the 1950s and still applies to North Korea. Here resisting capacities are low, the system may reproduce itself through forced resource redeployment until the physical capacities of the society and the reproduction of the whole system rarely meets hardening structural constraints, while tensions may increase high in the society. In case case this pattern meets hardening structural constraints, external resources may substitute internal resources for self-reproduction, or new forced resource redeployment is implemented through redistribution of power. If both external and internal constraints become hard, pattern-conforming measures escalate until sudden collapse.

In the Self-withdrawing pattern interlinking lines in the party hierarchy are relatively centralized, resource extraction and distribution is centralized while feedbacks are strong. This pattern evolved in Hungary after the transitory collapse of the Self-exploiting pattern in 1956, or during Breznev's reign, following the chaos in the self-exploiting pattern and destabilizing power struggles after Stalin's death and Khrushchev's activity and demotion. In this pattern, resource attracting and resisting capacities are strong and efforts for forced resource redeployment are inefficient (form-fitted). In order to keep the pattern's cohesion different type of resource extracting and distributing measures are needed. Decentralizing reforms within the network are introduced that provide the pattern-conforming instruments for self-reproduction. However, owing to the higher resisting capacities of those with feed-backs, their incessant politically rational motivations for growth and the political rationality of selective distribution, reproduction of the pattern meets hardening structural constraints more frequently than the centralized pattern. Until external sources flow the system form-fits those to the given pattern distribution without the need for changing status quo. However, if both external and structural constraints become hard, this brings about decentralizing reform escalation within the network without efficiency increase, causing recession spiral, loosening cohesion or the network, and declining party legitimacy and thereby political transformation first.

In the third, Self-withdrawing pattern origin of interlinking threads is relatively decentralized in the party hierarchy, and so is the capacity for resource extraction and

distribution, while also feedbacks are strong.¹⁰ This pattern evolved in China during Mao's repeated decentralizing campaigns (through forced resource redeployment) when also state owned enterprises were subordinated to different local levels of the state and party hierarchy, disrupting the self-exploiting pattern to annihilate potential competitors to his power in the center. Since exposure to central resource distribution in this pattern is weaker, while resisting and resource attracting capacity is stronger, neither forced resource redeployment, nor decentralizing reforms provide sufficient resources for the center to reproduce the system. Both forced resource redeployment and decentralizing reforms are form-fitted. Owing to structural specifics the pattern meets hardening constraints of self-reproduction and loss of cohesion of the structure even more frequently than the other two. In the loss of cohesion new, pattern conforming measures are born by leaping out of the structure and allowing the competitive field to expand that provides growing external resources for the reproduction of the pattern. The gradual expansion of the economic field external to the network is the structural reason why in this pattern economic transformation comes first.¹¹

Table 1

Main patterns of power distribution

TRAITS	SELF-EXPLOITING (e.g. Romanian, North Korean and all initial)	SELF-DISINTEGRATING (e.g. Hungarian from 1956 onwards)	SELF-WITHDRAWING (e.g. Chinese from 1979 onwards)
<i>Distribution of power</i>	Centralized extraction and distribution, centralized interlinking threads, few feedbacks	Centralized extraction and redistribution, centralized (or decentralized) inter-linking threads with strong economic feedbacks	Partially decentralized extraction and redistribution and either centralized or decentralized inter-linking threads with economic feedbacks
<i>Bargaining capacities of actors in the network</i>	Faint attracting and resisting capacity	Selectively strong attracting and resisting capacity	Selectively strong attracting and resisting capacity, owing to feedbacks and dec. alternative resources
<i>Constraints of self-reproduction</i>	Rarely hard	Occasionally hard	Frequently hard
<i>Modes of resource extraction</i>	Forced resource redeployment	Resource mobilizing (decentralizing) reforms within the network	Resource mobilizing and resource creating reforms within and outside the network
<i>Economic development</i>	Forced growth of heavy industry to physical boundaries	Economic recession and reform escalation within the network	Economic growth outside the net, recession within the net and reform escalation outside the network
<i>Legitimacy and retreat</i>	Tensions growing, no retreat, abrupt collapse	Party legitimacy declining, relative and absolute gradual retreat from political sub-field	Party legitimacy kept, relative and absolute gradual retreat from economic sub-field

¹⁰ The prevalence of this distribution of power to date in contemporary China is indirectly supported by Lin, (2011), Szamoszegi and Kyle (2011) and Khoo (2012) in their analysis on the institutional structure and control of state-owned enterprises.

¹¹ For reasons of extension the mechanisms are simplified and historically less grounded. Detailed description of the patterns and empirical support on Romanian, Hungarian and Chinese pattern evolution is given in Csanádi, 2006 pp. 73-355

CHANGES WITHIN PATTERNS, PATTERN SHIFTS AND SYSTEM TRANSFORMATIONS

Patterns may reproduce themselves in roughly the same power distribution but also changes to different extent in the distribution of power may occur (i) within patterns bargaining capacities reflected by the distribution of power may vary in time, in space, and at different levels of aggregation of the network, while the network itself keeps its main pattern characteristics. (ii) However, if main pattern characteristics change, the pattern itself will change.¹² Precondition of pattern shifts is a transitory collapse, but not all transitory collapses conclude in pattern shift, as patterns may regenerate in the original form (iii) If main structural elements, connecting and operating principles that compose the system wane, system transformation will occur in those patterns.

PATTERNS AND INTERNAL AND EXTERNAL DYNAMICS

Changes in the patterns are strongly intertwined with internal and external dynamics.¹³ Different patterns are differently sensitive and resistant to external and internal pressures (shocks) be these simultaneous or alternative. In case external constraints are soft while structural constraints become hard, no adaptation pressures emerge: reproduction constraints remain soft in all patterns. In case external constraints become hard, adaptation pressures emerge and instruments of adaptation are pattern-conforming. Sensitivity of patterns is reflected in the responsiveness to the pressures for adaptation to external and internal shocks. The pattern will determine the resisting capacity of actors against increased internal resource extraction in case of hard external resource constraints. The lower the capacity to resist, the higher is the capacity to extract further resources from within. From

¹² In China, pattern shift was caused by Mao Zedong's repeated decentralization campaigns that resulted in temporary collapses of the self-exploiting pattern. By the time Deng Xiaoping took over the power, the episodically evolving pattern shift finally stabilized in the self-withdrawing pattern of power distribution. In Hungary, pattern shift from self-expoliting to Self-disintegrating occurred after the temporary system collapse during the 1956 revolution.

