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Crisis and selective adaptation in a Chinese prefecture between 2008 and 2010: a survey among industrial enterprises

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Abstract

This paper demonstrates that despite substantial transformation towards a market economy, occasions for increased state intervention will mobilize the characteristics of redistribution in party-state systems. Such state intervention occurred through the introduction of the stimulus package in 2008 to compensate the impact of the global crisis. The present paper reflects on the impact of the crisis, the allocation of resources to enterprises in the manufacturing sector in one Chinese city based on the analysis of 445 enterprise questionnaires selected through random sampling. Results show that interventions activated the usual allocation priorities and political motivations of economic behavior of distributors and economic actors in party-states: selective distribution of resources for large and state-owned enterprises with strong ties to government institutions and banks, motivating drive for growth and connections rather than market behavior.

Keywords: party-state model, short term shocks, adaptation, system transformation, global crisis, overheating, spatial disparities

JEL classification: F5, D78, R58, J08, 015, E24

Krízis és szelektív alkalmazkodás 2008–2010 között egy kínai nagyvárosban: egy feldolgozóipari vállalatok közötti felmérés eredménye

Csanádi Mária - Liu Xiaoxuan

Összefoglaló

A tanulmány azt a kutatási eredményt támasztja alá, hogy bár Kína komoly haladást ért el a piacgazdasági átalakulásban, a jelentősebb állami beavatkozások felerősítik a pártállam újraelosztási sajátosságait. Ilyen állami beavatkozás volt az az élénkítő csomag, amelyet 2008-ban vezettek be Kínában a globális válság hatásának ellensúlyozására. A tanulmány a válság hatásával és a források elosztásával foglalkozik egy kínai város feldolgozóipari vállalatai körében, amelynek az alapja véletlen mintavétellel kiválasztott 445 vállalat kérdőívének elemzése. Az eredmények azt igazolják, hogy a beavatkozások a pártállamokat jellemző elosztási prioritásokat, és a gazdasági magatartás politikai motivációit erősítették fel mind a forrásokat elosztók, mind a gazdasági szereplők tevékenységében. Az erőforrások szelektív elosztásakor a nagy, az állami és a szoros intézményi és banki kapcsolatokkal rendelkező vállalatok kerültek kedvezőbb helyzetbe, amely a növekedési hajszát és a kapcsolatépítési törekvéseket aktivizálta a piaci magatartás helyett.

Tárgyszavak: pártállami modell, rövid távú sokkok, adaptáció, rendszerátalakulás, globális válság, túlfűtöttség, térbeli egyenlőtlenségek

JEL kódok: F5, D78, R58, J08, 015, E24

EMPIRICAL SURVEY[1]

The present paper reflects the present stage of the analysis of the empirical results of the survey. The purpose and raw material of the whole survey is otherwise more complex. The survey was carried out in two Chinese cities Changzhou and Z. in Jiangsu and Henan provinces respectively, during 2011-2012. The focus of the survey was the critical period of 2008-2010. The methodology was manyfold. About 1700 news were collected according to the following call-words: crisis, investment, enterprises, migrants; Enterprise questionnaire was carried out in 12 subsectors of manufacturing industry in Z. among 445 state- and non-state owned, large, middle and small manufacturing enterprises. The same questionnaire was implemented with slight adaptation to the special field for the construction industry among 119 construction enterprises. Since I had the priviledge to join in Changzhou a survey that started organization earlier than our collaboration, the sampling was constrained to 500 middle and small manufacturing enterprises in six sub-sectors. The survey was complemented by about 40 manager interviews in the two cities as well as 200 migrant interviews in 27 enterprises in the two locations.

COLLABORATION THAT ALLOWED THE WORK

The survey could not have been carried out without the valuable practical and professional contribution of collaborating partners. This concerns Prof. Zhao Chen Fudan University who offered to include my questions in his questionnaire in the process of surveying SME-s carried out in Changzhou, with the essential support of Prof. Xu Wei from Changzhou University. Prof Liu Xiaoxuan Institute of Economics CASS who strongly contributed to the development of the enterprise questionnaires for manufacturing and construction sectors in Z.. Her expertise and connections were essential for the success of the survey in Z.. She also organized the sampling, bargained about the fees, and organized the coding of the questionnaires. Prof. Lishi afforded all his mediating capacity and own data-set, and provided 14 master and phd students, Gao Xia, Feng Yi, Zhu Mengbing, Cui Yaqiong, Yuan Zeqing, Nie Zihan, Zhang Jiliang, Li Chao, Bao Chuanjian, Dai Song, Zhao Guohua, Chen Jianwei, Xu Yantian, Wang Chuanchao to carry out news collection, manager and migrant interviews. He also appointed enthusiastic and efficient research assistants: Sun Dan and later Nie Zihan. And finally, essential was the support of Ferenc Gyuris from the Department of Regional Sciences at ELTE University who is calculating the tables,

[1] This survey was financed in the framework of a project awarded by the Hungarian National Foundation

developing maps and figures and Aniko Polenyik from Szeged University, who helped in the harmonization of the coding of industrial and construction questionnaires, the news collection and migrant interviews. The research was financed by the Hungarian National Scientific Foundation. I could not have done my work without the contribution of any of the partners.

