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**Working Paper**

## The metamorphosis of the communist party: from entity to system and from system towards an entity

IEHAS Discussion Papers, No. MT-DP - 2009/4

**Provided in Cooperation with:**

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*Suggested Citation:* Csanádi, Mária (2009) : The metamorphosis of the communist party: from entity to system and from system towards an entity, IEHAS Discussion Papers, No. MT-DP - 2009/4, ISBN 978-963-9796-52-2, Hungarian Academy of Sciences, Institute of Economics, Budapest

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DISCUSSION PAPERS

MT-DP – 2009/4

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The metamorphosis of the communist party:  
from entity to system and from system towards an entity

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March 2009

ISBN 978 963 9796 52 2  
ISSN 1785 377X

# **The metamorphosis of the communist party: from entity to system and from system towards an entity<sup>1</sup>**

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## **Abstract**

A complex analytical framework, the Interactive Party state model (IPS), is offered for revealing the structural and dynamic background of opposite processes: first, the development of the communist party as a political entity into a politically monopolized regime and then to a social system; second, the retreat of the party as a social system towards a politically monopolized regime or a political entity during the process of transformation into another system. We shall point to the fact that it is the structural background of the differences of the transformation process that brings about the different sequence of the retreat of the party as a social system from economic or political sub-fields first. The different sequence will be accompanied by different economic conditions for political transformation contributing to the complete or partial retreat of the party to either a political entity or to an authoritarian political regime.

**Keywords:** party-state systems, social system evolution, differences among party-states, varieties of capitalism, path-dependencies in system transformation

**JEL:** B52, D85, N10, P2, P3, P41, P52

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<sup>1</sup> This is the background paper of my presentation at the conference on *Reinventing the Chinese Party-state: Reflections on the Social Transformation in China* in Shenyang organized by Oxford University, Peking University and Shenyang Normal University in Shenyang, in December 7-8, 2008. This version of the paper already contains the reactions to the critical comments of Vivienne Shue to my paper and some questions raised by Christine Wong, Jean Oi and Andrew Walder during the workshop commenting other presentations that the model may answer. The financial support of the Hungarian National Research Fund is gratefully acknowledged



# **A kommunista párt metamorfózisa: politikai pártból társadalmi rendszerré és rendszerből a politikai entitás irányába. <sup>2</sup>**

CSANÁDI MÁRIA

## **Összefoglaló**

Az Intraktív Pártállami Modellt mint komplex elemzési eszközt vezetjük be annak érdekében hogy ellentétes irányú folyamatok szerkezeti és dinamikai hátterére világíthassunk rá. Először, a kommunista párt fejlődését mutatjuk be a politika monopolizálásától a monopolizált politikai rezsimen keresztül a társadalmi rendszerré válásáig. Másodikként bemutatjuk a pártállami rendszer visszahúzódását társadalmi rendszerből politikailag monopolizált rezsimmé, vagy politikai entitássá egy más társadalmi rendszerré alakulás folyamatában. Rámutatunk arra, hogy a párt mint társadalmi rendszer átalakulási folyamatának szerkezeti háttere hozza létre a politikai vagy gazdasági alszférák átalakulásának eltérő sorrendjét. Az eltérő átalakulási sorrendet pedig eltérő gazdasági feltételek kísérik a politikai átalakulás során, amely hozzájárul a párt mint társadalmi rendszer részleges, vagy teljes visszavonulásához, azaz a politikai rezsimmé vagy politikai párttá alakuláshoz.

**Tárgyszavak:** pártállami rendszerek, társadalmi rendszer evolúció, pártállamok közötti eltérések, a kapitalizmus változatai, útfüggő rendszerátalakulás

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<sup>2</sup> Ez a cikk a Shenyangban az Oxford University, a Peking University és a Shenyang Normal University által szervezett *"Reinventing the Chinese Party-state: Reflections on the Social Transformation in China"* című konferencián elhangzott előadásom háttéranyaga. A cikk jelenlegi változata már tartalmazza Vivienne Shue kritikai megjegyzéseire adott válaszaimat és reflexióimat a konferencián egyéb előadások kapcsán Christine Wong, Jean Oi and Andrew Walder által feltett kérdésekre, amelyek a modell keretében megválaszolhatóak. A kutatást az OTKA finanszírozta.

## **INTRODUCTION**

### **THE CHARACTERISTICS OF THE MODEL**

The model is based on decades of empirical case-studies and statistical surveys in Hungary during 1975 and 1992 and in China in 2002 on the birth, implementation and outcome of economic policy decisions (Csanádi, 1997 and 2006). It is a comparative analytical model that describes the structure, operation and transformation of party-state systems. The model builds on the relationship that evolves through the dependency and interest promotion possibilities among party- state- and economic decision-makers during the decision-making process. It incorporates the interactive network these relationships form, the main elements, main connecting principles and main operating principles of this network as well as the behavioral background of its cohesion and self-reproduction. It also deals with the main endogenous structural and behavioral traps during self-reproduction that incite system transformation. Besides dealing with the above traits that are self-similar in space, time and aggregation levels, the IPS model also describes the structural background of the disparities in self-reproduction and transformation, based on the different distributions of power within the network.

These different distributions of power will have an impact on the different structure, operation, instruments of self-reproduction and on the different pace, sequence, conditions and outcome of system transformation. We have interpreted retreat of the network from monopolizing different sub-fields and emergence of a new subfield outside the net as the dynamics of transformation. This process of retreat and emergence and their composing elements are demonstrated on both political and economic sub-fields.

### **POSITIVE TRAITS OF THE MODEL**

Several traits of the model allow it to be simultaneously descriptive and dynamic, capable to predict both the developments in the structure, behavior, interests, operation and transformation, as well as the factors of path-dependence of the newly evolving system. The IPS model's complexity is wide: it combines political, bureaucratic and economic subfields through individual interactions of decision-makers and leaves room for all non-party institutional structures to be considered. The model simultaneously involves individual actors and institutions, and provides both the structural basis and the dynamic consequences of their interactions. This network is not only embracing the relatively thin strata of party members but directly or indirectly influences the conditions of interest promotion, behavior of all those institutionally tied to it with different density through their position, activity, organization or

party membership. This network defines the inequality in bargaining capacities according to politically rational criteria through the position the actor or unit acquired in this network. Consequently, it handles the party, as originally a political entity in the political subfield that develops into a power network that functions as a social system<sup>3</sup>. It defines transformation as the functioning of internal structural and dynamic traps in interaction with the field external to the network, be it within domestic or international realms.

By defining the main elements, main principles of operation, selection, structural motivations and traps of self-reproduction and through that the systemic causes of transformation, the model traces down the self-similar traits of the system in time, space and aggregation levels. Due to self-similarities, this systemic approach of the model works also on different aggregations and different units on one level aggregation (space) and in time, independent of individual traits.

While keeping self-similar traits (elements, connection, operation) constant, the IPS model allows for the *variety of power distributions* due to the variation and combination of self-similar elements that will bring about characteristic distributions of power, and thus characteristic structural varieties of socialism with different instruments of resource extraction and distribution for the self-reproduction of the whole structure, different operation and different transformation. The model forms groups of these different distributions of power into distinguishable patterns of power distribution. In this respect, the model defines the role and impact and outcome of reforms as instruments of resource extraction and distribution during the self-reproduction of the structure. In this capacity, reforms, conserve and dismantle the system, and also as pattern-dependent instruments of resource extraction and distribution and pattern-conforming self-reproduction and transformation. Thus, the model is capable to integrate simultaneously but handle separately both the *operation AND the transformation* of party-states by deducting transformation organically from the systemic characteristics of self-reproduction.

Thus, the model is also able to define *structural factors* as the influencing *systemic constraints* of the transformation, in other words, the factors of path-dependence.. These structural factors are: the differences among patterns, the differences within patterns, the relationship among different levels off aggregation and the combination of ingredient factors of the process of retreat and transformation, and last but not least, the spatial topology the different transformation dynamics will form. These factors will provide the path-dependent framework for individual traits of the transforming unit and contribute to the varieties of emerging regimes and systems. This impact is due to the different sequence, speed, conditions

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<sup>3</sup> Political entity is a unit among the multiple with political interests, functions, members and constituency in the political sub-field. Political sub-field is the domain where political entities prevail. Politically monopolized regime is the mode of governance of the society within the party-state system, as a kind of authoritarian rule, containing the communist party that monopolized the political sub-field by either merging, annihilating or constraining to unimportant other political entities of this sub-field.

of transformations, the different dynamics and direction of transformation that those factors will define.

However, the model does not draw the dynamics of self-reproduction and transformation solely from internal traps leading to the hardening constraints characteristics but also demonstrates the criteria and results of internal (systemic) and external (“natural”) selection and adaptation on different aggregation levels. Selection and adaptation process is highly complex. (1) There is an internal and external selection and adaptation drive within the net during its self-reproduction. (2) Internal and external selection criteria are based on different principles: internal is structural, owing to political rationality of motivations based on the distribution of power. External selection criteria are efficiency based owing to competitive pressures (budget constraints) exerted from outside the net. External environment is the space within an aggregation outside the network and outside the aggregation itself. (3) Both internal and external conditions may end up in hardening or softening reproduction constraints. Depending on their sequence of hardening or softening internally and externally and their respective combination and simultaneous impact, they may work in adverse or parallel directions, contributing to different drives of adaptation leading to self-reproduction or transformation.

Is the *hardening of reproduction constraints a precondition* for evolution? First, not all hardening of reproduction constraints end up in evolution. It may conclude also in restructuring of the power structure though larger extraction, foreign capital attraction, stricter selection in allocation that will contribute to the self-reproduction of the system. They may lead to transitory collapse that brings about either power restructuring or regeneration of the status quo. Second, hardening of reproduction constraints may attain the whole aggregation and induce change. But it may start at lower levels and may propagate selectively along different levels of aggregation. Selective propagation of hardening reproduction constraints does not necessarily hit the whole aggregation thanks to the economic growth outside the net. Thus, evolution of a larger aggregation may occur either under declining economic capacities or under macroeconomic growth. It is pattern dependent which one will take place.

The model does not draw self-reproduction and transformation solely from internal characteristics but also demonstrates the criteria and results of the interplay of internal (systemic) and external<sup>4</sup> selection processes and adaptation. Selection and adaptation process is highly complex. (1) Internal and external selection criteria are based on different principles: internal is structural, owing to political rationality of motivations based on the distribution of power. External selection criteria are efficiency based owing to competitive pressures (budget constraints) from outside the net. (3) Both internal and external conditions may end up in

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<sup>4</sup> External environment is the space within an aggregation outside the network and outside the aggregation itself.

hardening or softening reproduction constraints of the given unit. Depending on their alternating sequence of hardening or softening internally and externally and their respective combination and simultaneous impact, they may work in adverse or parallel directions, contributing to different drives of adaptation leading to self-reproduction or transformation.