¹³ External pressures from the point of view of the system's operation are for example the death of Stalin in 1953, the domino collapse of the European communist systems in 1989-1991 for China and Vietnam, the Asian crisis at the end of 1990s, or the global crisis by the end of 2008. Internal shocks are for example: the death of the country's authoritarian leader as of Gheorghiu-Dej in Romania in 1965, or that of Mao in 1976; Mao's decentralization campaigns during his reign; popular uprisals in the early and mid-1950 in Eastern European party-states and the Tiananmen Square events in China in 1989; or the periods of dramatic shortage of resources to distribute within the network.

this point of view, structurally the least sensitive is the self-exploiting, the most sensitive is the self-withdrawing pattern (Csanádi, 2006).

External and internal adaptation pressures may prevail for different periods. Thus, not only pattern differences but also the varying time-span of the impact will influence sensitivity and responsiveness, defining adaptation. Differences in the sensitivity and responsiveness to external and internal adaptation pressures emerge not only in time or according to time-span, but also in space and among different aggregation levels. All these impacts may occur at different stages of operation of the system: both during the period of self-reproduction, when main system and pattern characteristics prevail, and during system transformation, when system and pattern characteristics gradually wane while the main traits of another system emerge. Adaptation may end up in the restructuring of power relations without changing patterns (regeneration). They may also conclude in changing patterns or may also lead to transformation. According to the model and historical experiences, regeneration of the system is allowed if only one, either external or internal reproduction constraints of the system gets hard, while the other remains soft. Pattern shifts occur when simultaneous external and internal pressures force the collapse of the system, but pressures last for a short period, and, therefore, collapse is temporary and regeneration is possible. Historically, we only have examples for a shift from the self-exploiting pattern to self-disintegrating and self-withdrawing ones. Independent of pattern characteristics, transformation is likely to begin when both external and internal constraints become hard and they persist for longer time, but reactions are pattern conforming:¹⁴ escalation of pattern-conforming instruments, lead to pattern-conforming transformation.

PATTERN-CONFORMING SYSTEM TRANSFORMATION

The systemic transformation process evolves as the party-state network is retreating as a social system from monopolized sub-spheres, and the sub-spheres of a new social system are emerging outside of the network. Transformation may be absolute, when physical changes in the network occur: bargaining through the channels declines (the network is emptied), weakened, constrained, or cut off. Transformation may be also relative, when either the network does not retreat but emergence and expansion of the new subfiled external to it (political or economic) is in process, or the speed of retreat is faster than the

¹⁴ Alternative or simultaneous external and internal constraints and their different duration may explain the different government reactions in similar patterns at different periods, as well as different reactions of governments to similar pressures in different patterns in the same period.

speed of emergence, or both are expanding but the speed of emerging subfield is higher. The dynamics of relative or absolute retreat and emergence develop in strong interaction. Variations in the absolute and relative dynamics of transformation and their combinations will present different types of transformation dynamics that may show different spatial configurations at different levels of aggregation (Csanádi, Gyuris, Lai, 2009, Csanádi and Liu, 2012).

Different transformation dynamics are influenced by multiple individual historical, cultural, economic geopolitical reasons but have also multidimensional system characteristic factors that interplay with those. Such are: differences among patterns, differences within patterns, differences due to the density and strictness of intertwine between aggregation levels (the strictness within the hierarchy) and the different dynamics of the external environment. All these individual, structural characteristics and timing will influence the differences in the sequence, speed and conditions of transformation. The higher the resisting capacity of actors, the more frequent the occasions of hardening constraints of self-reproduction of the system and the stronger is the escalation of pattern-conforming instruments during adaptation that contribute to the evolution of system transformation. The higher frequency of meeting hardening constraints and adaptation pressure the more gradual the transformation process will be. Oppositely, the lower the resisting capacity, the less frequently the system meets hard constraints of self reproduction inciting adaptation, the more abrupt the initials of transformation will be.

Depending on the pattern, the *sequence* of system transformation may be the following: in the self-disintegrating pattern political transformation takes place first; in the self-withdrawing pattern economic transformation will occur first, while in the self-exploiting pattern political and economic transformations overlap each other. Regarding the *speed* of transformation: it may occur gradually or abruptly (gradual in case economic or political transformation begins before the other one, abrupt if the transformation of economic and political sub-spheres overlap in time). Sequence will determine the *conditions* of transformation: if economic transformation is first, as in the self-withdrawing pattern of China since the early 1990s, it will take place gradually and under authoritarian rule and under economic growth conditions. In case political transformation is first as in the self-disintegrating pattern of Hungary from the late 1980s, it will evolve gradually under democratic regime accompanied by economic crisis. If they overlap and they are abrupt, as in the self-exploiting pattern of Romania, both economic and political outcomes are uncertain owing to long-stretched economic crisis (Csanádi, 2006, 2011a). Patterns also contribute to different systemic outcomes (Bunce, 1999; Csanádi, 2006; Bohle & Greskovits, 2012).

Below we shall roughly detail the sequence, speed and conditions in process of transformation according to the three main patterns of power distribution. Figures a, b, c reflect the pattern-characteristics of transformation during the retreat of the network and the emergence of the characteristics of the new patterns. Figure 6/a visualizes the sequence, speed and conditions of transformation in the Self-exploiting pattern. In this pattern, sequence is hard to define since owing to the abrupt collapse of the network attached to all subfields, transformation of economic and political subfields is overlapping, Due to sudden and overlapping collapses political and economic outcomes of the system transformation is uncertain, factors of retreat and emergence are indiscernible, while macroeconomic crisis is deep and long-stretching. Figure 6a/b/c vizualizes the apocalyptic conditions and cumulated uncertainties of transformation (Bunce, Csanádi, 1993).

