SYSTEMIC GOVERNANCE[1]

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ABSTRACT: This chapter, being half way between abstract economic theory and policy analysis, addresses one of the most contested issues in comparative economic studies, namely the role of human delibertion versus spontaneity at the macroeconomic level. In order to arrive at new insights it adopts a cross-regional perspective and speculates, if the counter-intuitive practices of China and Vietnam, based on pragmatism and experimentation, trial and error, has indeed been superior to social engineering, as practiced in various forms all across Europe. It also highlights the limitations to theoretical generalizations, i.e. making claims that remain valid at any time and and any place, as mainstream economics suggests of its own insights.

The mainstream view of macroeconomics, as represented by authoritative volumes/Burda and Wyplosz, 2017,Blancahrd and Summers, ed, 2019/ tend to treat fundamental changes of the macro-system to be outside the scope of macroeconomic theory and policy-making. This approach has cemented itself despite the momentous changes in Central and Eastern Europe, but also China, Russia and many other parts of the globe. Macroeconomics is the art of balancing between fiscal and monetary legs, and macroeconomic theory is about the combination of factors and ways of interpreting equilibria. Macroeconomics and policies based on it is basically about inflation and /full/ employment, fiscal and monetary aggregates, exchange rates, trade and the interaction among these. Institution building is largely outside the scope of its attention, at least for two reaons. First, modern macroeconomics, ever since Samuelson, is not really concerned about this issue/though in the past 15 to 20 years accepting that 'institutions matter' has become a platitude for most of the literature/. Second, and related tot he former, institution building is seen as an exceptional, one-time endeavor, which needs case by case consideration and adaptation to changing local condiions. As such, political economy of reforms, i.e the art of implementing economic insights on the ground, under often hostile or ignorant political environments, is largely seen as an area for political

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science and public administration, and falling outside the scope of economic analysis proper. This holds also for the academic interpretation of the root causes of succes and failure, be that of China's rise or Central European democratic backsliding, two issues on which libraries have been produced, and not only in the past decade.

True, that transition studies constituted a bold attempt to integrate those broader insights into economic investigation. However, even the boldest and broadest attempts/Merkel-Kollmorgen-Wagener, eds, 2019, Kolodko, 2021/ remained compartmentalized. Analyses are confined to time and space, major claims are context specific, with limited if any transferability to other cases or situations, let alone different time periods. This is exactly the opposite to how mainstream economics has evolved, with its emphasis on formal presentation, being the basic criterion for good academic quality. A mere glimpse into the recent output of top ten academic journals of RECEP rankings may suffice to those who yet are in need to be convinced.

The present chapter is an attempt to offer an interpretative framework in which changes in economic systems may be understood and explained through a single analytical lense. In so doing we follow the secular trend in mainstream macro-economics where macro-claims have to be rooted in micro-insights.[3] For our subject this requires reliance on management sciences, as long as we address issues in real world economic systems.

While in macroeconomics the agency is usually the administration, or the central government, in management sciences it has become customary to include horizontal elements and intertwinings into the analytical frame, both from the incentive and information processing perspectives. Thus in the latter we tend to talk mostly of governance, rather than administration, which stresses the hierarchical subordination among the various layers of management. Since comparatie economics has long been studying the power of the ruled[4], even over those making the plan or policy decisions, it is a legitimate extension if we apply this insight tot he macroeconomic level. Systemic governance is thus the complexity of

[3] This trend is documented in nuanced detail in the monograph of /Galbács, 2020/.

[4] Iván Szelényi/2016/ reminds us of the fact, that the insight about the *Macht des Beherrschten* goes back tot the writings of Max Weber, as a fourth type of power. This insight, no matter how foundational for modern thinking, has been forgotten more than once.

constructivist, man-made rules and the outcomes largely shaped by spontaneous reactions of firms, individuals, local and foreign players in a multi-million actor game.

Our basic research question is the interface between human deliberations and largely spontaneous outcomes. The paradox, first highlighted in detail by Ludwig von Mises/1948/ would be put today in the form of the role of system design, i.e various form of constructivist deliberations, in shaping outcomes in different societies. Explaining why some of the solutions do work under one setting and fail in a different one, has long been a topic of inquiry within comparative economic studies. But even in broader, global context, as Ilene Grabel/2017/ demonatrates, international financial organizations, including the once unfamously rigid and dogmatic IMF, which used to be conventionally criticized for its one-size-fits-all approach, adopted a line where context specificity rules over doctinal chastity or academic coherence. We may join her in seeing this as a forward-looking development.