Based on the analysis so far, the model defines the party-state as a social system:<sup>5</sup> The party-state system implies the self-similar complexity of (i) the structure and (ii) the dynamics in time, space, aggregation and condition, combined with (iii) the structural and dynamic differences in time, space, aggregation and conditions. (i) The structure includes the main building blocks of the party-state system<sup>6</sup>, the principles of connection based on the relationship of individual decision-makers, and principles of operation forging the politically monopolized character of the dependencies, interest promotion and resource extraction and redistribution in the structure and consequently, the specific position of individual decision-makers within the politically monopolized structure as holders and captured by dependency lines. (ii) The dynamics involved refers to the subsequent structural motivations leading to selectively soft reproduction constraints according to the distribution of power within the structure, and structure-conforming behavior. (iii) The varieties in the distribution of power that lead to pattern-conforming specificities in the dynamics of self-reproduction which result in the differences in the instruments of self-reproduction, sequence of element transformation speed of transformation and different political conditions of economic transformation and economic conditions of political transformation, including the retreat and the transformation of the party from a monopolized institutional power structure into a political entity.

Deep-drilling *empirical field studies* were and are initiated in several dimensions and segments of the operating system, seeking its political, institutional, economic and developmental aspects from the point of view of political science, history, sociology, anthropology and economics.<sup>7</sup> These deep-drilling field studies are obviously not addressing the structure, operation and change of the system as a whole.

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<sup>5</sup> According to Wikipedia, social system means: “the people in a society considered as a system organized by a characteristic pattern of relationships <http://www.thefreedictionary.com/social+system>

<sup>6</sup> The party hierarchy, monopolizing the political subsphere, the state hierarchy, monopolizing the economic and administrative sub-sphere, and thereby the extraction and allocation of resources, the party's power instruments serving as interlinking dependency lines between party and non-party institutions, overlapping the decision-making process through positional structure, activity structure, organizational structure and individual decision-makers, and the intra-hierarchy and cross-hierarchy feed-back short-cutting the decision-making process in party and state hierarchies and across them.

<sup>7</sup> For example, from the political point of view they analyzed the central and local party, the local government elite and the nomenklatura. From the institutional aspect, the central and local governments, planning, bureaucratic procedures, regulations and bargaining processes were surveyed. From the economic aspect, the distribution of resources, the functioning of partial markets (e.g. workforce, second economy), territorial differences, enterprise behavior and investment cycles were examined. From the developmental aspect, for example, reforms, revolution, collapses, transformations were analyzed.

## **1. THE POLITICAL ENTITY EVOLVING INTO A SYSTEM**

### **1.1 SELF-SIMILARITIES OF THE STRUCTURE**

In the 1920s in the Soviet Union and in Europe and China in the late forties and early fifties we can trace a system transformation. During this process we may witness the evolution of the communist party from a political entity into a social system meanwhile the retreat of the former system. This evolution in the case of late-comers was accelerated by a clear forced-pace implementation of a blue-print prescribed and closely supervised by Soviet experts. During this process, former actors, functions, networks and institutions on economic, political and state fields were replaced by those of the communist party.

The more salient similarities of the forced evolution were the strategies and means of political take-over: the acquisition of administrative power in internal affairs and police positions, the orchestration of turmoil and fear, the imprisonment of political competitors outside and rivals inside the party, the merger of the left wing of social democrats etc. Same was the logic of setting up the respective elements of the party-state through economic and administrative take-over: first detaching former economic elite from their properties and intellectual and administrative elite from key positions than monopolizing the whole of the sub-spheres down to organizations and the creation of domestic-Soviet joint ventures in crucial industrial branches to establish the flow of strategic input for the Soviet Union. Similar strategies were followed in the take-over of agriculture: land reform deprived former proprietors from their possession, than initially gradual, later forced collectivization allowed for institutional, activity and positional control through the network. Same drastic measures were implemented to redeploy resources and manpower from agriculture to industry (price scissors, compulsory state purchase, low fixed prices, social security in industry) and replace former elite in economic, administrative and intellectual positions, to build economic infrastructure through slave work of the so-called former elite and criminalized individuals in forced camps.

This process went on restructuring the organizations and functions of the state bureaucracy, military, police, judicial, and executive apparatus according to political priorities at central and local levels, to overlap restructured and monopolized subfields. Similar was the introduction of the means of management in the state bureaucracy: the central administrative planning down to individual organizations, and the punitive laws that served its efficiency by the continuous physical and existential menace for those were judged not to cope with them.

While preparing different subfields institutionally for political penetration, and state bureaucracy for execution, gradually party apparatus, personnel to handle, and instruments of

power to penetrate sub-fields were developed. The whole party bureaucracy was constructed organizationally and functionally to mirror bureaucratic functional and institutional structure at central and local levels to be able to manage non-party fields. It stretched out power instruments to monopolized sub-spheres overlapping positional, organizational and activity structure down to individuals. Self-similarities in the process were interacting with local specifics that later on contributed to the individual characteristics of operation, temporary collapse, regeneration or definite retreat of the system<sup>8</sup>.

Institutionally, the evolving new system was composed by three interpenetrating layers of relationship among decision-makers. These are the following:

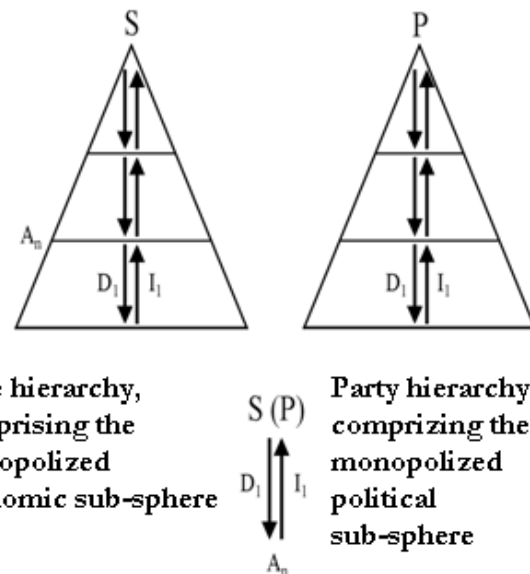
(1) The party hierarchy monopolizing the political sub-sphere and the state hierarchy with the state-monopolized economy that allows for the monopolized extraction and distribution of resources (see Fig. 1)

Figure 1.

### First layer: the formal hierarchies of the party-state structure

#### Key:

S	State (non-party) hierarchy
P	Party hierarchy
An	Decision-makers (actors) at the n <sup>th</sup> level of the structure
D1	Direction of intra-hierarchy dependence
I1	Path of intra-hierarchy interest promotion

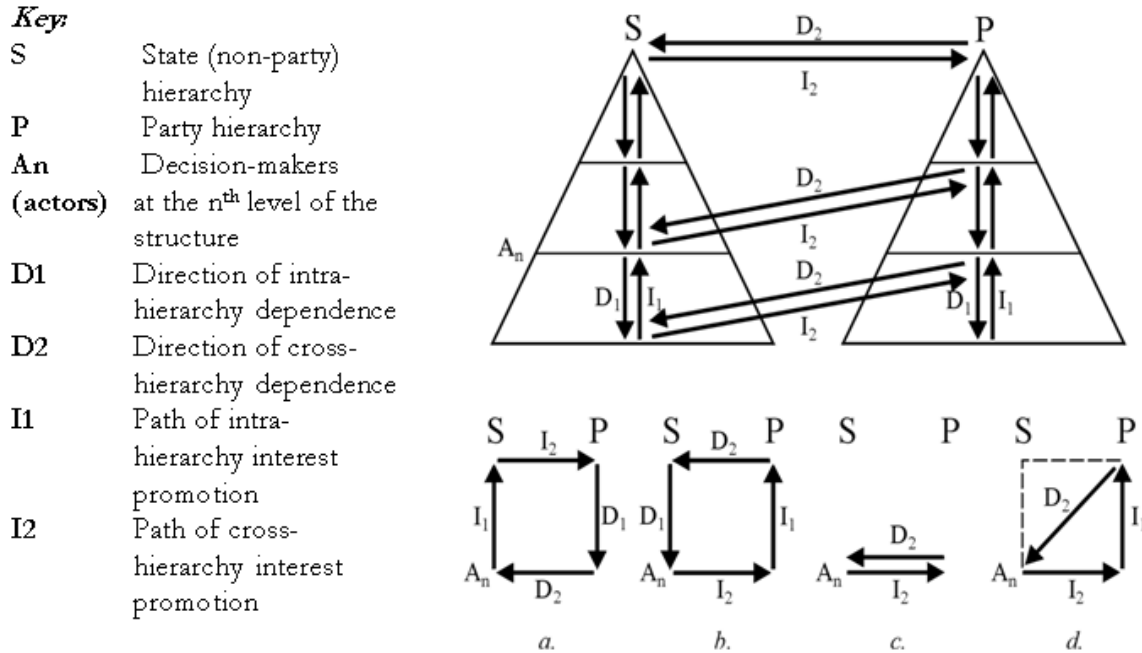


<sup>8</sup> Despite the above similarities, the varieties at the departure were large within the same pattern due to individual properties. For example, the initial political stance facing the Soviet army, with an antifascist coup before occupation in Romania, fascist coup in Hungary and a triumphant domestic army in China; with minimal role of the communist party in the two European states, with imposed muscovite leadership in one, domestic in other and the Mao as a national hero and his widely legitimate communist party for ousting the Japanese invaders and wining civil war; on the one hand, Soviet defense and imperial goals, its instruments acquired through armistice agreement, and thereby different extracting capacities and building larger aggregation; and on the other hand, the differences in dealing with domestic or muscovite leadership and confronted by their domestic legitimacy, the legal possibilities for Soviet army occupation and differences in the size, geopolitical location, economic and social development and differences in the provision of raw materials necessary for the forced industrialization set the basis of the level of institutionalization, and different exposure and bargaining capacities of these forming party-states towards the Soviet Union.

(2) The two separate hierarchies are interlinked by the party's instruments of power that infiltrate the boundaries of non-party institutions and overlap the decision-making process through positional structure, activity structure, and organizational structure and through individual decision-makers upon their party discipline<sup>9</sup>. Thus, the party, through its instruments of power (interlinking dependency lines) directly, or through the state bureaucracy politically monopolized all other state-monopolized sub-fields. These interlinking dependency lines at the same time allow for the interest promotion of those embraced by them, introducing a structural inequality in interest promotion among decision-makers attached to and deprived of these lines (see Fig. 2).

Figure 2.