Figure 6/a,b,c

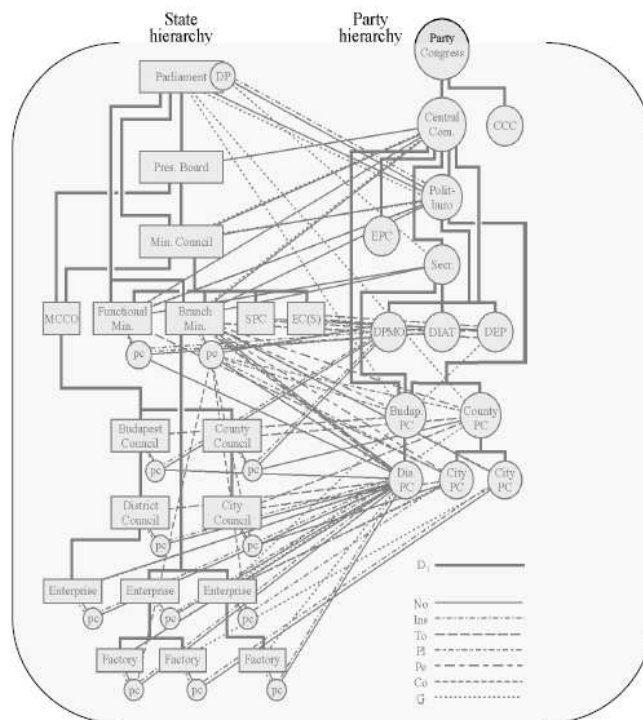
Nature of system transformation in the Self-exploiting pattern

Sequence -- Overlapping transformation of different subfields

Speed-- Abrupt collapse of the net attached to all subfields

Conditions --

- Indiscernible factors of retreat and emergence
- uncertain political outcome
- long-lasting and deep economic crisis



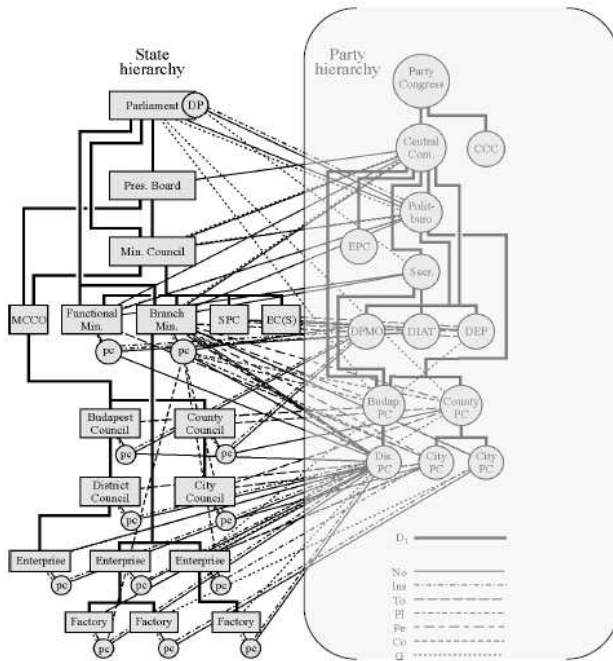
Retreat of the network Emerging field

Figure 7/a reflects the characteristic sequence, speed and conditions of transformation in the self-disintegrating pattern. In this pattern political transformation is first, changes are gradual. Since economic transformation is second, thus economic transformation

develops under democratic political regime while political transformation develops during macroeconomic crisis.

Figure 7/a

Nature of system transformation in the Self-disintegrating pattern



Sequence – Political transformation is first

Speed – retreat and emergence is gradual

Conditions –

- political transformation under economic crisis
- economic transformation under democratic regime

Emerging field

Retreat of the network

Figure 7/b involves the gradual metamorphosis of the party reversing from a social system into a political entity. Factors are inherent to this dynamics of retreat of the network: first the escalation of decentralization process takes place within the network directly sensitive to economic crisis generally to get rid of the responsibilities, while party is losing legitimacy owing to repeatedly failed economic reforms to curb recession spiral. Decentralization takes place among the discretions over economic units within the state and party hierarchies.¹⁵ The network was also emptied as cohesion loosened and interactivity caused lower expectations to attract resources within the net declined, and competitive staff of the party and state fled the apparatus to find new jobs and new party membership in the expanding political field outside the network. As distributive capacity through the net wained, also vertical and interlinking lines were withdrawn as functions and positions in the party were abolished. Without functions, these moves were followed by the dissolution of the party apparatus once holding the interlinking lines, while in the party power struggles

¹⁵ For example, such were the new system of enterprise management system where candidates for enterprise managers, after being listed by local were elected by workers and staff of the enterprise, instead of being appointed by the supervising ministry.

crystallized and horizontal platforms were allowed. The dissolution of the apparatus was followed by the abolition of the communist party and members released thereby completing the metamorphosis of the system backways, turning into two political parties -- a reformist and a conservative.