The paper will first locate economic developments in Z. during the surveyed period compared to provincial and national level tendencies. This will be followed by the general economic and other characteristics of the enterprise sample from the point of view of crisis senstitivity and its change in time. Next we shall detail the differences in the chances for resource attraction according to system characteristics focusing on allocaction preferences in size, ownership and level of integration into the decision-making network compared to those who are deprived of those characteristics.

GENERAL OVERVIEW: DYNAMICS OF Z. BETWEEN 2007-2010

Based on the dynamics of its GDP, Gross Industrial Output Value (GOV), Investment in Fixed assets, and budgetary revenues and expenditures Z. does not stand out of the general provincial and national level tendencies. Neither is the geographical location of the two cities so distant from each other to reflect the usual regional disparities in economic and social data. This is true regarding the developments in GDP and Gross Output Value in the critical period and so is in investments in fixed assets. There is a continuous slow-down of FDI at city level until 2008 that was steeper than provincial and national level. Unfortunately city level data on FDI is missing after 2008. Expenditures grew faster than revenues, but not as fast as at provincial and national level. Export import data is unavailable at city level for the whole surveyed period. Provincial tendencies are parallel to the decline of national level export and import growth until 2009 and growht until 2010 and they show a strong growth from 2010 to 2011, opposite to the national level export-import decline.[2]

SAMPLE CHARACTERISTICS IN Z.

According to the sample, 70% of the enterprises are results of recent set-ups of the last decade, with founding peaks in 2000, 2003, 2005 and 2006. Largest ratio of enterprises

[2] Data compiled from the city level data of the National Bureau of Statistics. Source: Michigan China Data Center www.chinadataonline.org

(54.6%) is composed by private limited liability and private joint stock companies. State owned and state controlled enterprises together formed 12.6% of the sample.[3]

Table 1

Distribution of the sample enterprises according to ownership

	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
number	75	16	244	21	35	23	8	12	11
%	16.9	3.6	54.8	4.7	7.9	5.2	1.8	2.7	2.5

Note: Enterprises were coded into the following ownership categories that confere to a simplified coding of the real statistical categories: ① a sole proprietorship; ② private partnership; ③ private limited liability private equity company; ④ state-owned; ⑤ state-controlled; (6) collective and holding; ⑦ foreign ownership; ⑧ Hong Kong, Macao and Taiwan holding; ⑨ mixed equity.

A small portion of the enterprises was administratively subordinated either to central (2.5%), to provincial (2.2%) or to city and district authorities (4%). Two-thirds of those belonging to the state-owned enterprises and one-third of state conrolled enterprises are subordinated to central, provincial and city levels. The majority (76%) of the remaining enterprises according to subordination were coded to „else" that presumably covers private enterprises.[4] The city's economic life does not reflect to much agitation. During the researched period 83% of enterprises did not change ownership and the majority did not change location either. Ownership changes occurred at overwhelmingly formerly collectively owned and state-owned enterprises turning into private ones. Enterprises were more active in changing locations between 2003-2010, but these changes did not surpass city boundaries: transfers occurred overwhelmingly within a county or within the city among counties.

According to sales volume and the value of fixed assets in 2008 (Table 2) around 25% percent of the enterprises belonged to the large and 57% to medium ones in sales. Sales volume and fixed asset size does not overlap except for 3.8% of large, 2.1% of medium and 18% of small enterprises. According to fixed assets, over 80 percent of the enterprises was classified as small as opposed to 18% in sales.

[3] All state owned enterprises of the given sub-sector were included into the sample.

[4] I suppose that in this case the level of „registration" should have been asked parallel to subordination or affiliation, since local resource extracting capacities strongly depend on where the private enterprise registers itself. The purpose was to find out the place of registration besides administrative subordination, since the former involves the place of tax payment as well and allows for local resource extraction and allocation. Unfortunately, thise chance was missed in the questionnaire.