### Second layer: the interlinking threads



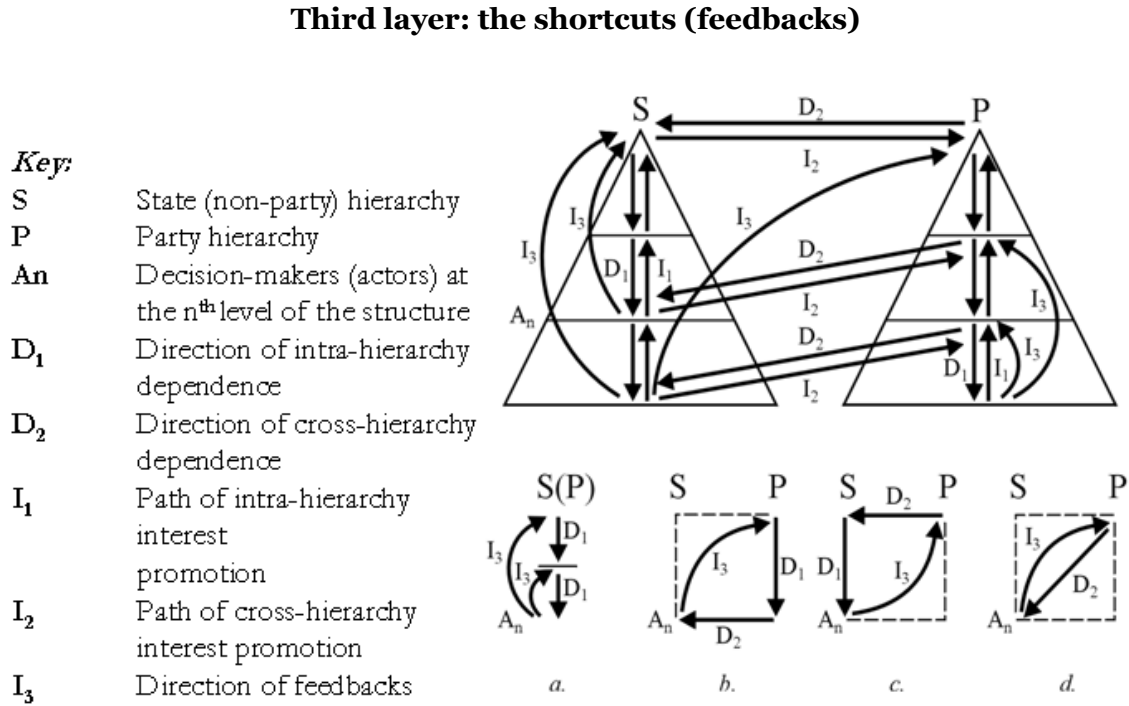
(3) The decision-making process for some actors may be short-cut both within each hierarchy and also across state-to-party hierarchy by having the chance to directly or indirectly participate on higher level decision-making. Short-cuts form a structural feedback loop through either intra-hierarchy or cross-hierarchy dependency lines. Through feed-backs a new structural inequality of interest promotion is introduced for those privileged by them, since actors at one level may meet decision-makers of higher levels whom otherwise would

<sup>9</sup> These instruments of party power are for example: the well known nomenklatura system that infiltrates non-party institutions and overlap decision-making process through the positional structure; the subject-matter responsibility system of the party that overlaps decision-making process through activity structure; the instructor system that overlaps the decision-making process through the organizational structure and the party discipline of individual party members, that overlaps decision-making process directly through individual decision-makers.



never meet, thus, have access to information, are able to influence decisions, accumulate new short-cuts and prepare to unavoidable impacts (see Fig. 3). Through interlinking lines and feed-backs the party is monopolizing the structural inequalities of interest promotion.

Figure 3.



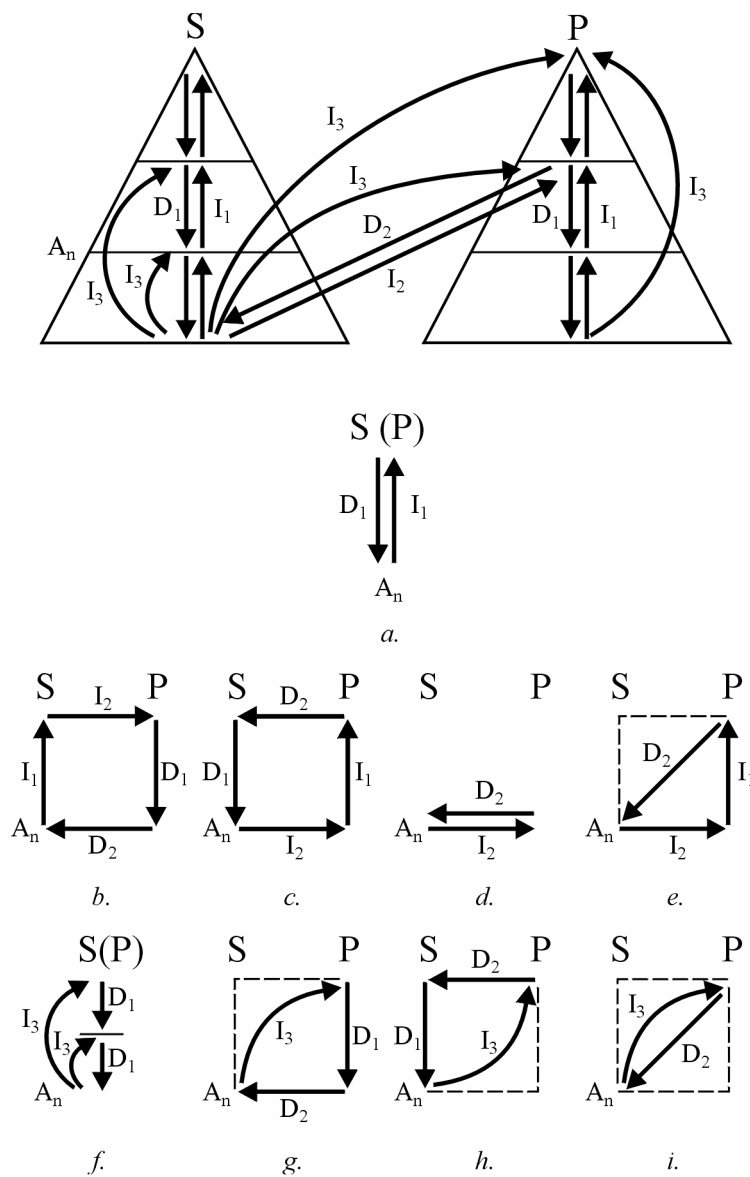
The three intertwined layers will form the party-state network. The structure reveals its principles of operation: since all actors hold hierarchical dependency lines but only actors in the party hierarchy hold dependency lines interlinking decision-makers in all other sub-spheres, thus dependencies, interest promotion and resource extraction and allocation are directly or indirectly politically monopolized.

In this system dependencies are multithreaded, so is interest promotion. The multitude of threads is directly linking individuals of party and non-party institutions thereby causing mutual sensitivity to each others' decisions. These channels (lines) of dependency and interest promotion are hidden and closed, rendering the institutional atomization of individual actors and enhancing their drive for individual interest promotion. Structural inequalities of the capacities for interest promotion arise through multithreaded hidden channels and their short-cuts within and across hierarchies. Thus, bargaining capacities within the structure and formal positions do not overlap. Different bargaining positions of actors will provide the distribution of power within the party-state structure. Consequently, the party, originally as one entity in one sub-sphere (political), through its power instruments permeates political and other

subfields institutionally, while directly and indirectly monopolizing the extraction and distribution of resources. By overlapping individual decisions not only through party members but decision-makers through positional, organizational and activity structure embracing all social fields and defining their structural inequalities, the party originally as a political entity, develops into a politically monopolized power network that *operates as a social system* (Fig. 4).

Figure 4.

**The complex network of party-states as a social system**



## 1.2 SELF-SIMILARITIES IN THE OPERATION

Structural and operational characteristics will provide the dynamics of self-reproduction of actors and the whole system. Within this complex social structure actors are in dual position: they are simultaneously *holders of and captured by* dependency lines, thereby incorporating two functions simultaneously: distributors and pleaders in *one single entity*. The dual functions will be fuelled by dual structural motivations:

- ❑ As monopolistic holders of the lines, they are able to intervene the decision-making process, to and simultaneously forced to intervene since there are no alternatives to intervention and thus restraining from intervention they lose positions to other actors who will intervene
- ❑ As embraced by these lines they are exposed and simultaneously interested in keeping and multiplying monopolistic dependency threads for interest promotion and accommodate to expectations of those who intervene. Without alternative ways of interest promotion, non-applying actors will lose bargaining position and chances for interest promotion to those who apply

Consequently, capacity and force, exposure and interest together ensure the *politically rational motivations of behavior* for actors to reproduce bargaining status-quo and thereby the cohesion and reproduction of the whole system.

Owing to actors' dual position and function, the capacity for self-reproduction is *complex*: one single actor as holder of the lines (intervener) has *resource extracting and redistributing capacity, while as embraced by those (pleader), it has resource attracting capacities and resisting capacities* to interventions. These factors together will provide the *constraints of the capacity for self-reproduction* of an actor.

However, constraints of this capacity are *not uniform* to all actors, since positional differences due to built-in inequalities – interlinking lines ( $D_2$ ,  $I_2$ ) and feedbacks ( $I_3$ ) – will forge *selective chances* (capacities) for resource attraction, extraction, allocation and resisting interventions. Consequently, this will lead to *selectively soft or hard constraints of self-reproduction* according to the actors' structural bargaining capacities.

Major characteristic in the structure and dynamics of this social system is the outstanding role of *political concerns*. Structurally political concerns determine the rationale of connecting subfields, the instruments for connection, the in-built inequalities, the principles of connection and operation. Structural characteristics will define the political rationality of the dynamics of self-reproduction of the structure through the dependencies, interest promotion and resource distribution, the criteria of selection, and based on that the fixed paths of resource distribution. Such criteria will determine the development of selectively soft/hard reproduction constraints,

the economic motivation and behavior (accumulating feedbacks and drive for growth) through hidden channels.

Structural and dynamic characteristics, however, will bring about the *traps* of self-reproduction. Traps will evolve due to the fact that *efficiency constraints* and motivations for efficiency in self-reproduction will be *lacking individually and for the whole structure*. Instead, *structural constraints* – that is, the given distribution of power (attracting and resisting, extracting and allocating capacities) – will determine the hardness or softness of reproduction constraints, both for individuals, for units and for the net as a whole. Thus, since economic behavior is politically rational instead of economically, and power distribution rather than efficiency determines the constraints of self-reproduction, the process of self-reproduction is simultaneously a process of *self-consumption*.

The above features are self-similar in time, in space and in different aggregation levels and induce self-similar behavior and interest for selection, allocation. Characteristics of self-reproduction are leading to self-similar traps of self-consumption of the system.