Figure 7/b

The components of the retreating network

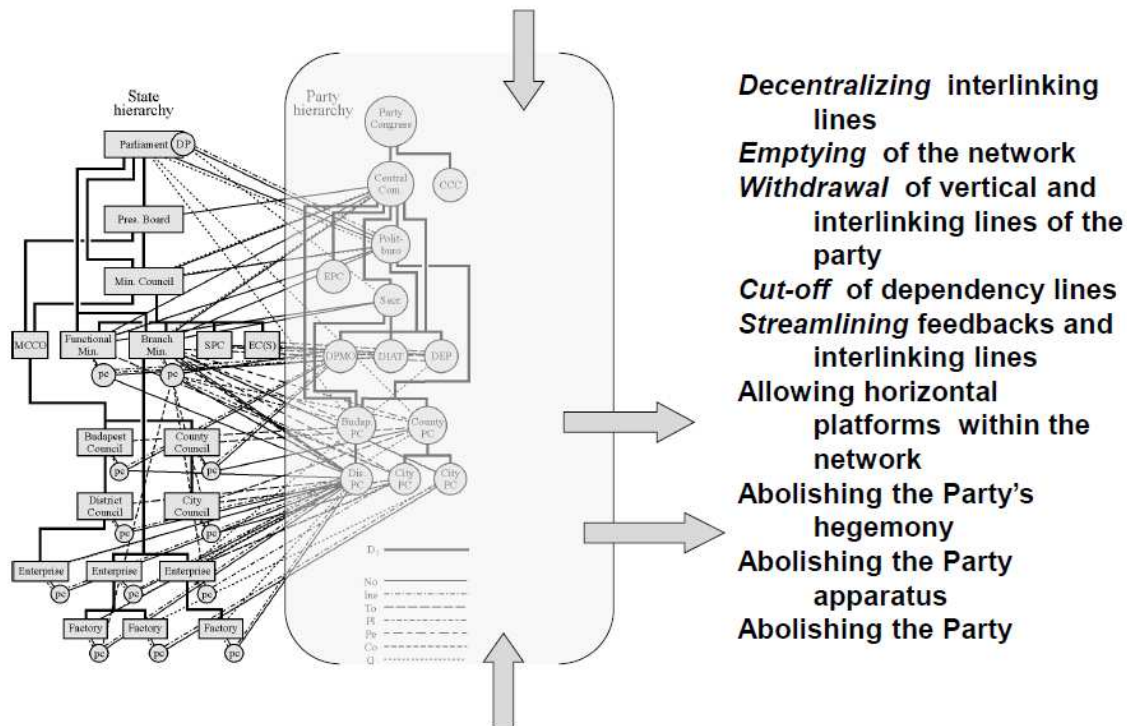


Figure 7/c deals with the factors of evolving and expanding new political sub-sphere both external to the retreating network and within the space that emerged among the broken lines of the network. This process was in tight interaction with the retreating network from the monopolized political sub-sphere as a result of forced but inefficient adaptation to the internal and external economic pressures. First horizontal groups were allowed to emerge outside the network, such as NGO-s, later pressure groups, and later their reorganization into historic or new political parties. These latter were founded or joined by former party members or staff who have left the network. Extra-parliamentary forces and reformist wing decided over the introduction of crucial democratic laws requiring two-third majority in the future voted by the old parliament under external pressure before its dissolution, multiparty-system was officially introduced, free elections were held, new parliament was formed and the democratic political system institutionalized. (Csanádi, 1997, 2006).

The components of the emerging field

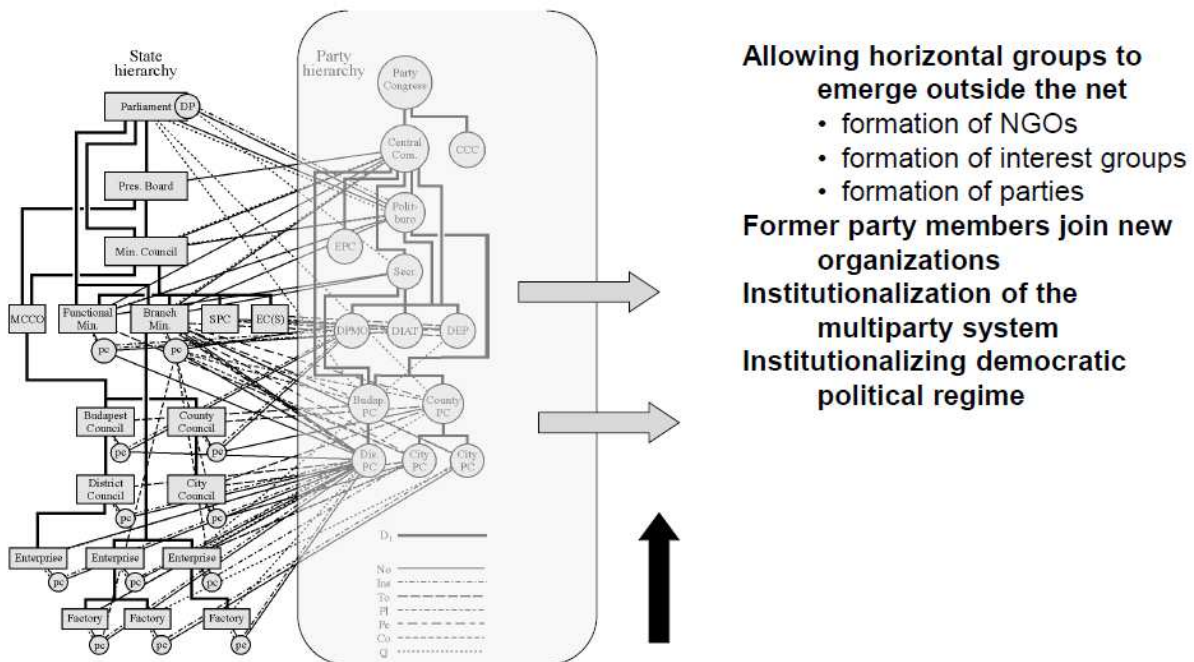
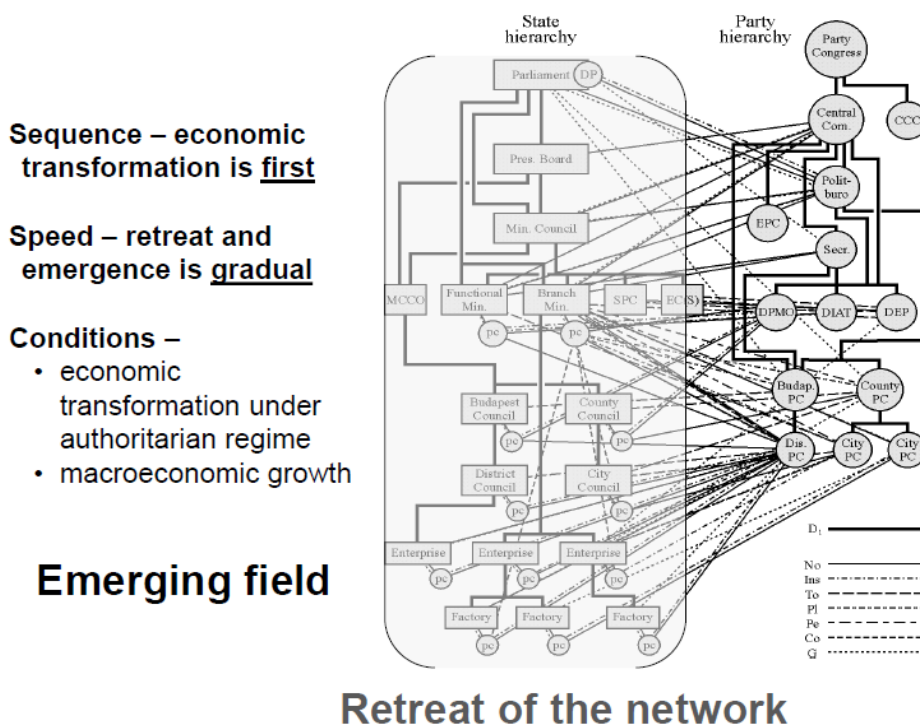


