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Doctoral (Ph.D.) thesis

Politics – Crisis Management – Enterprise. The crisis-management behaviour of the central command of the economy (1978-1987)

by

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A brief summary

***The topic of the thesis***

The topic of the thesis is the interrelationship between economics and politics in a general sense of the term, further on it is the operation of central crisis management, the exercise of power, and of the decision-making and interest adjustment mechanisms. More exactly the topic is a historical description of the system of the crisis-management inclination and ability of the Hungarian command economy between 1978 and 1987.

The general question put by the dissertation is why crises continued even after central crisis-management interventions. More exactly, the thesis inquires about what happened inside the system of economic management up to the stage of decision-making and subsequently in practice.

Ultimately the doctoral dissertation is in quest of the reasons of the low efficiency of crisis management and it investigates the background of the lack of that management.

***The approach, hypotheses and methods of research***

The study assumed that the specific managerial behaviour was faithful to the system in a concrete crisis situation. In other words, it was the consequence of the basic, essential and general features of the given system, and their concrete manifestation.

Further on, the research set out from the assumption that the actual role of the state, the power relations and the movements of interests could be mapped faithfully to

reality in sharp, conflict situations; in view of the fact that the different power and interest groups would mostly show their 'lion's claws' in conflict and crisis situations.

It was also assumed that the study of the actual role of politics in the economy and of power relations could not be done on the basis of information received on the level of opinion, but it is possible to do faithfully to reality by the observation and analysis of behaviour in certain situations.

Consequently the relationship between the economy and politics, the mechanism of governmental crisis-management and their major features can be reliably explored in a given system if:

- following a proper method,
- selecting the so-called 'strategic information carrier',
- following the specific consequences of specific crisis managements,
- the chain of action and reaction is studied systematically.

In this case the *proper method* meant not to focus our attention on a single, static condition, but on a *process*, following the developments in time and space. In other words, *various pieces of information* of different nature and layer were collected and confronted. And they were analysed by the use of *different methods of investigation*. (In other words, in addition to written documents, documents of economic policy, statistical data, materials of the press, interviews, interviews-in-depth, surveys by questionnaires conducted among the participants, case studies based on participatory observance and on the study of processes, and of topics were also used as source material. The interpretation, analysis and arrangement, further on, the evaluation of those various source materials was done by the combined approach of economics, of the history of economy, sociology, law, and political science.) In other words, research aimed partly at approaching a complex problematic in a *complex* manner. On the other hand, it wanted to adjust the method to reality, and not to squeeze reality within the framework of a methodology alien to life.

Finally, in this case the adequate method also meant that research moved from a concrete case towards general analysis through the detailed study of a given crisis management that offered the researcher *empirical* experience which, in its turn, was collated with the *empirical experiences of other* researchers obtained in a similar terrain. Further on, the *common results* of the compared empirical evidence were compared to the *theoretical results of others* written about the same topic. The survey and systematisation of these empirical as well as theoretical *joint experiences offered the basis* to the description of the general model of central crisis management.

The use of the *strategic information carrier* meant that such a case, and group of phenomena were selected for empirical study and detailed observation within the given research topic that influenced *essential and basic* economic and social issues, that *faithfully reflected* the crisis situation of the given period, and in which central intervention was directed towards the management of an *acute* focus of tension.

During the period under survey such a strategic information carrier was, for instance, the phenomenon of *small enterprise*. In the 80s small enterprise was considered as a model example of a novel response of economic management to the crisis situation of the period. This is why research studied it as a starting point and a concrete case.

### ***Theses of the dissertation***

The dissertation divides the process of central crisis management into three phases. The discussion of *sensing* (need for a decision, preparation of the decision, decision-making), of *handling* (implementation of decision, creation of regulators), and the *result* (impact study and practical consequences) is done empirically in the first part of the dissertation. In this part the study follows the events with attention for ten years, and discusses them together with their broader economic, social and political environment. It studies the changes of the participants' behaviour, it explores the causes hidden behind the participants' actions.

The second part of the dissertation offers the model of the given crisis management on the basis of empirical evidence, collating the obtained results with the outcome of other theoretical researches and synthesising the two. In this phase the main motivations and general characteristics of the three phases are surveyed. It systematically follows the movements of interest; the power games, and is consistently in quest of causes and effects, further on of the background of unsuccessful crisis management.

The third part of the dissertation contains the conclusions and closing thoughts that can be drawn from the above. Experiences of the past do not only offer lessons to the development of a more successful behaviour of economic management in the future, to a more effective crisis management but also warn us. They encourage further thinking suggesting that several problems of the past survive even today. The question inevitably emerges: why?

Subsequent and belated governmental reactions, apparent managements of crisis affecting only the surface of deep economic and social problems, the tactic of 'pull and loosen', decisions of the nature of a coup, or the fetishes of bureaucratic, administrative regulation haunt us to this day. Inherited schemes of thinking and principles of intervention prop up in economic policy and in the practical economic decisions, and in the functioning of institutions. They are features and genetic codes that have survived even the change of the system, even if differently and in different forms than the ones they had in the Kádár era, but they are very much present in the Hungary of today and presumably in other post-socialist systems as well.