In the following we shall counter-pose the experience of Central Europe, with the pre-eminence of top-down, or reverse planning approach to introducing Western type of social market economy, with East Asia. The latter region is exemplifies by China, with their a-theoretical, experimental approach, where a series of small steps follow one another. Rather than adhering to a secret master plan, 'all options are kept open' when deciding over the next major step.We investigate when and which strategy is more fruitful and why so.

Central Europe – the Laboratory for Social Constructivism

With the collapse of the external and later the internal Soviet Empire the newly emancipated nations of Central Europe have emerged as fertile ground for natural experiments of 'returning to Europe', namely by establishing parliamentary democracies and social market economies of the West European type. According to the consensus view, documented in a series of books, the first decade was spent on bringing about the foundations of market and democracy, the second decade was spent on acceeding tot he European Union and taking over incremntally its *acquis communautaire,* and the third decade by a corrective, called usually as 'illiberal democracy'. This third phase was characterized not only by managing the two crises – the Great Recession of 2008 to 2009 and the Covid pandemic in 2020-21, but also by the emergence of a new state-led model. While the Baltic States qualify as an outlier, being addicted to the neoliberal model, the Visegrád Countries and also Croatia have changed their previous FDI-driven modernization strategies. Some analysts/Blum and Varga, 2021/ baptized it as a conservative developmental state, highlighting the focus on workfare, picking winners and activist industrial policies, market protectionism and governmental differentiation across economic subjects by size, nationality and closeness to the governing party, all reminescent of the practices of East Asian Tigers in the l970s and 1980s.

It remains a subject of academic and policy controversy if, and to what degree, this characterization holds, or is a caricature of actual state of affairs.[5] From our perspective it is clear, that the evolution of the third decade is certainly deeper going and more profound, more lasting in all planes of analysis, than the ad-hoc assessment of calling it a simple derailment would have it.

What we could observe has been a prime case of how systemic governance works. None of the governments of the region has ever declared their distinctness from the EU standards, including European Fiscal and Banking Union and its institutions, including the Single Supervisory Mechanism and the Single Resolution Mechanism. The European Stability Mechanism and the Next Generation Fund constitute further giant steps towards supranational decision-making, while these do not require – as frequently misinterpreted – the convergence of domestic economic models.[6]

What counts from our angle is that Central European countries have gradually moved toward a profoundly statist model not in order to meet the formal and informal criteria of the ever closer European Union. On the contrary, joining the single currency would have required more rules-based fiscal and monetary arrangements, less interventionism, and weakening the developmental staist ambitions by the local governments.

If we take those ambitions, including the priority of growth promotion and sovereignist aspirations, going way beyond the economic sphere, the mechanism of change becomes rather easy to follow. The governments advocated a not-so hidden agenda of state-led development, with a focus on picking winners, of re-taking back control over an extremely

[5] For my assessment cf/Csaba,2021/and other chapters of the volume discussing the global political economy environment that has led to this outcome.
[6] On this controversial point cf the illuminating analysis of Casagrande and Dallago/2021/.

transnationalized banking sector[7] and energy economy, as well as trade and communication. As the Hungarian governing party formulated back in 2010, their ascent to power was meant to be 'more than a change of guard in government, though less of a regime change'. This formulation has proven to be a precise one.

Systemic governance in this case has not relied on elaborate projects elaborated with the involvement of international financial institutions and independent academic expert, as was the case in the 1990s.s. Much of the policy change has been improvized in reactions to the challenges of the day, should they have come from the EU, the global capital markets, or local politics. But all in all, the changes *in toto* resulted in much more than ad-hoc adjustments, or corrections of previous economic and political imbalances.