Figure 8/a reflects the metamorphosis of the party-state system while retreating first from the economic sub-field (both agriculture and industry). In this pattern, the speed of economic transformation is gradual, the process of economic transformation is occurring under authoritarian rule, while owing to the expanding competitive field macroeconomic growth takes place forging the external sources for the self-reproduction of the remaining network. Both macroeconomic growth and self-reproductions of the network render legitimacy for the party.

Nature of system transformation in the Self-withdrawing pattern



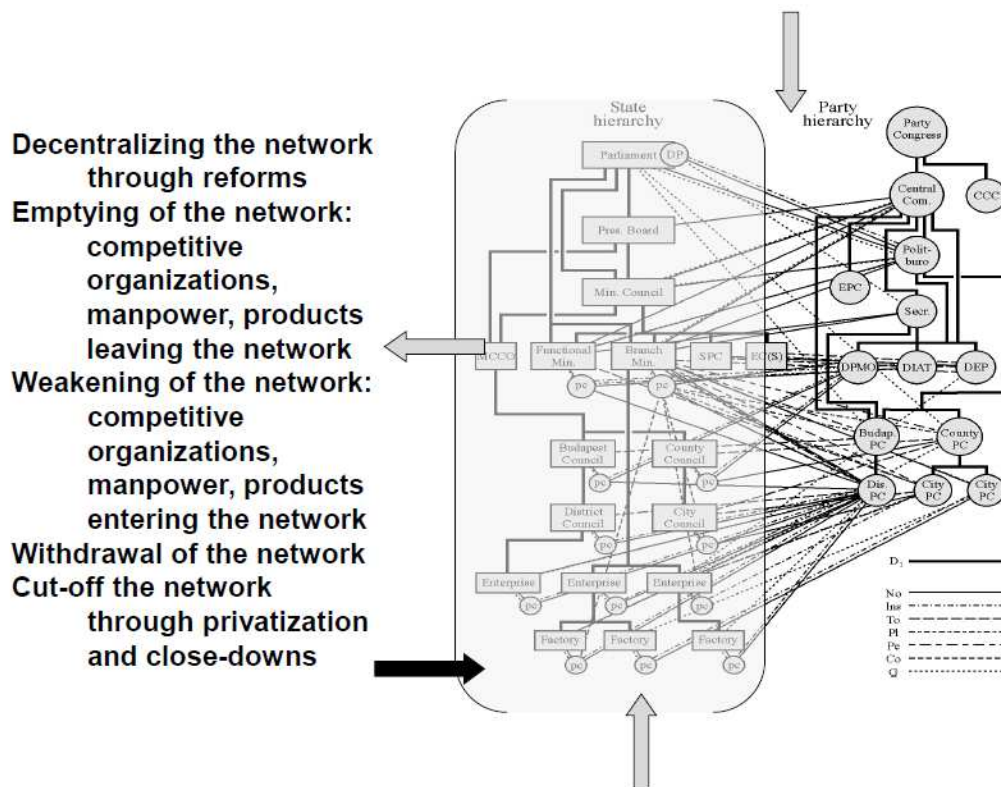
Owing to the intertwined and self-similar structural and operational characteristics of the system as a network, factors and processes of retreat and emergence in the economic sub-sphere resemble those in the political sub-sphere (Figure 8/b). Retreat of the network may be traced in different sub-sectors of the economy. Network retreated first from grass-roots agriculture by cutting dependency lines with the dissolution of production cooperatives, the creation of individual responsibility system (household responsibility system) and also the withdrawal of the network by gradually narrowing fixed prices of state procurement and that of the number of products falling under it and implicitly allowing the expansion of migration despite the conservation of local hukou system. Meanwhile (Figure 8/c) dual-track pricing regulations were created that allowed producers to sell their over-the-plan products on market prices that contributed to market expansion in agricultural products. The retreat of the network was gradually taking place also in the industry.¹⁶ Here too, the process begun with decentralization of decisions within the network for bringing decisions to the level of production in marketing, production, investment decisions and expansion plans, and staff (enterprise and manager responsibility system) and provided profit retention opportunities. Later competitive capital, manpower and organizations empty the network to join the expanding market sphere, at the same time alternative

¹⁶ Dual track pricing means that both peasants and industrial enterprises may sell their over-the-plan products on market prices after fulfilling the compulsory plan requirements.

capital, actors and interests enter the network (joint ventures, shareholdings, Peoples' Parliament, inter-ministerial committees etc.) formally and informally weakening the influence of the party on the economy through the network while expanding party's informal and formal influence on the private sphere. Former distributive functions were withdrawn from lower levels allowing enterprises greater freedom in deciding about investments up to a certain volume. The network has been increasingly cut through privatization, close-down and bankruptcy of state-owned enterprises, leaving the direct interlinking and hierarchical lines in limbo.