### ***New academic results***

Introduction of new concepts, and the proposal of novel contents of meaning. (Such as levels of the topmost authorities, the central management of the economy, intention of total intervention, indirect and direct exigencies, compulsion of central intervention, general principles of intervention, coup-like procedure, confrontation of the ambivalence of the 'real' and 'declared' in the justification of decision-making and regulation and of the aims, rule-observing apparatus, goal-setting apparatus.)

The dissertation argues that confronting the economy with the society is wrong, as the economic and social requirements jointly face the demands set by the system of economic management and political governance. Actually it is the exact economic regularities that are confronted to exact economic policy and regulation. And exact social regularities, phenomena and processes are confronted with exact political action and efforts.

The central crisis management of the political leadership was not directed towards the radical solution of effective problems provoking crisis in a given system right from the outset. Primarily not a way out of the economic crisis was looked for, but a way out of its own endangered situation that would allow for "retaining everything as of old". In a crisis situation the 'enlightenment' of the central economic management reached a point, when "something had to change so that nothing should change". Paradoxically it was the unlimited and extreme claim for political stability of the system that had led to its instability.

A close correlation can be observed between the fluctuations of the decision-making process and the changes of the crisis situation. According to the result of the research the fluctuations of crisis management were determined by the momentary management of the momentary crisis situations. The extreme amplitudes of motion were pushed and pulled in keeping with the shock caused by the crises and with the threshold of the government's tolerance. This continuous adjustment to a changing situation did not mean a flexible adjustment to the economic environment. It was the 'pull and loosen' tactic of the central economic management: fluttering between the changes forced by crisis and measures serving the preservation of the existing status quo of power. This mobility was nothing else but a repeated and consistent return to no-change after a forced change. In fact this mobility covered such rigidity that rejected effective adjustment to the economic environment and social demand, requiring a strategic response.

The central management of the economy wanted 'moderate innovation' where the 'moderation' of the day was determined by the momentary situation, while the latter one was prone to change. Hence crisis management also had to possess the dual ability of 'flexible inflexibility'.

The given power relations demanded a high degree of adaptability and conformity from the participants. Office career of an individual was accessible by the person at the cost of conformity to the power environment. Those people had better opportunities that were equipped with certain preferred types of personality traits necessary to it.

To the question: "If the central economic management handled crises so badly as it is shown by the experiences described here, how could then the economy and society survive them from time to time?" – the dissertation offers an irregular answer.

In addition to indicating the complex causes it outlines one cause that has not yet been emphasized. It takes the fact into consideration that not everything took place in practice as it was dictated by the centre, or as it was narrated by written reports. The dissertation states that the actors of economic processes ensured the functioning of the

economy, maintained the operational ability of the economy and could achieve survival among others by the fact that they did not do, or only formally did what was dictated by the centre: and, relying on their practical experience, and living in that practice they did what the objective requirements of practical operation demanded and dictated to them. This set of phenomena was not only manifest by the existence of the second economy, the shadow economy, and of the black economy, but it permeated the first economy as well and was its feature. Informality, the violation of the prescribed rules of the game and of the expected rules of behaviour were not only constituent elements of the central economic management (for instance by the use of the technique of coups), and were not only features of the top authorities (using sophisticated informal techniques, offering 'services' channelling the interests of certain social groups for their 'quasi-representation', committee contacts in the spirit of 'my chum', 'boycotting', or the system of 'heated enthusiasm', or by the activities of goal-setting apparatuses, etc.). The implementation of these tactics did not only make them more operational, adaptable and viable at times. The actors of the economy as well as members of the society were also forced to do so for their very survival.

The justification of the introduction of small enterprise is spelt out by the dissertation as follows. In the emerging crisis situation political leadership primarily concentrated on responding to issues that would most reduce the loss of political stability. Influencing social satisfaction was most tangible in the fields of living standards and the supply of goods. Therefore the leadership tried to offer some perspective in these areas.

The introduction of small enterprise was a brave decision promising to be a progressive one, at the same time it was a pragmatic step forced by necessity. The statement positing it as a deliberate, elaborated change of economic policy based on a long-term concept is an exaggerating one. Political leadership tried to introduce measures that would show a way out of a difficult situation without significantly changing the existing economic and political mechanisms. Small enterprise was one of the 'pearls' of those attempts.

As far as the motivations of entrepreneurs are concerned the dissertation stresses, running counter to popular belief, that material considerations were not dominant. Dissatisfaction with the main job was a general motive, together with a desire to get rid of organisational dependency and hierarchical conditions, to escape from alienation from work; further on there was a desire for realising professional ambitions and creativity. It was also an attractive fact that in several small organisations internal autonomy and democracy were dominant.

The initial hypotheses of the dissertation were verified.

The research method and its tools proved to be right. The outlook and approach of research proved to be well founded.