It would be difficult, or even in vain, to search for a master plan of actual changes, implemented in Poland, Hungary, Slovakia and Czechia. Analysts strongly disagree about how to assess the outcome. Kornai/2016/ speaks of a hybrid regime, Mihályi and Szelényi/2020/ of a prebandalist, rent-seeking state, while Magyar and Madlovics/2020/ of a mafia state, where the intertwining between the party-state and the economy replicates the intimate relationships observed in South Italy and China. What all of them agree is the focus on spontaneous, improvized decisions, taken at the highest level, with economic consequences being though relevant, but by no means overwhelming. The personal enrichment component is demonstrable, but remains insufficient for an exhaustive explanation of outcomes. The latter do reflect the broad priorities of the power holders, but owing to the horizontal aspects, feedbacks of various sorts, they are a long way from resembling something of a carbon copy of any elaborate master plan, let alone financial clalculation, or growth strategy on par with East Asia.

Which were the empirically observable methods of changing the neoliberal model into a developmentalist-statist one? The answer is far from being simple, as certain measures – as nationalization or privatization, supporting monopolies or creating competition -could serve diametrically opposed objectives, depending on the context of the country and time.

[7] On this highly controversial issue cf the insightful paper of ÖNDER and ÖZILDIRIM/2016/, indicating the favorable impacts of this – politically controversial – option. Indeed, 70 to 80 pc of assets in foreign hands had been a historically and geographically unique arrangement.

In his broad empirical overview Szanyi/2019a/ highlights the growing staism, connections to the ruling party, ad-hoc interventions and securing monopoly positions for those favored, while crowding out non-supported foreigners and private ventures not belonging tot he oligarchy among the most frequent arrangements. One of the more recent examples includes the take-over of the market for cafeteria provision, previously held by foreig companies. The dispute settlement forum of the World Bank obliged the Hungarain state to pay no less than 100mn euros in compensation for the confiscation of foreign interests, only to be passed over to the hands of local providers, being in friendly relations to the governing party/Patthy,L.I., 2021/.[8]

Yet another new method cited by our sources includes nationalization, as a temporary measure. In several cases, though not exclusively in the financial sector, establishments had been taken over by the state only for a transitory period. Often supported by lavish injections of capital and/or debt reliefs, these ventures tended to bee sold later to private owners, known to be the benefactors of the governing party.

Yet another frequently used method is to declare an investment to be of national economic relevance. If that is the case, at the end of the day no rules should be followed. These rules may include considerations of competition policy, of stae aids/controlled by the EU/, of transparency, of accountability or the requirement of equal treatment of market players before the courts. Open favoritism in various well known ways can thus be justified and no remedy for losses can be found, either at national or international fora. The ruling cited above is thus to be taken as an exception, rather than the rule. If for no other reason, owing tot he cost, the time consuming nature, the complexity and also the regular foreign presence required for these fora to be efficacious, most players give up rather than enter into a hopeless contest against those in power.

Given the growing intertwining among market and state agents it is often difficult to disentangle, which is the dog and which of them is the tail. This divison of roles may actually be changing over time, while the administration retains the right of initiative. For this reason the top-down nature of the game is rather clear according tot he literature we cited.

[8] PATTHY,L.I./2021/: Elutasították a fellebbezést, hatalmas öszeget fizet a magyar állam az elüldözött Sodexonak./Appeal rejected, huge sums are to be paid by the hungarian government tot he exiled Sodexo/. *Index,* 20 May.

Patronage, rent-seeking, rgeulatory capture and the like are well known terms to denote various forms of political capitalism from Latin America to East Asia.

What is straightforward from the empircal studies/Győrffy, 2022/ is that the Baltics, committing themselves to 'neoliberalism', i.e open markets and delineation of public and private spheres of the economy, have been faring considerably better than the Central European who have opted for the conservative developmental state model. The analysis above lists a variety of scores in which the comparison works in favor of the former periphery of the Soviet Empire. This includes not only the qualification for the single currency, which acts as a cushion against global economic disturbances. But also the qualitative indicators, as the share of IT intensive output of production, the upgrading of exports to higher echelons of the value chain, and not least results of student competences/as reflected in PISA scores/, which is a forward indicator of future high quality output. In their case systemic governance aimed at sustaining and deepening the free market arrangements which emerged ont he ruins of the Soviet Empire, not least owing tot he total rejection of the Communist heritage as alien and backward looking. No other post-socialist country could make such an open and final break with its Communist past, than the Baltics.

In this success story foreign investment and foreig participation in local economic upgrading has been instrumental. This is the flip side of the same coin, namely of the bottom-up component which helped to render Baltic nationalism a forward looking force. In so doing this helped overcoming the failures that have been inevitable in creating markets. Reviving traditions dating back tot he Hanseatic League, sustaining intimate relationship to other Scandinavian countries, being active and constructive participants in both NATO and the EU allowed the interaction of micro and macro-processes that yielded a favorable self-reinforcing process over the past three decades.