## **2. STRUCTURAL BACKGROUND OF THE DIFFERENT OPERATION OF PARTY-STATES**

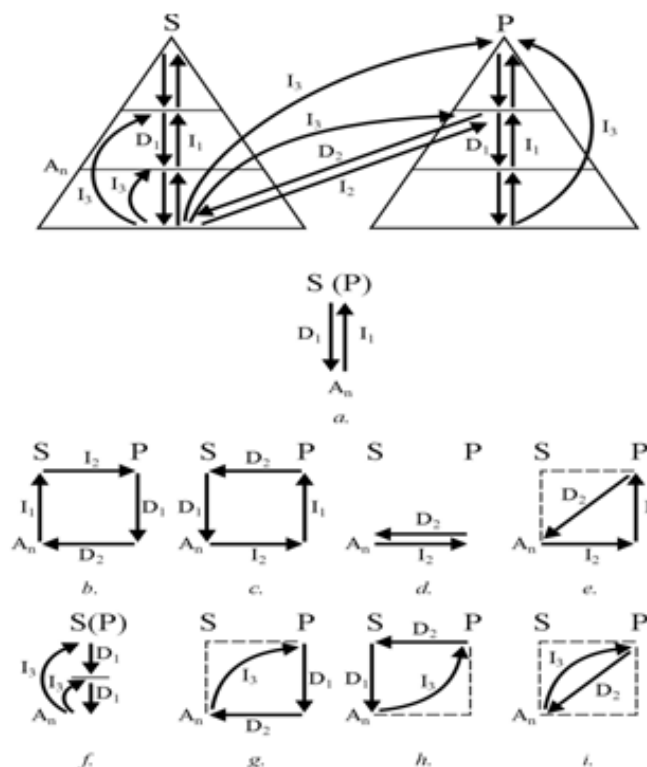
### **2.1. PATTERNS OF POWER DISTRIBUTION**

Despite of self-similarities, party-states operate, reproduce themselves and transform *differently*. There is a structural explanation of those differences offered by the IPS model. The structural background of differences is produced by the combination of the variations of constructing elements while keeping principles of operation unharmed. That is, variations in (1) the strictness of decisions within the hierarchies, (2) the level of centralization or decentralization of discretions over extraction and distribution of resources along the state hierarchy, (3) the level of centralization or decentralization of the discretions of holding interlinking dependency lines along the party hierarchy, its density, its outreach and its depth in the place of outreach, and finally, (4) the origin, the target, the density and the accumulation of short-cuts, be they within and/or across state-party hierarchy.

Figure 6.

### Structural background of variations

- Hierarchical lines ( $D_1$ )
- Interlinking lines ( $D_2$ )  
along the party hierarchy,
- Discretion over the  
extraction and allocation  
of resources along the  
state hierarchy,
- Short-cuts ( $I_3$ )



The combination of these varieties will provide the *different distributions of power* within the network, and, at the same time, define the scope of the space outside the net. These wide-ranging variety of power distributions may be grouped into three characteristic patterns: – self-exploiting, self-disintegrating and self-withdrawing. Names of all three patterns are suggesting the self-consumption of the system, since structural and dynamic traps are not pattern-characteristic but pertain to the self-similar nature of the system. Pattern specifics are defined by the properties of discretion over extraction, interlinking lines and short-cuts. These properties will delimit pattern-conforming distributions of power that define the level of resisting and resource attracting capacities within the structure, time-lags to meet hard reproduction constraints of the system as a whole, pattern-conforming instruments for reproducing the power structure, and ways of transformation (see Table 1)<sup>10</sup>.

<sup>10</sup> The interplay of these varieties substantially influenced the prospects of further self-reproduction in unchanged form, in the restructurings within patterns, the chances for transitory collapse and pattern shifts, as well as the kind of the new pattern.

Table 1.

## Main patterns of power distribution

TRAITS	SELF-EXPLOITING (e.g. Romanian)	SELF-DISINTEGRATING (e.g. Hungarian)	SELF-WITHDRAWING (e.g. Chinese)
<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>Relationship between units and sub-units</i>	Faint attracting and resisting capacity	Selectively strong attracting and resisting capacity	Selectively strong attracting and resisting capacity due to alternatives
<i>Constraints of self-reproduction</i>	Rarely hard	Occasionally hard	Frequently hard
<i>Made of resource acquisition</i>	Forced resource redeployment	Resource mobilizing (decentralizing) reforms <i>within</i> the net	Resource mobilizing <i>within</i> and resource creating reforms <i>outside</i> the net
<i>Economic development</i>	Forced growth of heavy industry to physical boundaries	Economic recession and reform <i>escalation leading to transformation</i>	Economic growth outside the net, <i>selective</i> recession within the net and reform <i>escalation leading to transformation</i>

(i) *The self-exploiting pattern*, characteristic to all party-states in the 1950s and to some extended until 1989 or to the present: in this pattern, the distribution of power is such that both the extraction and allocation of resources and the interlinking lines are centralized, and there are weak or none economic feedbacks. These latter will mean weak resisting and attracting capacity within the network. In this case, the whole aggregation has unconstrained extracting capacity, in other words, its *reproduction constraints are soft*. Softness evolves and persists in consequence that forced resource redeployment (extraction and reallocation) may be repeated without meaningful resistance.

The fainter the capability of actors as exposed to dependency lines to resist and influence through the dependency threads and feedbacks, the greater the capacity of actors as holders of those lines within the network to exert pressure in the given distribution of power. Therefore in these cases resources are extracted through exerting political pressure and/or implementing campaigns for forceful restructuring of power relations. Forceful restructuring will result in forced redeployment of resources or that of directly resourceful targets<sup>11</sup> (subjects).

The extent of pressuring capacity of actors in supra-units as holders of dependency lines at higher level — or the extent of resisting capacity of actors in sub-units as embraced — will influence the frequency of hardening reproduction constraints and also the length of the period when hard reproduction constraints and the threat of lacking cohesion prevails. The greater is the extent of pressuring capacity, the more seldom the hardening of reproduction constraints. For the same reason the shorter will be the period of prevalence of hard reproduction constraints and with that, the lack of cohesion.

Therefore, until the reproduction of the given distribution of power is unconstrained (soft), be it at any aggregation level, it will consider changing priorities or find different instruments for resource extraction and adaptation unnecessary. The economy and human resources are exploited to their physical limits — as with Romania at the end of the 1980s<sup>12</sup>, North Korea still by the early 2000s<sup>13</sup> or China during the Great Leap Forward and the Cultural Revolution<sup>14</sup>.

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<sup>11</sup> These actions are for example: changes in the product-structure, merging of enterprises, amalgamation or dis-aggregation of agricultural co-operatives in Hungary, in China or Romania (Pető-Szakács, 1985, Barnett, 1967; Crowther, 1988, pp. 56-58), reorganization and merger of economic management authorities in Hungary (Csanádi, 1985), the extraction of the so-called "off budgetary" and "extra budgetary" revenues in China (Huang, 1996, Wu and Qian, 1999, Lin, 1989, Wong, 200...), forced exports for the sake of funding imports, forced fund raising, forced capital raising, forced workers' share (Smyth, 1998), forced acquisition of state bonds in China (interview, 2000), centralization or decentralization of jurisdiction over enterprises, forced transfer of manpower, forced transfer of capital through fixed price scissors between agriculture and industry for industrial investment priority, fixed prices, fixed wages, fixed low price of compulsory state procurement etc.

<sup>12</sup> Verdery and Kligman, (1990)

<sup>13</sup> Eberstadt, 1998, pp. 203-231

<sup>14</sup> Barnett, 1967, MacFarquhar, (1990).

These systems, despite seemingly irrational expenditures and exploitation of economic and human resources and increasing tensions remain stable, main elements, principles of connection and operation remain unharmed. Therefore, the politically rational way of economic operation (there are no efficiency constraints in the process of self-reproduction) with no (or faint) resisting capacity within the net, and no constraints on preferential growth of heavy industry, will undermine the system economically and socially, while conserving the status quo (the controlling and overlapping capacity) of the power network while increasing tensions<sup>15</sup>. Systemic collapse will occur only when growing tensions and increased pressure meet expanded internal and external political opportunities and intra-elite conflicts arise in consequence of such externalities as the (expected) death of the leader and/or collapse of neighboring self-similar systems<sup>16</sup>.

(ii) The second pattern will be called *self-disintegrating*, like Hungary after the transitory collapse of the system after 1956. Here the distribution of power is such that interlinking threads are either centralized or decentralized but there are strong economic feedbacks within the net and extraction is centralized. This means that attracting and resisting capacity of fed back units is high within the net in the context of centralized extraction and allocation. In this case however, both strong attracting and resisting capacity hinders the reproduction of the structure through measures of forced resource redeployment: these measures if implemented prove to be selective according to selective resisting capacities. In other words, forced resource redeployment efforts *become form-fitted* to specifics of power relations. In consequence of the self-similar properties of motivations and behavior (drive for growth) and selectively soft reproduction constraints of those fed-back and their relatively strong resisting capacities within the net against resource centralization, the system at macro level will more frequently run into hardening reproduction constraints.

The shorter is the period for running into hardening reproduction constraints due to structural properties, and with that, the longer the lack of cohesion within the net, the stronger will be the unit's drive to find other ways to reveal resources to restore the reproduction process and status quo. When and where forced resource redeployment does not work, cohesion declines and reforms, instigated by longer-term reproduction constraints of the unit become, in the given distribution of power, instruments to acquire resources and to recreate the structure's cohesion. Let us call resource-mobilizing reforms those resource-revealing actions that remain within the confines of the net and reveal resources by changing the context

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<sup>15</sup> If self-similar motivations of growth and increasing tensions harden reproduction constraints, further forced restructuring and resource centralization occurs for softening it combined with increased pressure. Temporary loosening and withholding of forced reproduction occurs if hardening reproduction constraints and increased tensions coincide with stabilization necessities in consequence of externalities, like leadership change within the unit or similar events and crisis in the larger aggregation.

<sup>16</sup> See Bunce, 1999, p. 131.



of activity (environment) of resource targets within the net<sup>17</sup>. Changes comprise the restructuring of the structural context by decreasing the state's administrative role by employing normative incentives for resource mobilization and normative measures for resource extraction instead of individual ones, decentralizing state and party decisions to lower administrative levels and/or enterprises, or "disentangling" formerly possessed interest-promoting channels, or narrowing the circle of those privileged. With these instruments, resources formerly hidden may come to surface or units formerly passive become active.

As a result of strong attracting and resisting capacity of those fed back within the net, mobilized resources will be allocated invariably on the basis of politically rational criteria contributing to the maintenance of fixed paths, the further strengthening and soft reproduction constraints of selective targets. This trap leads to further decentralization, to less and less resources to mobilize by it within the net and fainter possibility to centralize resulting in more frequent hardening of reproduction constraints on macro level<sup>18</sup>. Escalation however will occur parallel to the decline in the capacity to extract, centralize and redistribute resources, and without the capacity to abandon forced paths of soft reproduction constrains of those privileged<sup>19</sup>. Meanwhile, due to the decentralizing reforms growing difficulties will arise in maintaining traditional control through interlinking lines (D<sub>2</sub>) reaching out to the multitude of organizations, activities and positions. Moreover, the activity of using the net will decrease, since there are no expectable allocations through it.

The recurring drives for sustaining self-reproduction will gradually disintegrate the net. However, reform escalation will disintegrate the net without creating alternative resources and alternative rationality of behavior, while increasing the frequency of the hardening of reproduction constraint on unit level. When reproduction constraints become persistently hard since no further resources may be attracted or extracted in the given structure, decentralization of interlinking threads accelerate, extracting discretion is partially decentralized and drives to get rid of burdens increase while efforts to create resources outside the net or attract from above strengthen. By that time though, in this structural pattern the condition of the structure deteriorates to such extent that cohesion may not be regenerated.