Figure 8/b

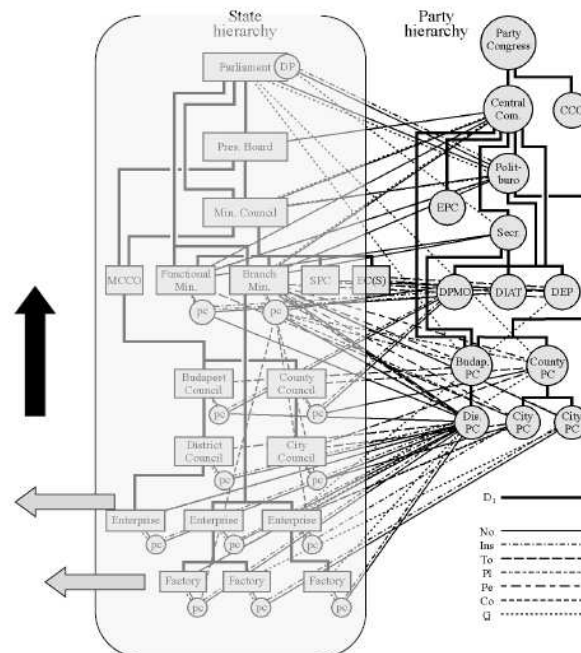
The components of the retreating network



Taking the factors on Figure 8/c besides dual track system, further expansion of the market was allowed by „opening up” attracting resources from the global economy but also from outside the network both investing in the economy overlapped by the network and external to it. New private enterprises (both domestic and foreign) were allowed to be set up, increasing number of special economic zones and investment friendly laws attracted foreign capital contributed to the further expansion of the market sphere besides privatized enterprises and transferred (strip of) capital, organization and manpower, including the fast growing number of migrants absorbed by the fast expanding competitive sphere.

The components of the emerging field

- Dual-track pricing in the agriculture and the industry**
- Allowing the increase of the number of domestic and foreign economic units and capital outside the network**
- Privatized enterprises**
- Transferred (stripped off) convertible capacity**
- The increase of the overlapping segment through joint ventures and shareholding enterprises**



The process of transformation is not a continuum in direction or speed: it may speed up, slow down and even temporary reverse under alternative or simultaneous external and internal pressures for adaptation.¹⁷ Dynamics of transformation may change temporary in space, in time and among different aggregation levels, and may influence the interrelated dynamics of absolute and relative transformation (Csanádi, 2006, 2009, 2011a, 2011b; Csanádi & Liu, 2012). Empirical research results reveal that despite China's substantial transformation towards a market economy, the occasional need for increased state intervention has mobilized the characteristics of the party-state system at all aggregation levels temporary increasing the expansion of the network. Therefore, disparities in the dynamics of transformation may be detected also at subnational levels of the network (Csanádi & Liu, 2012). Thus, the different sensitivity and adaptation of lower level units

¹⁷ In the case of China this phenomenon after 2008 took shape in the selective allocation of central and local budgetary and bank resources to enterprises in the construction sector, with preference given to large-size and state-owned enterprises in the implementation of the stimulus package (Wong, 2010; Csanádi, 2011, 2012). The level of aggregation (location) for higher activity was defined by the specifics of the decentralized Chinese system along the intertwined institutional party-state structure (Table 2) and respective distribution of responsibilities and chances to extract and allocate resources. Systemic characteristics and their Chinese specifics together resulted in investment overheating and steadily growing local indebtedness through large and state-owned enterprises and local governments. This process was further amplified by characteristics of the transforming economy in China as the increased input demand of enterprises privileged by the systemic priorities of state intervention mobilized actors in the private sphere. Mobilization reversed again the dynamics of transformation speeding up the expansion of the market sphere (Csanádi, 2013b, Yu, 2011).

may change the spatial configuration of the dynamics of transformation at different periods on the given level. Such characteristics were demonstrated in the early and mid 2000 in the transforming Chinese self-withdrawing pattern (Csanádi, Lai & Gyuris, 2009).

CONCLUSION

The analysis of the institutional structure of party-states in the IPS model may be described as a network born from the dependency and interest promotion relationships of actors during the decision-making process. The network not only embraces formal bureaucratic rules, procedures, outcomes of a hierarchical structure, but also the institutional ties binding party, state and economic actors across hierarchies. The IPS model reveals the interrelation of the political, bureaucratic and economic fields through individual interactions of decision-makers in party-state systems. Thus, the IPS model simultaneously involves individual actors and institutions, and provides both the structural basis and the dynamic consequences of their interactions. These relationships evolve along self-similar structural elements, connecting and operating principles, embracing self-similar selectivity in resource distribution and structural motivations of economic behavior in time, in space and in different levels of aggregation of the network. The same network characteristics allow us to combine self-reproduction with the self-similar reasons of encoded self-consumption of the system. Since economic behavior is politically rational instead of economically, and power distribution rather than efficiency determines the constraints of self-reproduction of the system, the process of self-reproduction is simultaneously a process of self-consumption through the absolute and relative retreat of the network. In party-state systems described as networks characterized by self-similarity of the structure in time, space and aggregation levels we can handle simultaneously the otherwise dichotomist dynamic concepts of center-periphery, principal-agent, state-society, party-state, economy-politics, central authoritarianism-local federalism and central planning and local governance as different aspects of the same power relations that form the network.

The IPS model deals with disparities of power distribution and its consequences both in time, in space and different levels of aggregation through the network. The model finds interrelation between structural patterns of power distribution their dynamics and the differences in the sequence, speed and condition of transformation. The model thereby is able to distinguish reforms, marketization and system transformation frequently taken as synonyms in comparative literature. Reforms in the model are instruments of self-reproduction of the party-state system, be they within or outside the network, at the same time, they lead to the specific ways of self-consumption of the system; marketization is one

usual variant of the emergent field outside the network during the process of the transformation (retreat and emergence) of the economic sub-field; while transformation is a process of system change either with or without reforms, sudden, or gradual, in different sequence (economic or political transformation first) and different political and economic conditions, with different possible outcomes owing to different patterns of power distribution and different dominant pattern-conforming instruments of self-reproduction. Opposite to the usual comparative approach, the model interprets elite behavior, strategy implementation within the framework of structural constraints and path dependencies but also considering their mutual impact. Thus, the model handles reforms from below, above, within authoritarian rule or in democracy a structurally determined condition rather than the elite's ideal strategic choice. The model reflects the strong interrelation among self-reproduction, retreat and emergence by linking the frequency of hardening constraints of self-reproduction, owing to the specifics of power distribution, to the dominant instruments of self-reproduction (forced resource extraction and redistribution, resource revealing, decentralizing reforms within the network and resource creating reforms outside the network). In this respect the model is able to deal simultaneously with decentralization of decisions within and outside the network, reforms and the lack of reforms by integrating them and their complex function according to power relations, and within those, in the different patterns of self-reproduction.