Even this fragmentary overview allows us to prove: both in Central Europe and in the Baltic States the process of transformation has been basically of top-down nature. Changing priorities in Central Europe and sticking tot he public choices of the early 1990s in the Baltics explain to a large degree the economic choices and in turn, the divergent outcomes. Social constructivism did work in both country groups, though the outcomes reflect the diverging nature of the choices of those in power. Societal feedback was though secured via regular elections, but the political process rarely uncovered the actual priorities of those to take power, before their actual period of rule evolved.This allowed for a fair degree of policy continuity in Slovakia and Czechia, and major discontinuities in Poland and Hungary.

China – the Prime Example of Pragmatic Bottom-Up Incrementalism

Being aware of the broad international academic and policy controversy over Chinese development, we can not even aspire for presenting a concise picture of the developments in the Middle Kingdom. In the present sub-chapter we adopt a model-like approach, where China figures as a case for bottom-up forms of systemic governance dominating governmental projects, and social constructivism in general. By the time of writing the country possesses with the largest GDP globally in absolute terms, when measured in purchasing power parity, it is the largest exporting power of the globe, having overtaken Germany and the United States, is a major capital exporter and a defining power in terms of applying artificial intelligence in a number of areas.[9] Thus China is a country under Communist rule, still, it is a far cry from the industrial museum, what the Soviet Empire used to be. Actually,the controversy in recent years revolved about the nature of Chinese ambitions. Namely if and to what degree the Silk and Road Initiative and many other forms of active influencing, from capital investments in Africa to establishing large university campuses in Europe, extending the web of Confucius Institutes and providing financial and military assitance without open political conditionality all trigger academic debates, which we shall ommit in this place. The listed developments are meant to illustrate the dynamic nature of Chniese developments and its being very unlike anything we know about Soviet Union and Russia.

Our subject is just one dimension of Chinese development, namely the nature of governance which has yielded these staggering outcomes. Chinese strategy is known to be by and large the opposite tot hat of Cenntral Europe. At the highest level of abstraction, it is lack of the constructivist element, especially of a pre-conceived end stage, which is perplexing. In turn, the de-emphasis of institutional factors, especially of building formal institutions, which have been the backbone of transition strategy in central Europe, which is peculiar. Xu/2015/ has

[9] For long term standardized and comparable data cf: databank.worldbank.org, accessed on 12 June, 2021.

gone perhaps the fathest in underscoring the role of informal institutions in shaping the outcomes. Many other authors highlight the role of cultural traditions and the role of the diaspora, especially in the United States and Canada, which mold the actual, often un-documented workings of the Chinese business model, and not only in FDI dominated areas. In short, horizontal cordination mechanisms have been at least as relevant, as the traditionally emphasized vertical ones.

This does not mean the neglect of top-down policies or the disregard for the political ramifications of economic decentralization. In a country of China's size it is unsurprising to observe the sutaining of decentral management by a relatively small, though active central state. The limits to spontaneous change, including setting the barriers to how far economic change may trigger political democratization, have been clearly set by the Communist party, at least since the Tienanmen Square events of June, 1989. Unlike in Central Europe, the track of political and economic changes have been kept separate. Likewise, while supporting experimentation with a broad range of property forms, truly private ventures tended to be kept small, or medium size at maximum, not exceeding 22 to 25 per cent of total national asset value. By advocating non-state property forms Chinese policy- makers mean usually co-operatives, municipally owned enterprises or various forms of corporatization, as well as joint ventures/as opposed to full foregn ownership via acquisitions and FDI/.

The process of economic change and partial liberalization has thus proceeded under governmental control. As Gang Fan/2019/ explains, thus was a kind of enlightened absolutist approach, where much of the detail has been left to local managers. Meanwhile control both over macroeconomic and political processes have remained in the hands of Communist Party ledership. Growth has been fuelled primarily by high factor inputs, including a 41 to 49 per cent rate of fixed asset investment and ensuring full employment. Furthermore, as the above cited article explains, the classical Domar effect, i.e impacts of restructuring employment in favor of higher productivity industries played a pivotal role.