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<sup>17</sup> For example, resources are mobilized within the net by decreasing the state's administrative role through the introduction of normative, macro-measures: a quasi- world market price system, revenue-sharing constructions, or income-taxation system, enterprise revenue system, reducing the role of compulsory planning, decentralizing decisions over input, output and commercial partners, over investment, import, export etc.. Resources may be mobilized by *narrowing the circle of selective allocation* (e.g. narrowing the number of those privileged, altering the ratios of revenue sharing, increasing tax rates. It will render similar results if the *attracting and resisting capacity of sub-units is decreased*. For example, this happens by weakening their phantom force when abolishing of branch (line) ministries, or by depriving these latter of their interest enforcing capacities and functions. Another way to reach that goal is the decentralization of the nomenklatura and appointment rights of enterprise managers to lower levels of the administration. Similar results may be achieved by weakening the bargaining capacity of the sub-units themselves by disconnecting their feedbacks.

<sup>18</sup> The continuous drive for revealing and exploiting further resources to distribute may be accelerated further by the hardening of reproduction constraints from above or from outside the net.

<sup>19</sup> Csanádi, 1997, p. 229; Steinfeld, 1998, p. xiii-xv, 3. 18-21; Gordon and Li, 1997, p. 2.

(iii) The third type of pattern will be called self-withdrawing as in China or Vietnam. In this pattern interlinking threads are either centralized or decentralized there are strong economic feedbacks from several dimensions of the network and resource extraction capacity is also partially decentralized due to the decentralized subordination of state owned enterprises along the state hierarchy. Therefore, owing to feedbacks and alternative resource extracting and distributing capacity there is an increased resisting capacity to resource extraction within the given power distribution. In these circumstances neither forced resource-redeployment nor resource-mobilizing efforts are sufficient for self-reproduction and, therefore, reproduction constraints of the structure become frequently hard. Consequently, resource acquisition drives within the net will be forced to either get rid of allocation burdens by continuously decentralizing responsibilities (expenses and targets of allocation), and/or leap out of the net, allowing the increase of the field outside of the net for further resource extraction<sup>20</sup>.

Let us call resource-creating reforms those measures through which decision-makers partially or completely "leap" out of the net letting the field outside the net grow to acquire new resources. This process increases the alternative field to the net (alternative behavior, activity, organization, property resources and rationality). By that token, these reforms induce the *relative retreat of the net*. However, the net will *retreat in absolute terms too* in strong interaction with the alternatives the field outside of it offers and the constraints it suffers internally. Both relative and absolute retreat will be detailed in the chapter dealing with transformation.

## 2.2. RELATIONSHIP OF PATTERNS AND EXTERNAL ENVIRONMENT

Dynamics within the net is not independent from that outside of it. External factors have a substantive impact on the conditions of self-reproduction be they external to the network within the country or outside of it. These factors or their absence influence transitory or definite restructuring within the net. The impact of external factors and response to externalities depends primarily on the pattern of power while strategies are secondary. This is because the room for maneuver of strategies is constrained by the possibility, interests and conditions within the pattern.

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<sup>20</sup> For example, extractable resources are created by allowing increases in the number of resourceful units outside the net and the creation of the institutional conditions for this process. For example, letting the exchange of over-the plan products on market prices, to increase revenues outside the net, to enhance conditions for domestic and foreign private ventures, enhance private plot cultivation, to abolish collectives and cooperatives, setting up domestic private enterprises, encouraging the settlement of foreign funded enterprises. Allowing the "entrance" of resources from outside the net, by attracting FDI for creating joint-ventures, transforming SOEs into shareholding enterprises for foreign and domestic private capital infiltration, lifting up barriers to labor mobility, price setting and product and capital flow etc.

Internally, party-state systems according to the model are very flexible: they translate (from-fit) external impact to the given distribution of power. This process will prevail until budget constraints exerted by the external environment and reproduction constraints defined by internal power distribution are soft for self-reproduction. In case resources from outside of the net (e.g. loans, FDI, competitive pressures) fall short, external impact will exert harder constraints on the self-reproduction. Patterns demonstrate different degrees of adaptability to the environment in strong interaction with internal power conditions: the softer the reproduction constraint, the more flexible from inside, the less need for adaptation to environmental impacts. Internal flexibility is given by the level of strength of feedbacks that provide the strength of resisting and attracting capacities. The less resisting capacity, the more resources are exploited from within the net and thus, the less the need to adapt to the environment. The less flexible from inside, the more resisting capacity within the net, the more exposed to environmental pressures, and the higher is the need for adaptation. Thus, self-withdrawing pattern will be the most adaptive and self-exploiting the less adaptive.

Theoretically, in self-exploiting pattern there is no field outside the net domestically and the net embraces the maximum possible of the extractable resources. Therefore, structural constraints in the exploitation of resources will approach natural constraints. Concrete natural conditions, economic policy and resources from higher aggregation will define the time span of this approach. When natural constraints are met and resources from higher aggregation flow poorly, international factors and budget constraint play an important role.

In self-disintegrating pattern resource exploitation cannot reach natural constraints owing to the stronger resisting capacity within the pattern. Therefore, structural constraints are reached earlier than in self-exploiting pattern. If structural constraints are met and resources from higher aggregation flow poorly, reproduction constraints within the pattern become hard and exposure to external factors arise and importance of budget constraints exerted from outside the net emerges.

In self-withdrawing pattern due to the expanded resisting capacity within the net, structural constraints are met the fastest among the three patterns and also the frequency of hardening reproduction constraints is the highest. The issue of changing the status quo, or relying on external factors becomes the most critical here. Size, cultural and historical traditions, geopolitical location and the capacity to change status quo will determine the extent of the necessity of reliance on external domestic and international sources.

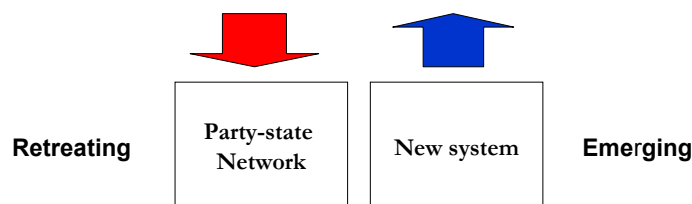
### 3. THE DYNAMICS OF TRANSFORMATION

#### 3.1. COMPONENTS OF THE TRANSFORMATION

Based on the above, we may now define in more detail the disparities of transformation in the model's approach: the party-state network is *retreating* as a social system from monopolized sub-spheres, while outside of the net the sub-spheres of a new social system are *emerging* (Figure 7).

Figure 7.

#### What does transformation mean?



The nature of these two tendencies may be different: this difference may involve absolute retreat when elements of the network, their functions and their impact decline; it may involve relative retreat in relationship to the higher speed of development of the emergent sub-sphere. However, no matter on which subfields (economic or political) the process of retreat and emergence is taking place, and with what absolute and relative speed, these two characteristics of the transformation process – retreat and emergence – will prevail.

Both retreat and emergence are *pattern-dependent*, introducing path-dependency of transformation: they depend upon the (1) differences *among* patterns and on (2) the disparities of power distribution *within* patterns. (3) Also the interplay among intertwined patterns (similar or disparate) of different levels of *aggregation* matter, according to the density and depth and extent of centralization or decentralization of intertwining lines of dependence, the distribution of power of higher and lower level aggregations that may mutually speed up or slow down the process of retreat and emergence. (4) The result of the combination of the actual importance of different composing elements of the process of retreat and emergence will influence the character of transformation through the interplay of absolute and relative retreat providing different types of transformation dynamics. (5) The speed of transformation will be influenced by the spatial distribution and thus, the potential interaction of the above four pattern-dependent factors.

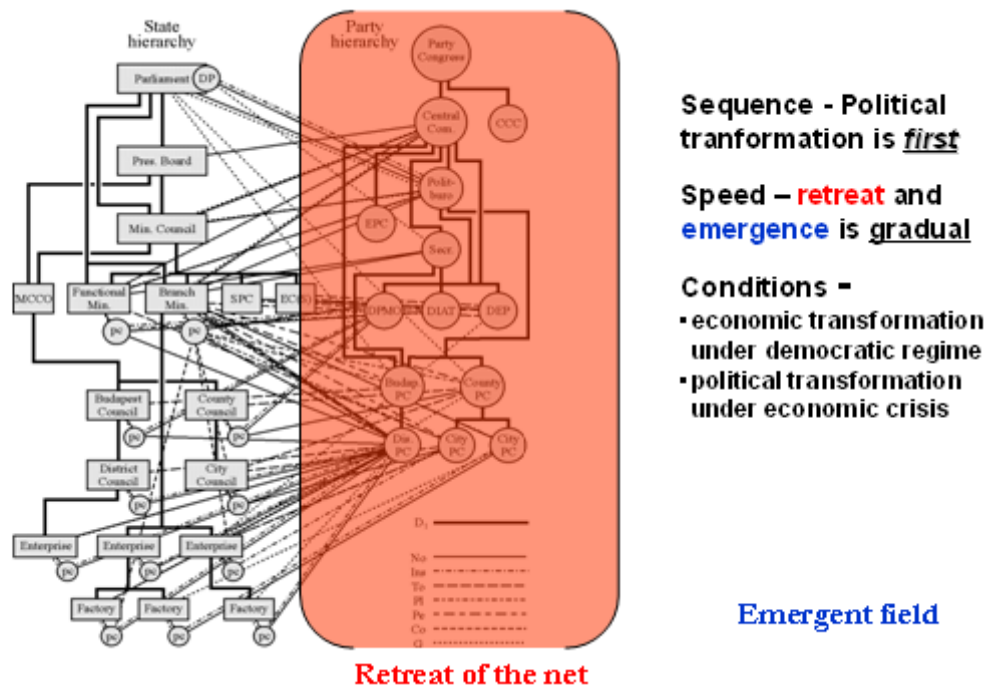
All of the above four characteristics of pattern-conforming path-dependency and their spatial distribution will influence where, how and with what sequence, speed, conditions and outcome will pattern-dependent transformation occur. The interplay of the above pattern-conforming characteristics with local individual traits will jointly define the concrete outcome of the process of transformation, the adapting capacity of actors during the process and thereby the speed of transformation at different aggregation levels and of different units of one level of aggregation. In the next chapters we shall only focus on the main topic of this paper, the transformation of the party as a social system towards a political entity. Therefore, we shall concentrate on the first and fourth points: the differences among patterns and the elements of retreat and emergence respectively that will define the different paths towards a political entity and the different stages of this path.

### 3.2. THE STRUCTURAL BACKGROUND OF DIFFERENT PATHS TOWARDS A POLITICAL ENTITY ACCORDING TO PATTERNS OF POWER DISTRIBUTION

The IPS model suggest that different pattern *dynamics* will result in (a) the different *sequence* of transformation of political and economic subfields, (b) in the different *pace* of the retreat of the net from monopolized sub-fields and – due to different sequence and pace – (c) the different political *conditions* of economic transformation and different economic conditions of political transformation. Thus, pattern-conforming dynamics will largely determine the process of retreat of the party from a social system towards a political entity. Let us see what the pattern-conforming characteristics in this respect are:

Figure 8.