The model takes external economic constraints (exerted by the field outside the net, either domestically or abroad), and internal structural constraints (depending on internal power distribution) simultaneously into consideration in their mutual dynamic impact on the system's self-reproduction. All these impacts may occur in different stages of the reproduction dynamics: both during the period of self-reproduction and during transformation with different consequences. These same external and internal constraints combined with different time-span explain the differences to the reactions to adaptation pressures of the same patterns and that of different patterns.

Based on the model, we can respond to the initial questions: party-states may be defined as politically monopolized networks that have common structural elements, connecting and operating principles. The network evolves changes and transforms through the interaction between party- state- and economic decision-makers, based on politically rational economic behavior. The specific distributions of power within this network will provide the structural background of differences in operation, adaptation, pattern shifts or transformations and outcomes. The same structural background is responsible for the different emergence, place of origin, speed, political context, and sequencing of reforms. Where economic transformation comes first, private sphere enhances macroeconomic growth and also provides external resources for the reproduction of the network and contributes to party

legitimacy. However, first economic or political transformation is not an issue of strategic choice but instead, of an issue of structural constraints. Similarly, such structural reasons will determine the impact of and reactions to external dynamics on operation, adaptation and transformation and on its spatial disparities.

REFERENCES:

- Aslund, Anders (1993) Comment on 'Gradual versus Rapid Liberalization in Socialist Economies' by McKinnon, Proceedings of the World Bank Annual Conference on Development Economics
- Bohle, Dorothy (2010) 'Countries in distress: transformation, transnationalization, and crisis in Hungary and Latvia' *emecon*, 1 www.emecon.eu/Bohle
- Brank, Gregory G. (2002) Why societies Collapse. A Theory Based on Self-organized Criticality *Journal of Theoretical Politics* 14 (2): 195-230
- Bunce, Valerie (1985) 'The Evolution of the Eastern Bloc from a Soviet Asset to a Soviet Liability.' *International Organization*, 39 (Winter, 1984/1985): 1-46
- Bunce, Valerie (1995) 'Should Transitologists Be Grounded?' *Slavic Review* 54, No. 1 (Spring): 111-127.
- Bunce, Valerie (1999) *Subversive Institutions: The Design and the Destruction of socialism and the State* Cambridge University Press, Cambridge UK
- Bunce, Valerie and Maria (1993) 'Uncertainty in the Transition: Postcommunism in Hungary' *East European Politics and Societies*, 7 (Spring): 32-50
- Carothers, Thomas (2002): 'The End of Transition Paradigm' *Journal of Democracy* 13:1 pp. 5-21.
- Cao, Yuanzheng, Yingyi Qian and Barry Weingast (1999): 'From Federalism, Chinese Style to Privatization, Chinese Style' *Economics of Transformation* 7 No. 1: 103-131
- Chen, K., G. Jefferson and Inderit Singh (1992): 'Lessons from China's Economic Reform' *Journal of Comparative Economics* Vol. 16, No. 2. pp. 201-225
- Chen, K., G. Jefferson and Inderit Singh (1992): 'Lessons from China's Economic Reform' *Journal of Comparative Economics* Vol. 16, No. 2. pp. 201-225
- Csanádi, Mária 1984. *Függőség, konszenzus és szelekció (A politika és a gazdaság viszonya a gazdaságirányításban)*(*Dependence, consensus and selection: the relationship of economic and politics in economic management*) Pénzügykutató Intézet (Institute of Financial Research) No. 3
- Csanádi, Maria. (1997). *Party-states and their Legacies in Post-communist Transformation*. Edward Elgar, Cheltenham, UK
- Csanádi, M (2005) 'Reforms and Transformation Paths in Comparative Perspective: Challenging Comparative Views on East European and Chinese Reforms' *Acta Oeconomica* Vol. 55, No. 2, pp. 171-198
- Csanádi, Mária. (2006). *Self-Consuming Evolutions: A Model on the Structure, Selfreproduction, Self-destruction and Transformation of Party-states, Tested on the Romanian, Hungarian and Chinese Cases* Hungarian Academic Press, Budapest
- Mária Csanádi (2009) [The Metamorphosis of the Communist Party: from Entity to System and from System towards an Entity](#) MT-DP 2009/4