In this process a particular Chinese feature emerged, reliance on trial and error. Explicating this practice in detil an dillustrating it with several empirical cases Wendy Leutert/2021/ talks about institutional innovation through iteration, which allows for finding out the best fit without relying on a detailed master plan. The usual way of applying this insight is that an innovation is practised only in one or some province/s/. If successful, the solution is spread nation-wide, or in a growing number of provinces. As Chinese provinces are huge, both in terms of territory and population, often comparable to European states, this incrementalism allows for the co-existence of competing solutuons. This is also the case in some less centralized federal states as Switzerland or Brazil. But the Chinese practice of experimental testing is truly unique in the long history of policy reforms, and so is the bottom-up approach. The successful model of the 1980s was first tested as an experiment by later Premier Dzhao-Tze-yang when he managed Sichuan Province, and later extended to the entire country.While experimentation was anything but unknown in the Soviet Union, their fate was usually marginalization.No wonder, in a vertically organized centralized state the alien body is likely to evaporate. By contrast, the decentral organization of China llowed experimental solutions, including the Special Economic Zones[10], to flourish, without impeding the practices of the neghboring regions.

It goes without saying that modern growth theory would forecast severe limitations to the sustainability of such a growth model in the long run. Authoritative Chinese analysts talk about the need for supply-side reforms/Fan Cai, 2020,chapters 13 and 14/ that allow the country to move on a path, where total factor productivity growth rather than factor inputs decide over the rate of growth. This is the way to cope with the problem of aging and environmental challenges. Finacial intermediation can no longer be unilaterally subordinate to investment decisions taken by the center through bureaucratic bargains. This insight is certainly a call for changing the vertical axis in systemic govenance, else the limitations of purely horizontal innovations are likely to come to the fore.

One of the many paradoxes of Chinese economic development has been the huge territorial and vertical inequality. In terms of regions, the backward West is- figuratively – home of the Middle Ages, while seashore cities, especially in the Special Economic Zones exhibit a vibrant

[10] These SEZ are on the East Coast and their feature is minimal state involvement in actual regulation, except for the taxes that are due tot he central government. The city of Shenzhen, itself a backward fishery village in the 1970s, is perhaps the best known example of the exponential flourishing and growth into a modern city. Wuhan, the science city, is perhaps an other example, though in the latter central/military/ research facilities too play an important role and finance is much less relevant. The idea of 'one country, two systems' promulgated ont he occasion of the return of Hong Kong to mainland China in 1999, is a fromal institutionalization of the ongoing practices. Its limitations have been shown during the violent clashed of 2019-21, which is outside the scope of the current analysis.

life, resembling to American or Japanese counterparts. The per capita income difference may be as much as 13 to 15 times, as between Albania and Liechtenstein, still within one single polity/unlike the Europen countries in the comparison/. In terms of GINI, the cited World Bank source estimate is 38.6, which is comparable to figures of Burundi,Indonesia or Morocco. The trouble is that the named countries do not have egalitarian Communism as an officially declared ruling ideology, nor do they possess with the historic legacy of communitarianism. In traditional comparative economic studies we tended to think that more centralized systems favor – or can impose – more egalitarian income distibution. China does not fit in this cliché either.

Under this angle it is noteworthy that recent empirical analysis of Kanbur et al/2021/ have found the growth of inequalities peaking and even diminishing in the past decade. This may be due to the growing centralization of income policies, the introduction of partially state-run and partially corporae financed pension system as well as the growing central administration of prices. In short, both vertical and horizontal aspects of systemic governance have come to play.

In the final assessment/at least for this subchapter/ we may come tot he following conclusion. The largely centralized, but experimenting and innovative Chinese system allowed the country to grow as long as it was a low level of development. The current per capita GDP at market prices is put to 11 819 US dollars, whereby the country is only number 61 from among the 160 countries ranked by the IMF in 2021.[11] This is in line with the received wisdom about the temporary uses of centralized management for resource mobilization and thus being adequate for the take-off period. But this may – or may not – be followed by the much theorized middle income trap. If the government is unwilling or unable to implement those far-reching institutional reforms, which favor innovation and bottom-up endogenous growth, deceleration of growth is not just conceivable but even likely.