## Self-disintegrating pattern: sequence, speed and conditions of transformation



In the case of the *self-disintegrating* pattern (e.g. Hungary) political transformation comes first (see Figure 8.). In this case, the retreat of the net and the emergence of the new political sub-sphere is gradual. In this pattern, political transformation is first, followed by economic transformation. Sequence determines economic conditions during political transformation that incites the total retreat of the party from a social system into a political entity. Political transformation is pre-empted by steady economic decline, indebtedness, and growth of the volume of loss-making enterprises and restriction spiral that de-legitimizes the communist party and makes it retreat gradually from the political sub-sphere. Economic conditions however, have an impact also on the emergence of the new political sub-field: horizontal organizations and new parties form under conditions of macro economic imbalances, sudden foreign trade shift from Soviet to western markets that further increase budget deficits. Critical economic conditions, cumulated uncertainty during transformation, volatile electorate and, inexperienced elite are aggravating political transformation, adding to the weaknesses and to political swings of elected parties and governments. Several party splits occur due to the initial phase of their formation and relatively frequently changing governments and economic and social policy due to economic crisis. Thus, governing parties soon lose social trust and popularity, due to economic crisis, unfulfilled, uncontrollable fast changes, frequently modified ungrounded decisions and frequent swings. In these hectic conditions the adapting former

communist party is one political entity from the several, once in opposition, other times in governing within a democratic political context.

Thus, sequence also determines political conditions of economic transformation that occurs under democratic political regime (Csanádi, 2006). There are several drawbacks owing to inexperienced new political elite who try to build its own economic elite support and clientele. But due to the fact that during the self-reproduction of this pattern only resource revealing (decentralizing) reforms within the network were implemented, there was a lack of parallel dynamically growing private sector to smoothen tensions of the withdrawal of the network from economic and public (state) sphere. Revenues from the private sector could have equilibrated incomes, introduced alternative capital, behavior and interest, provided new workplaces, decreased budget deficit and formed electoral base for newly emerging parties. The fluidity of the political, economic and social structure in general<sup>21</sup> – as institutions, functions, positions, parties, horizontal organizations, rules and laws are frequently changing - - due to system transformation and slow development of institutional voicing, hinders control of economic transformation and enhances cumulated uncertainty. There are social grievances, regionally concentrated mass unemployment due to the close-down or privatization of loss-making large enterprises that increase political conflicts. Frequently changing institutions, functions, internal distribution of tasks and staff hinders information and transparency during privatization and FDI inflow, and attracts short-term interests. Meanwhile, the former elite's positional advantages through the preservation of fragmented but steady networks contribute to the insiders' information and wealth acquisition.

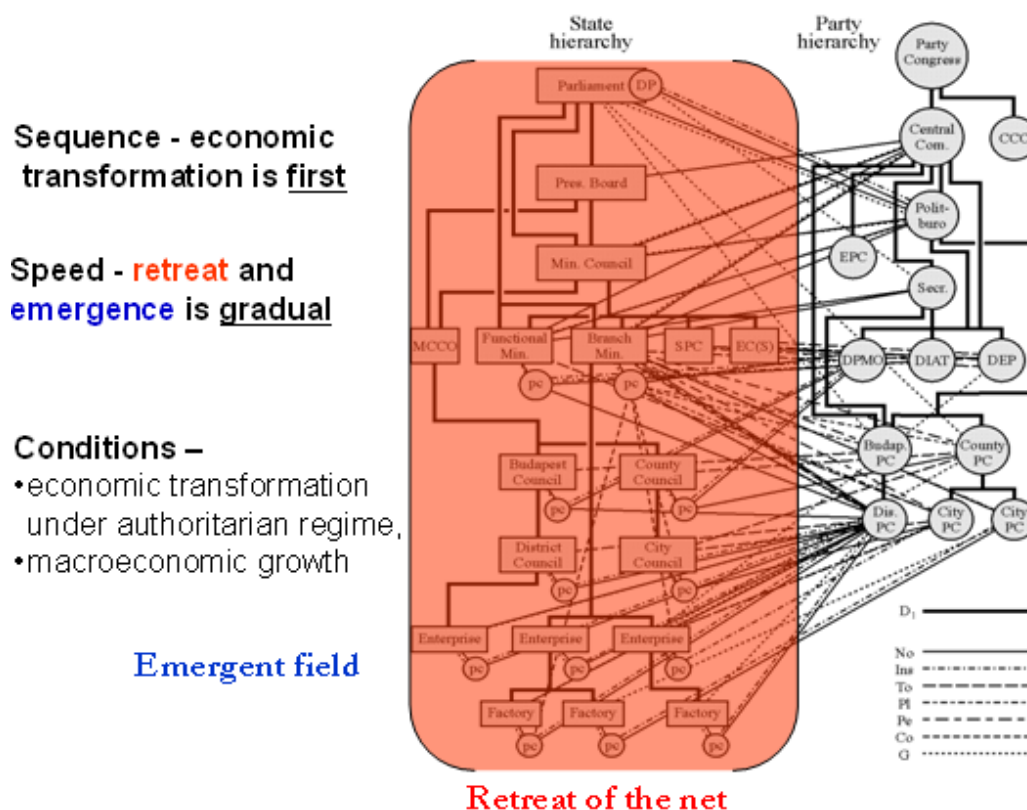
In the case of the *self-withdrawing* pattern (e.g. China), economic transformation comes first (Figure 11.). In this case it is questionable to what extent economic transformation will be followed by political transformation. The retreat of the net and the emergence of the new economic sub-sphere is gradual. Sequence determines the political conditions of economic transformation: economic transformation occurs under authoritarian political regime.

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<sup>21</sup> Bunce, Csanadi, 1993

Figure 9.

### Self-withdrawing pattern: sequence, speed and conditions of transformation



Authoritarian political conditions will have a strong impact on the both the retreat of the network and the emergence of the new economic subfield. The stretched out economic transformation in time in a politically monopolized system institutional and horizontal organizations to control changes are lacking. Chances for institutional voicing are lacking, both in the state and the concurrent private sector. Labor force is exposed, open mass grievances due to corruption or other economic and social reasons increase in number, scope and mass<sup>22</sup> (Yongshun Cai, 2007). Intensive traffic of actors and capital in- and out of the net prevails under the umbrella of the party and active participation. There is a potential threat of the long-term stabilization of rent-seeking behavior, corruption and a steady stripping of the public values of the net through capital, manpower, elite and organization flight. This process might also enhance a network-selected and dependent private sphere on short-term interests. Authoritarian conditions might also encourage an opposite process, the infiltration and institutionalization of criminal networks, organized crime that benefit from the infrastructure of the party-state network on account of the monopolized closed channels of interest

<sup>22</sup> Yongshun Cai, 2007



promotion. On the other hand, tensions evolve within the retreating network among privileged and unprivileged, among those actors located within the net and among those within and outside the network.

Pattern-conforming sequence provides the economic conditions of potential political transformation. The stretched out process of economic transformation under authoritarian conditions provides the opportunity to smoothen the impacts of the retreat and the emergence of new economic sub-field among actors within the retreating net and those among the retreating and emerging fields. This will keep overall political stability and also an opportunity for a gradual economic pluralization within the network caused by the infiltration of private capital in the state owned sector and capitalists in the network. Economic growth will enhance the legitimacy to the party that delays political transformation. Due to the pattern-conforming sequence and consequent macroeconomic conditions there is a high chance that the party as a system will retreat only from the economic subfield, keeping political subfield monopolized. Thus transformation will halt — either transitory or long-lasting — at the stage of an authoritarian political regime rather than further withdrawing into a political entity. However, chances of keeping legitimacy status as a political regime are somewhat challenged both within and outside the network due to the selective interest and capacity to bail out larger loss-making SOEs and TVEs as well as the impact of global crisis. The direction of close-downs and privatization is from smaller to larger economic units and lower to higher level authorities. Global crisis has a direct impact on exporters within and outside the network that indirect impact on the network through the penetration of private capital into the network. Besides close-downs, increasing lay-offs and increasing mass of laid-off migrants in the field outside the network, chances for bailing out larger loss-making SOEs narrow, thus, prospects of massive and concentrated lay-offs strengthen, revenue disparities at several dimensions widen, the party's mass and economic basis in SOEs, and joint companies may also narrowing and economic and social tensions may decline party legitimacy.

Figure 10.

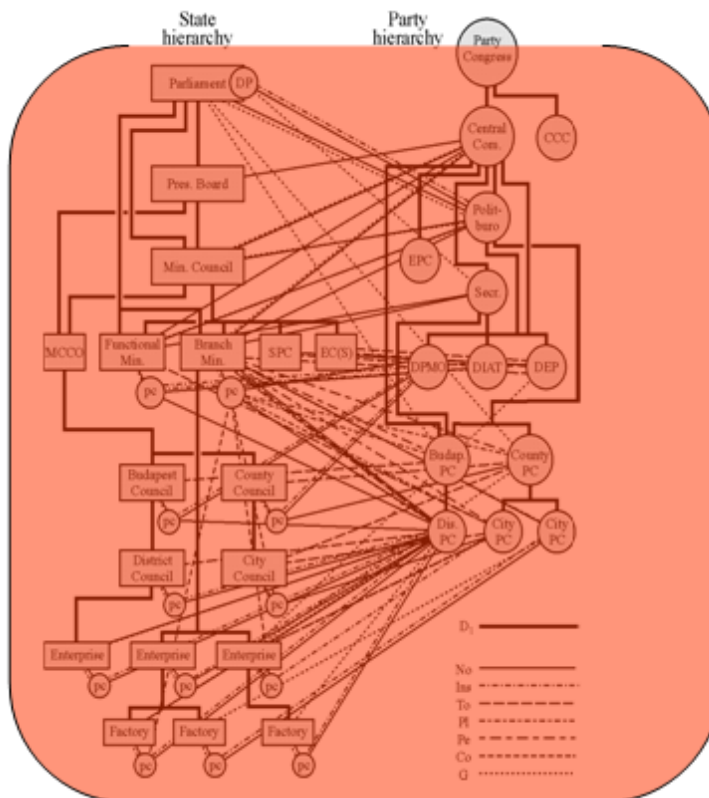
# **Self-exploiting pattern: sequence, speed and conditions of transformation**

Sequence - Overlapping  
transformations

Speed- Abrupt collapse  
of the net attached to all  
subfields

Conditions –

- uncertain political outcome
- longlasting economic crisis



In the case of *self-exploiting* pattern (e.g. Romania or some post-Soviet states) the net attached to all sub-spheres collapses simultaneously and abruptly (Fig. 10). Thus, transformation of the different sub-fields overlap (simultaneous) and political and economic outcome is uncertain, while overlapping transformations are accompanied by extensive and deep economic crisis and cumulated uncertainties. In this case there is a wide range of possibilities at one extreme, democratic regime, when party becomes a political entity, and sultanistic authoritarian political regime on the other extreme. This wide range is caused by the varieties within the pattern and the speed of the collapse. The stricter the pattern, the less stratified the society was, the more sudden the collapse will be and the less chance for the formation of dissident groups. The more sudden the collapse, the higher the cumulated uncertainty, the harder to adapt to the changing environment, the greater the chance for the emergence of widespread and segregated small horizontal organizations and the harder is to form coalition among them. In such cases chances are high for a new regime to use the infrastructure of the former party-state power and become authoritarian, and also greater the chance for authoritarian domination of economic and political transformation or that of its

stagnation. It is also greater the chance for capturing the state by political leadership intertwined with economic interests, cliques and fragments of former networks and stretched out and deep economic crisis.