- Csanádi, Mária. 2011. "Varieties of System Transformations and Their Structural Background Based on the IPS Model", Discussion Papers, MT-DP –2011/5, <http://econ.core.hu/file/download/mtdp/MTDP1105.pdf>
- Csanádi, Maria. (2012). "Economic and systemic consequences of adaptation to external and internal pressures caused by global crisis in China " Discussion Papers, MTDP--2012/9 <http://econ.core.hu/file/download/mtdp/MTDP1209.pdf>
- Csanádi, Maria (2013) State Intervention, Local Indebtedness, Investment Overheating and Their Systemic Background During Global Crisis in China <http://econ.core.hu/file/download/mtdp/mtdp1340.pdf>
- Csanádi, Maria And Hairong Lai. (2003) "Transformation of The Chinese Party-State On National, Prefecture And County Levels" Discussion Papers, Mt-Dp - 2003/11 <http://www.mtakti.hu/doc/dp/dp/mtdp0311.pdf>
- Csanádi, Maria - Hairong Lai - Ferenc Gyuris (2009) [Global Crisis and its Implications on the Political Transformation in China](http://www.econ.core.hu/file/download/mtdp/MTDP0905.pdf) MT-DP 2009/5 <http://www.econ.core.hu/file/download/mtdp/MTDP0905.pdf>
- Csanádi, Maria and Liu Xiaoxuan (2012) Crisis and selective adaptation in a Chinese prefecture between 2008 and 2010: a survey among industrial enterprises. MT-DP 2012/35 <http://econ.core.hu/file/download/mtdp/MTDP1235.pdf>
- Csanádi, Maria, Nie Zihan and Li Shi (2013) Crisis, Stimulus Package and Migration in China <http://econ.core.hu/file/download/mtdp/MTDP1341.pdf>
- Denglian, Jin. and Kingsley E. Haynes (1997) 'Economic Transition at the Edge of Order and Chaos: China's Dualist and Leading Sectoral Approach' *Journal of Economic Issues* XXXI. No. 1, (March): 79-100
- Dewatripoint and Eric Maskin (1995) 'Credit Efficiency in Centralized and Decentralized Economies' *Review of Economic Studies* 62, No. 4, (October): 541-55;
- Dollar, David (1994) 'Macroeconomic Management and the Transition to the Market in Vietnam' *Journal of Comparative Economics* 18 No. 3. 357–390.
- Dorenspleet, Renske (2004) The structural context of recent transitions to democracy *European Journal of Political Research* 43: 309–335, 2004
- Gelb, Allan, Garry Jefferson and Inderjit Singh (1993) 'Can Communist Economies Transform Gradually? The Experience of China' in Olivier Blanchard and Stanley Fisher, eds., *NBER Macroeconomics Annual* (Cambridge: MIT Press), 87-133;
- Gomulka, Stanislaw (1994)'Economic and Political constraints during Transition' *Europe*. *Asia Studies* 46 No. 1: 89-106
- Goodman, David S. G. and Gerald Segal eds. (1994) *China Deconstructs* (London, NY.: Routledge):152-58,
- Granick, David (1990) *Chinese State Enterprises: A Regional Property Rights Analysis* (Chicago: Chicago University Press)
- Hale, David *January/February 2001 issue of The International Economy* (www.theinternationaleconomy.com), p. 3
- Hellman, Joel (1998) 'Winners Take All: the Politics of Partial Reform in Post-communist Transformations' *World Politics* 50 (January): 203-3

- Huang, Yasheng (1990) 'Web of Interest and Patterns of Behavior of Chinese Local Economic Bureaucracies and Enterprises during Reforms' *China Quarterly* 123 (September): 431-458;
- Kornai, János (1994) 'Transformational Recession: The Main Causes.' *Journal of Comparative Economics* 19, Academic Press 39-63
- Kornai, János (1993) Bureaucratic and Market Coordination in pp. 306-319
- Lynn, Terry and Karl and Philippe C. Schmitter (1995) From an Iron Curtain to a Paper Curtain: Grounding Transitologists or Students of Postcommunism? *Slavic Review* Vol. 54, No. 4 (Winter), pp. 965-978
- Naughton, Barry (1996) *Growing Out of the Plan Chinese economic Reform, 1978-1993*, (Cambridge: Cambridge University Press)
- Nolan, Peter (1996) 'China's Post-Mao Political Economy: A Puzzle' in *Political and Economic Liberalization: Dynamics and Linkages in Comparative Perspective*. Nonneman Gerd ed. (Colorado: Lynne Rienner Publishers), 287-307
- Pearson, Margareth M. (1997) *China's New Business Elite. The Political Consequences of Economic Reforms* (Berkeley, L. A. London: University of California Press)
- Qian Yingy and Chengang Xu (1993) 'Why China's Economic Reforms Differ: the M-form Hierarchy and Entry/Expansion of the Non-state Sector' *Economics of Transition*, No. 2: 135-170
- Qian, Yingyi and G. Roland (1998) 'Federalism and Soft Budget Constraint' *The American Economic Review* 88, No. 5 (1998): 1143- 62
- Sachs, Jeffrey (1994) "Russia's Struggle with Stabilization: Conceptual Issues and Evidence" In M. Bruno and B. Pleskovic eds *Proceedings of the World Bank Annual Conference on Development Economics* (Washington, DC: World Bank)
- Sachs, Jeffrey and Wing Thye Woo (1997) 'Understanding China's Economic Performance' NBER Working Paper, (October) N. 5935
- Schelkle Waltraud (2000) *'Paradigms of Social Change: Modernization, Development, Transformation, Evolution'* (Campus Verlag-Frankfurt/New York St. Martin's Press-New York)
- Shirk, Susan (1993) *Political Logic of Economic Reform sin China* (Berkeley, University of California Press)
- Solinger, Dorothy J. (1993) *China's Transformation from Socialism. Statist Legacies and Market Reforms 1980-1990*. (Studies of the East Asian Institute, Columbia University). (New York - London: M.E. Sharpe)
- Sun, Laixang (1997) *Emergence of Unorthodox Ownership and Governance Structures in East Asia. An Alternative Transition Path*. Research for Action 38 UNU World Institute for Development Economics Research (UNU/WIDER)
- Walder, Andrew G. (1995) 'China's Transitional Economy: Interpreting its Significance' *The China Quarterly* 143: 963-79
- Weingast, Barry (1995) "The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development" *Journal of Law, Economics, & Organization* 11: 1-31.
- Wildasin, D. E. (1997) 'Externalities and Bailouts: Hard and Soft Budget constraints in Intergovernmental Fiscal Relations' Mimeo, Vanderbilt University

Wong, Christine (1985) 'Material Allocation and Decentralization: Impact of the Local Sector on Industrial Reform' in Elisabeth J. Perry and Christine Wong eds. *The Political Economy of Reform in Post-Mao China* (Cambridge, MA: Harvard University Press), 253-278

Woo, Wing Thye (1998) 'Why China Grew' in *Emerging from Communism: Lessons from Russia, China, and Eastern Europe* ed. Boone, Peter, Stanislaw Gomulka, and Richard Layard (MA, London: MIT Press Cambridge), 153-182