For understandable reasons the question if and when and why China has already reached this point has been a subject of controversy among economists inside and outside of the country. We have already cited some of the most authoritative local analysts who advocate the need for large-scale institutional change, particularly in the murky financial sector, with a huge

[11] IMF: *World Economic Outlook,* April, 2021/retrieved on 11 June, 2021/.

shadow banking operating in intransparent ways, to say the least. As has been observed on other East Asian countries, at medium level of development this may also be a factor triggering a major crisis.

Furthermore China has come to a crossroad/Csaba,2020/, not least due tot he ongoing and even strengthening political centralization. The return of statism has long been demonstrable in the economy/Lardy, 2019/. Reinforcing the Maoist priciples and practices, including surveillance of dissidents and suppression of political disagreements on grounds of 'deviation from the Party line' seem to have been long forgotten or assigned to history books. But reality is complex: systemic governance reflects the empirically tested reality that economic and political decision-making may though e divorced, but only for a limited amount of time. In the longer run coherence emerges, sincet he same peron is unlikely toact from 8 to 16 hrs as a bureucrat, a Party loyalist, and start thinking in unconventional, innovative fashions from 16 to 24 hrs. He who expects order in one dimension is unlikely to revolutionize technology and trade through his second self.

As I tried to elaborate in the aricle above, we do not yet have enough insights to tell, if the game is over. Many observers/Schuman, 2021/ claim so. What we can venture is the conclusion that a strategy of continuous, even gradual, modernization and catching up with Singapore/59 500 US dollars/ or Hong Kong/37 190 US dollars/ in terms of per capita income would certainly require additional efforts in the direction of marketization and related regulation, which ensures the civilized outcomes of the business interplay.

Systemic Governance: a Specific Vehicle of Comparative Studies

Having conducted a rather schematic exercise in comparative economic studies we have attempted to show how the concept of systemic governance may be helpful in understanding realworld phenomena. This ambition has traditionally been a main driver of inquiries in the social sciences, though it has become gradually fading from the increasingly formal modern economics. It is coherenc and the maths one uses which is the arbitrer of good quality research. No less of an authority than former chief economist of the World Bank, the 2018 Nobel winner Paul Romer/2015/ reminded us of the dangers that the perfunctory use of mathematics often cover 'politics maquerade as science', while neglecting the tight, substantive and logical interrelationships which should be the backbone of the academic argument.

Our concept is not liable to formal testing. Still, as we hope to have illustrated, it may be helpful in comprehending real world phenomena, not explained sufficiently by ruling approaches. This is how such old-fashioned concepts as trust-worthyness and personal integrity, solidity, or even fundamental uncertainty have returned to economic analyses, especially following the Great Recession.

As the insightful analysis of Grzegorz Kolodko/2020/ indicates, the rise of China could not have been predicted ont he grounds of previously available theories. Neither neoclassical approaches, where the combination of factors is everything, nor historically informed, old institutionalism would have predicted the breakthrough what he terms the move from the Third World tot he First World. In so doing the truly intiguing aspect is that of technological change. Players like Huawei or Lenovo would have been unthinkable in the Soviet Union, and comparative economics of the classical brand had convincing explanations, why so. Still, by highlighting the interaction of factors, mostly specific to China and its history, not least the freedom allowed to enterpreneurs to experiment and imitate foreign solutions, sustaining intimate relationship tot he diaspora, not leat via FDI and cultural community, have produced miracles.

But similarly intiguing is the experience of backsliding in Central Europe. As the countries have been exposed tot he common rules and increasingly supra-national arrangements of the European Fiscal and Banking Union, the European Court of Justice, and not least of the European Central Bank and an ever more activist Commission, the regress into more statist options, obviously out of line with the spirit and sometimes even the letter of European regulations[12], require a non-trivial explanation, going deeper than the spirit of the rulers or their ideology.

As the analytical narratives we cited in the first section all agree, individual mishaps, individual errors or slippages may well be attributed to coincidental factors. However, the truly interesting and worrying element is the multiplication of mistakes, all pointing to one and the

[12] When persons, who suffered racial discrimination, were ordered to get financial compensation for that – a motion fiercly criticized by the Hungarian premier – the split between EU and local concepts of human rights have become operational.

same direction. This is what János Kornai/2021/ in his latest book calls repeatedly an autocracy, where people are not killed or imprisoned for their dissenting views, as in Belarus or North Korea, but they may lose their jobs, access to publicity, or forced to sell their property at bargain prices, when an 'irresistable offer' emerges.