Based on the above approach, we could define how pattern differences lead to different sequence of transformation of political and economic sub-fields, determining the political conditions of economic transformation and economic conditions of political transformation in each pattern. Pattern conforming dynamics will explain the reasons why the transformation of the party as a social system will lead to total retreat into a political entity, halt at the stage of authoritarian political regime, or swing between democratic and sultanistic political regime forms.

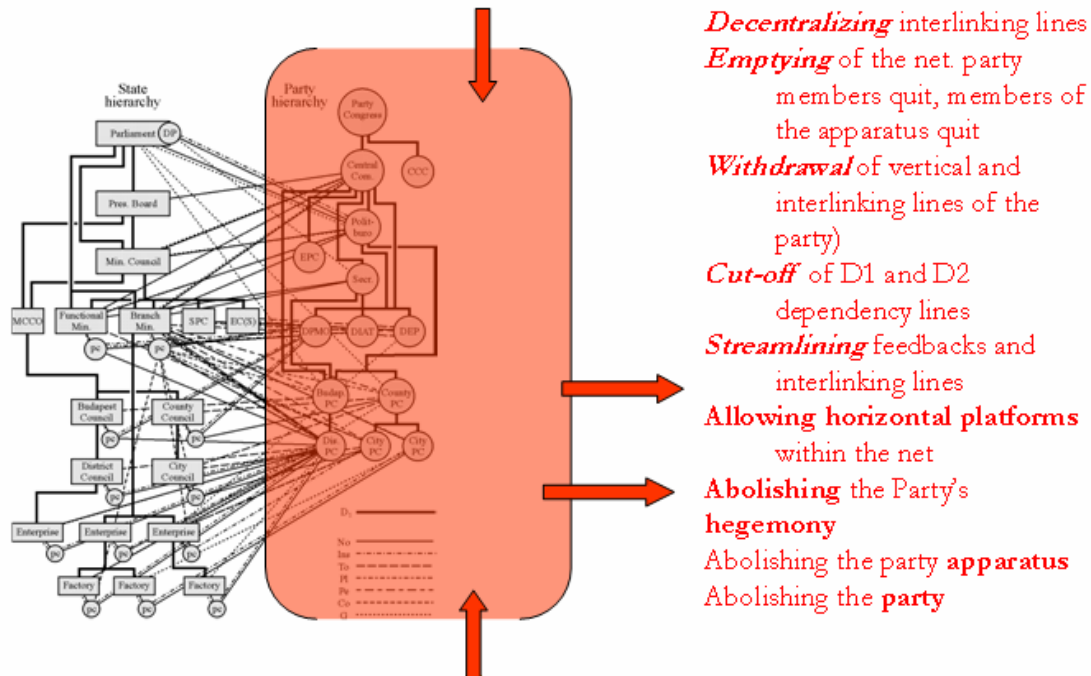
### 3.3. THE COMPOSING ELEMENTS OF RETREAT AND EMERGENCE IN THE TRANSFORMATION

We have demonstrated that major composing factors of the process of transformation are similar: that of retreat and emergence. Also the composing elements of each retreat or emergence are similar no matter the pattern, the sequence neither the subfield under transformation. Therefore, the processes of transformation of one given subfield that exhibits similar factors, also raise similar problems and incites similar solutions despite economic and social disparities. However, it will demonstrate different outcomes (Csanádi, 2005, 2006) that will be strongly influenced by the following factors: the sequence, speed and conditions of system transformation, the distribution of power within the pattern, strength of interaction of different aggregation levels, clustering characteristics in space and time. Also the weight of the ingredient factors of the process of retreat and emergence and their different combination will influence the ways the transformation occurs within each pattern. We shall focus on this latter to show.

Let us see the factors of the transformation process into a political entity through the absolute retreat of the network and emergence of a new political sub-field (Figure 11 and 12.).

Figure 11.

### The party retreating as a social system and political regime



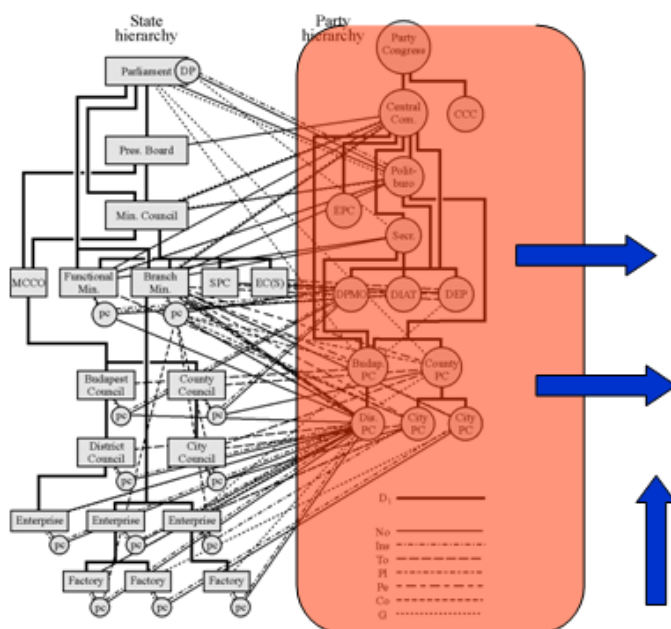
Concerning the transformation of the political sub-field, the elements are the following. Hardening reproduction constraints will drive economic policy and party to get rid of burdens by decentralizing the discretion over interlinking lines that reach the economic decision-makers; it will weaken the party's influence within economic units by abolishing full-time position of party secretaries and subordinating them to enterprise managers by nominating them part-time. Declining influence and legitimacy of the party enhances the emptying of the structure by growing numbers of quitting party membership, and quitting party positions to public or private spheres and also by declining interactivity through the network due to the declining capacity of resource distribution. Withdrawal of vertical and interlinking lines occur by organizing multi-candidate elections: at local governments, in the nomination of enterprise managers, to the parliament and to the central committee membership. Due to close-downs and privatizations the party's hierarchical line connected to party secretaries in enterprises are cut off and disappear and cut off interlinking lines to enterprises remain in limbo. Rationalization drives bring about the streamlining of inter-ministerial and intraparty committees, or abolishment of such committees, thereby decreasing the pressure towards distribution; the disaggregation of large enterprises in the name of competitiveness, the abolishment their feedbacks through which they can exert pressure to redistribution. Party members form horizontal platforms within the party, expressing different political —

conservative, liberal, reformist – views, exposing sharpening power struggle, reform groups are organized horizontally within the network crossing vertical lines of the hierarchy and interlinking lines among hierarchies between party and non-party institutions. Party declares the withdrawal from the requirement of party hegemony. Interlinking lines are abolished, paid positions of party secretaries within non-party institutions are abolished and party functions remain social work without influence. Party apparatus is abolished, cadres spread. Upon political pressure from outside the net Party organizations within non-party institutions were forbidden and party members became „outsourced” from non-party institutions to territorial organizations. Worker’s militia, the party’s own military organization was abolished. As a result of the process of retreat, Party as a social system was withdrawn from political and economic subfields, abolished as a hegemonic party and reborn as a political entity in a demopolitized political sub-field.

Parallel to the gradual retreat, a new political sub-field is emerging outside the net (Figure 12).

Figure 12.

### The emerging new political subfield as a context of the communist party as a political entity in self-disintegrating patterns



- **Allowing horizontal groups to emerge outside the net**
  - formation of NGO-s,
  - formation of interest groups
  - formation of parties
- **Former party members join new organizations**
- **Institutionalization of the multiparty system**
- **Institutionalizing democratic political regime**

Growing number of horizontal groups outside the net is allowed to form: first NGOs of various kinds emerge with non-political scope. Formation of various interest groups is allowed to organize both on economic, public and political subfields. Formation of various political parties is allowed and multiparty system institutionalized. Former party members leaving the net join new formations. Acceptance of crucial laws under pressure of new political organizations and reform-groups by the old parliament that allows the institutionalization of a democratic political regime through free elections, publicity law, rule of law, strike law etc. Thus, the communist party retreats into a political entity and integrates in the new political sub-field.

Let us see how similar are the factors of the transformation of the economic sub-field (Figures 15 and 16) that will end up in monopolized political regime.

Figure 13.

### Factors of the process of retreat of the network in self-withdrawing patterns

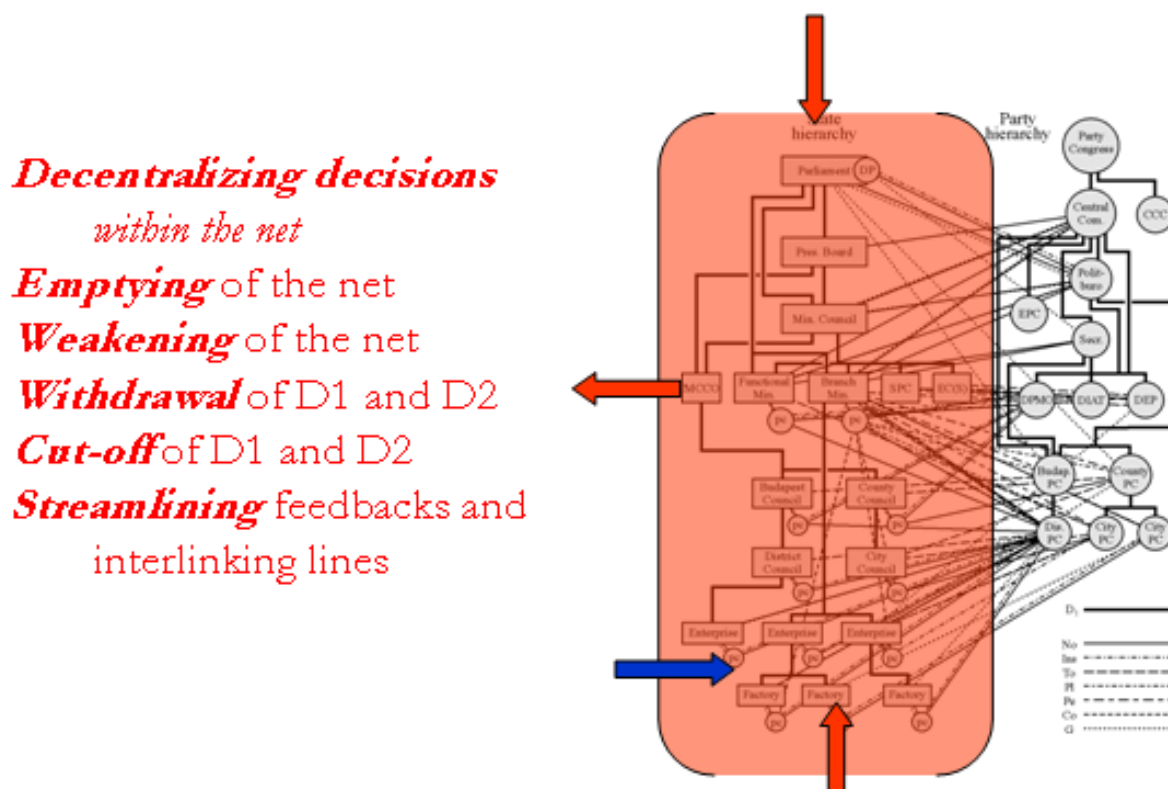


Figure 13. reflects the inherent factors of the absolute retreat of the net in the economic sub-field. These composing factors may become important in different time-sequences, may have different weight, and may prevail in different combinations. The composing elements of the process of retreat are the following. Due to frequently hardening reproduction constraints