It is interesting and new, that such informal pressurizing happens not only to domestic businesses, where the number of such cases abounds and is a vastly documented phenomenon/ Magyar,B., 2016/. More recently the German owners of the Budapest Airport, Avia have been confronted with governmental demands for a takeover.[13] Though this initiative has become public already back in 2013, it was only now, that the minister for innovation and technology explicated in detail, that authorities have a fundamentally different vision for the future of this transport hub.

Why it is useul to pay attention to this concrete case is the following. The representative of the Hungarian state acts like a common business player. It does not claim, that the current owner was involved in any wrongdoing, such as threatening safety or environmental regulations, not paying public dues or mistreating its employees. It also does not claim that the current owners deviate from any of the agreemnts previously struck. It 'just' happens to entertain a different vision of the establishment for the future.

This action is clearly a case of horizontal bargain, in the worst case misuse of market power or position. The compensation to be delivered is also a matter of disagreement/it is not the customary bargain in the bazaar, over say, 20per cent of the purchase price/. Buta s long as one of the players is a sovereign, an is also acting in this capacity, not via a public firm, or a legal counsel, nor is it bargaining at an international forum, the act of power is there. It is vertical leveraging.

Why I have cited this case, which is open at the time of writing, is to show, that considering both the hierarchical and competitive dimensions in a single analytical frame is not only possible, but is positively required if we are to interpret the largely informal processess which end up in the modification of the basic qualities of a post-communist economic regime.

[13] Többségi állami tulajdonba kerülhet a Budapest Airport./Budapest Airport may be transfered to majority state ownership/. *Magyar Nemzet*/the official governmental daily/, 28 May, 2021.

Another telling example took place in the banking sector. Here re-imposing national majority ownership counts as a basic strategy for the Fidesz government in the entire 2010-2022 period. The most illustrous among the many similar cases has been that of the Hungarian Foreign Trade Bank, MKB. This institution had been privatized to the Bayerische Landeszentralbank, not least in order to ensure capital backing at a crisis that may erupt on global markets. Surprisingly to many, it was the Bavarian parastatal which got into trouble in 2009, while MKB was still faring well. As one of the conditions for recovery from German public money, the regulator prescibed that the BLZ sells of all of its affiliaions abroad, since these qualify as risky.

The MKB, the third largest player in Hungary, controlling much of the finaces of the top echelons of business and politics, was finally bought in 2015 by a group of private persons, lead by Imre Balogh, by that time CEO of MKB and former deputy to Governor Matolcsy of the National Bank of Hungary. The gentleman and his fellows were receiving a multi-billion low cost credit to purchase the bank, so next to no cash was required. The institution needed recapitalization, which actually happened in several tranches. FInally in 2020 the bank was sold to Lőrinc Mészáros, who is by now the wealthiest person in the country and a close friend of the PM. The bank was merged with two others, Budapest Bank, bought from GE Capital in 2017 and Takarékbank, a conglomerate of rural savings' co-operatives. The thus emrging Hungarian Bank Holding is comparable in asset size the the previous market dominant National Savings' Bank, OTP.

It is difficult to explain to anyone familiar with bank economics, what is the logic of merging three banks with entirely different clientele, different culture and different management/history. The synergies are no-trivail, to say the least. After a year of the merger the banks retain their logos, even on their credit cards and other operations. Besides the top management, everything seems to have ramined intact. In sum, no feedback from the market.

On the other hand, rumors and observations alike suggest, that the underlying logic was mainly political. Namely to create an equal tot he previously all-important OTP and its CEO, Sándor Csányi, who, after many years regressed to no2 among the Hungarian oligarchs. When one is aware of the fact of the PM traditionally playing out two of his major allies against one another, this – not very sophisticated – Eastern logic could explain the story.

One may expand the list of examples from Hungary and other Central European countries alike.These cases are not ad-hoc in nature and do have a macroeconomic bearing. If we consider these to be defining features of a model, this is no longer any of the neoliberal market economy versions, suggested in the literature on Varieties of Capitalism and comparative capitalism studies in political science.

State property has amassed a completely new meaning between the two crises in the global economy/Szanyi, ed, 2019b/. And so had state regulation, over and above the classical role of the wardian of public interest against private monopolies and political arbitraryness, as the classical book of Eucken/1940/1992/ would have suggested. Both property and regulatory functions have become resembling the the developmental state model. Buti f we follow the reading of Robert Wade/2018/ it is still a very distinct creature from the east Asian practices, where private property and co-decision of business and political elites has been the rule. By contrast, the literature and empircs we cited all indicate a model where political power is the independent and business power the dependent variable. Andrei Yakovlev/2016/ rightly termed it as business capture, by reverting the more classical concept of sate capture, when – as in Latin America – business groups dominate public offices.But this has evolved un ther the Putin era into institutionalized and centralized corruption, where the subordination of business interest is even more explicit/cf Rochlitz et al, 2020/.

Here we have a nice example, where foreign and domestic, political and economic, personal and market considerations all co-exist. None of the previously available theories, either of political science or of finance, would have been helpful in explaining what could be observed/and if needed, documented word by word from the daily quality press/. Systemic governance seems to be the clue. No macro- or micro theory on its own could replace this inter-disciplinary concept and toolkit of analysis.

The concept is useful if we are to explain in positive terms, what the illiberal state and the authoritarian model of the economy means in Central Europe, without replacing previous, established concepts, rather complementing those. The statist turn, which is by no means restricted tot he post-communist world, has revived the age-old debate if civilized market economy and parliamentary democracy are mutually supportive, or pre-suppose one another in the long run, or this claim is doctrinaire and made obsolete by history. The original suggestion goes back to the founding father of the German social market economy, Walter Eucken/1940/1992/ who famously argued, on the ground of empirical and philosophical considerations, that the two orders are inherently intertwined. Therefore, in the long run, no dictatorship can co-exist with a market economy and no democratic system survives the lack of a market economy.

The case of market socialism, i.e a democratic superstructure based on a centrally managed economy and public property, has been shown to be unfeasible both in theory and on the ground/Kornai,1993, Kornai, 2007/.

While not pre-empting the chapters on China in this volume we may re-call that Chinese authors regularly speak of a socialist market economy, where the use of market forces remains constrained and instrumental to serving policy objectives set by the Communist Party, and reflected in major investment decisions made centrally, rather than following signals of a thin and segmented capital market/Lin,2012, Zhang, 2014, two authors not yet accounting for the further centralization that occurred since their publication/.

The other option seems to be more complex. With the global revival of statism governmental management of economic affairs has spread by the country and the sector. The collection of papers edited by Szanyi/2019b/ gives a broad overview of how the role of public management of economic affairs has been gaining momentum and become part of good manners also in advanced economies. Certain powerful interpretations of the developmental state/Wade, 2018/ also argue for the lasting sustainablility of combining statism with dynamic economic growth.

Our argument is a cautious observation. What we have seen is more interventionism without more public property and central managementIn East Asia, while the model is a long waz from the Washington Consensus, it is based ont he role of private business and open foreign relations, including finances. In Western Europe and the United States we see classical big government more along the traditional tax and spend manner[14], or of selective protectionism, including R&D support and market oversight, not a general trend to populist-authoritarian rule, as was feared under the Trump era. By contrast reverting market reforms in Russia and

[14] The 6 trillion spending bill of the three projects of President Biden go exactly in the same direction, especially if the promise of all or most of that being tax funded is kept.

China, but also in Poland and Hungary, in a different quality, have entailed limitations ont he previous 'neoliberal' political arrangement.

Relying ont he concept of systemic governance we may be less surprised. This concept provides the micro- and meso-economic foundation for understanding what we see ont he ground. In the long run – though not in the short run – Eucken has been right.

Preliminary Wrap-Up

In this chapter we introduced a relatively novel concept in comparative economic studies, systemic governance. Building on established approaches in management we made some productive steps. First, introduced a micro-based approached to macro-economic issues. Second, we provided a justification for multi-disciplinary approaches. Third, in parallel to finacial economics, we advocated the use of qualitative approaches in understanding real world phenomena. Fourth we provided schematic analyses of top-down and bottom-up cases of social engineering. Finally we attempted to integrate our insights in previously available knowledge.

This intellectual journey may prove the usefulness of comparative economic studies approach to real world phenomena. While being just one of the many competing and conceivable options, we hope to have contributed to clarifying what is the future and what are the analytical and policy uses of this field of inquiry.

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