of the network decisions over resource allocation, price, investment, extractions are decentralized while revenues and revenue sources are siphoned away. The network *empties* when competitive capacities (manpower, organizations and capital) are transferred outside the net, in other words, state values are stripped off<sup>23</sup>. This is because attractiveness of the alternative options of resource acquisition outside the net will motivate decision-makers to partially or definitely exit and thereby *vacate the rigid structures* and leave burdens within the net.<sup>24</sup> This may take place either by joining the new field, or even pumping revenues from within the net outside the net (e.g. in the form of daughter enterprises which than found joint ventures with private ones). Moreover, because of available alternative resources, the *intensity* of using the net also decreases. The network may *weaken*, due to the attraction of resources from outside the net, such as domestic or foreign capital.<sup>25</sup> Infiltration of alternative capital, alternative interests and behavior from outside the net decreases the influence of the state and the party through the hierarchical and interlinking dependency lines. The network — both hierarchical, interlinking lines and feedbacks — was streamlined for purposes of rationalization that weaken their density and accumulation declining the capacity for interest promotion. Rationalization causes the *withdrawal* of the net in such a way that former distributive functions and organizations dealing with resource distribution and decisions over allocation and allowing investments are abolished or the threshold of administrative (official) consent elevated. Thus, hierarchical lines of command are shortened and lines interlinking functions and organizations are also withdrawn. The network was and is cut-off through privatizations and close-downs when targets embraced by hierarchical and interlinking lines disappeared from the end of the lines. These actions have several consequences: they decrease the number of sub-units attached to the net and in exchange, increase the amount of redistributable resources to the remaining sub-units within the net, and also may provide the unit with resourceful entities outside the net.

Because of the escalation of the implementation of the above measures, the main building blocks of the system (interlinking threads are withdrawn, break, left in limbo or empty, state property is sold out or closed down, state bureaucracy retreats etc) gradually the network gradually retreats from economic-sub-field.

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<sup>23</sup> Roger H. Gordon and David D. Li, 1997, p.1-2 and 23; Qian, 1996, p. 430, Smyth, 1998 p. 798.

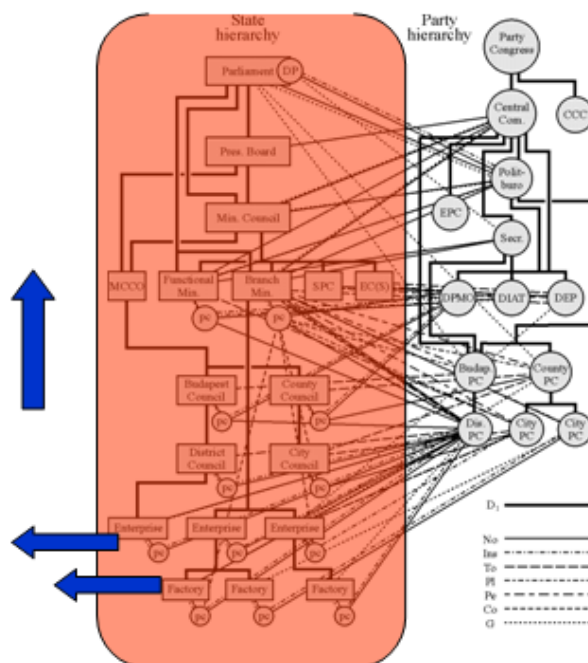
<sup>24</sup> Qian, 1996, p. 431

<sup>25</sup> Wu, Y., 1999, Huang, 2000

Figure 14.

# Factors of the process of emerging new subfield in self-withdrawing patterns

- Dual-track pricing,
- Allowing the **increase of the number** of economic units and capital **outside the net**
- **Privatized** enterprises
- **Transferred** (stripped off) convertible capacity
- The increase of the **overlapping** segment



This process increases the alternative field to the net (alternative behavior, activity, organization, property resources and rationality). By that token, these reforms induce the *relative retreat of the net*.<sup>26</sup> How did relative withdrawal of the net, that is, the emergence of the new economic sub-field outside the net occur (Figure 14.)? Emergence of the economic sub-sphere outside the net occurs as a result of allowing over-the plan production to be sold at market prices both in the industrial and agricultural spheres, lifting up barriers to labor mobility, price setting and product and capital flow etc.. The increase of the number of resourceful economic units and capital outside the net is allowed to increase revenues outside the net, to enhance conditions for domestic and foreign private ventures, enhance private plot cultivation, to abolish collectives and cooperatives, setting up domestic private enterprises, encouraging the settlement of foreign funded enterprises. Growing number of enterprises prior attached to the network now privatized. The increase of the transfer (stripped) of convertible capacity (manpower, capital, organization, production) thereby emptying the net. Emptying may also occur if chances for resource attraction through the network decline. The scope of the overlapping segment of the network and the emerging field widens through joint ventures or

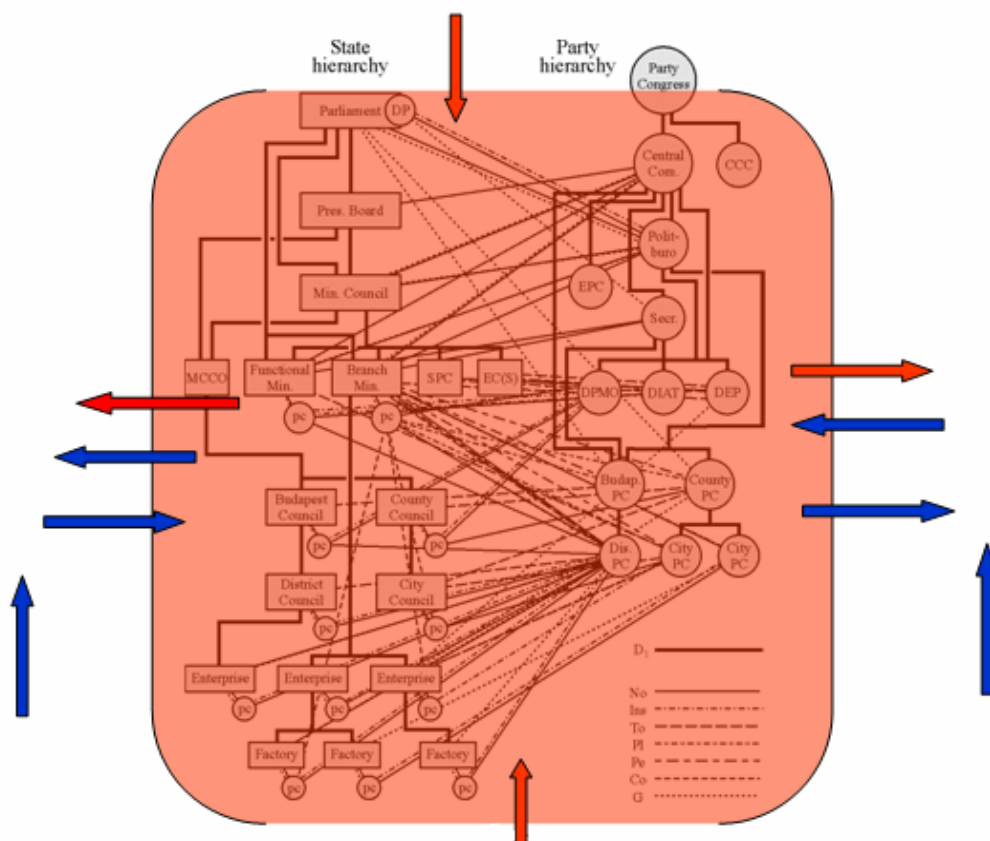
<sup>26</sup> Naughton calls the relative growth of non-state sector as "growing out of the plan" in McMillan and Naughton, 1992, pp.130-143



joint-stock companies with private majority share. Thus, the network as a social system gradually retreats from the economic sub-sphere while a market field outside the network is emerging. Due to the sequence, economic growth provides legitimacy to the party and therefore, the withdrawal of the network halts at the stage of reaching the political sub-sphere, leaving a monopolized (authoritarian) regime managing and benefiting from the economic transformation. However, economic recession, or even decline of growth may give an impulse to the process of retreat and emergence through the growing weight of some composing elements of the political transformation in different sequence and combination.

*Figure 15.*

### **The process of overlapping transformation in self-exploiting patterns**



In the case of overlapping transformation where system collapse is abrupt (Figure 15.) and no reforms pre-empted this period, the network retreats and new subfields emerge parallel. Speed of retreat and emergence may be different and so may be the combinations and sequence of the above factors of the retreat and emergence in the respective sub-fields while this may vary according to different sub-fields. Thus, it is uncertain what the outcome will be from these very complex combinations and speed of ingredient factors under high level

cumulated uncertainties, deep and long-stretching economic recession, lack of alternative crystallized political force, lack of clear constituencies etc.

The above systemic characteristics and their interactions with economic and social disparities mutually influence each other. They will jointly determine the varieties of system transformation in time and space and levels of aggregation. These will provide explanation for reasons of the total and partial retreat from a system into a political entity.

## CONCLUSION

We have demonstrated the structural background of the process through which the communist party as an entity develops into a politically monopolized regime and a social system. We have also demonstrated the reversal of this process through the retreat of the network as a social system and the emergence of a new system through the transformation of political and economic sub-fields. Depending on the pattern, transformation may occur in different sequence (first economic or political, or simultaneous transformation of subfields). Besides sequence, pattern characteristics will determine the different speed of transformation, and the distinct economic conditions of political transformation and political conditions of economic transformation. We have also demonstrated that this reversal, depending on the pattern of power distribution may be partial, halted temporary or long-term at the stage of a monopolized political regime or may be total, reversing into a political entity, or may have uncertain outcome. First, the retreat of the party as a system from the political sub-field during macroeconomic crises prepares the formation of the party as a political entity while the emergence of the field outside the net will provide the institutional context of the party as an entity. Second, the retreat of the party as a system from the economic subfield during macroeconomic growth will leave the party as political regime monopolizing the political sub-field. Third, the abrupt collapse and accumulated retreat and emergence in all sub-fields will bring about uncertain outcomes in the retreat of the party as a social system. Outcomes in this latter pattern may range from a political entity to a sultanistic political regime. Consequently, room for manoeuvre to reinvent the party-state in the three dimensions — state-economy, state-society, state-state, politics-government — is within and not among patterns.

Depending on the dominant components, the speed of retreat and emergence might differ. Meanwhile their different combination may slow down or speed up the process. The varieties of the emerging new system will be influenced by structural differences among patterns, within patterns and by the dominant components and their combination. So will the extent of interpenetration of the network among aggregation levels of different patterns, or even variations within them influence the emerging characteristics. Moreover, the spatial topology of patterns and the mutual impact of neighboring units will also have a say in the characteristics of the evolving new system and the spatial propagation of this evolution.

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