Table 2

Size according to sales and fixed assets

	FIXASS08 LARGE	FIXASS08 MEDIUM	FIXASS08 SMALL	Sum
SALE08 LARGE	15 (3.8%)	40 (10.3%)	42 (10.8%)	97 (24.9%)
SALE08 MEDIUM	4 (1.0%)	8 (2.1%)	209 (53.6%)	221 (56.7%)
SALE08 SMALL	1 (0.3%)	0 (0.0%)	71 (18.2%)	72 (18.5%)
Sum	20 (5.1%)	48 (12.3%)	322 (82.6%)	390 (100.0%)

Note: missing data for 55 enterprises, the 12% of the sample

CRISIS IMPACT AND ADAPTATION

Despite the fact that only a very thin layer (11%) of the enterprises dealt with export in Z., almost 30% was hit strongly by it, 59 less strongly (together 87.5%) and only 12.5% felt a slight impact. Economic consequences of the same extent of crisis sensitivity, however, were not homogeneous, reasons of which may be several, out of the reach of the present questionnaire. Table 3. depicts the differences in the dynamics of Gross Output Value (GOV) during the critical three year period both showing the same dynamics despite different sensitivity to the crisis (rows) and the different consequences on the dynamics of GOV despite the same extent of crisis sensitivity (columns).

Among those hit strongly by the crisis only 10% show steady decline, while 45.5% grew steadily and over thirty percent recuperated after one year of decline or stagnation despite high sensitivity to the crisis. Among those who were not too strongly hit 62% grew steadily and 20% recuperated after decline or stagnation during the critical period while only around 3 percent showed steady decline. Even higher was the steady growth (79%) among those who practically were not hit by the crisis and none of them reported steady decline. Both in case of steady growth and recuperation and late impact, the majority of the enterprises may be found in cases of not-too strong crisis impact. In case of those who suffered steady decline, the highest frequency may be found among those who were strongly hit by the crisis.

Table 3

Different level impact of the crisis and the dynamics of Gross Output Value between 2008-2010

GOV between 2008-2010 (y-o-y)	Number of enterprises	CRSIMPCT 1	CRSIMPCT 2	CRSIMPCT 3
Grew-grew (steady growth)	**245**	**55 (22.4%)** ((45.8))	**152 (62.0%)** ((62.3))	**38 (15.5%)** ((79.2))
grew-declined (late impact)	**45**	**10 (22.2%)** ((8.3))	**31 (68.9%)** ((12.7))	**4 (8.9%)** ((9.0))
Grew-stagnated	**6**	**1 (16.7%)** ((0.1))	**5 (83.3%)** ((2.0))	**0**
Declined-grew (recuperation)	**83**	**39 (47.0%)** ((32.5))	**40 (48.2%)** ((16.4))	**4 (4.8%)** ((9.0))
Declined-stagnated	**1**	**1 (100.0%)** ((0.1))	**0**	**0**
Declined-declined (steady declinle)	**19**	**12 (63.2%)** ((10.0))	**7 (36.8%)** ((2.9))	**0**
Stagnated-grew	**13**	**2 (15.4%)** ((1.7))	**9 (69.2%)** ((3.7))	**2 (15.4%)** ((4.5))
Stagnated-declined	**0**	**0**	**0**	**0**
Stagnated-stagnated	**0**	**0**	**0**	**0**
Partial sum	**412**	**120 (29.1%)** ((100.0))	**244 (59.22%)** ((100.0))	**48 (11.7%)** ((100.0))
No data on GOV	**33**	**4 (12.1%)**	**21 (63.6%)**	**8 (24.2%)**
All together 100%	**445 (100.0%)**	**124 (27.9%)**	**265 (59.6%)**	**56 (12.6%)**

Note: digits in double parenthesis refere to columns

Examining the dynamics of other economic indicators besides GOV, such as that of profit, fixed assets, employment and migrant employment (Table 4), lower percentages of steady development compared to output demonstrate that the dynamics in other fields were more senstitive to the crisis. Among those, changes in employment was the most senstitive.

However, sensitivity to crisis shown in economic indicators seem low in general, since steady growth and recuperation after stagnation or decline was the most frequent among enterprises in case of all economic indicators. Profit growth was the second most frequent after production (GOV) growth. This is supported by the fact that steady decline, stagnation and decline or growth and decline was much less frequent despite the high percentage of enterprises being strongly and not too strongly hit by the crisis. This harmonizes with another response: 70% of the enterprises stressed that would survive in case of zero profit or loss - taking them as temporary and adapting to it.

How did they adapt to the crisis? While we can see that more than 80% of the enterprises increased production either steadily, or after recuperating from stagnation or decline, rational ways of adaptation to market were chosen with different frequency. Higher was the frequency of reactions that would keep the enterprise on the market by decreasing costs (63.6%), changing production structure (38.7%), retraining staff (27.5%), increasing domestic sales (19.1%), invest in R and D (10.0%) and to raise funds (9.7%). The less frequently would they choose different ways of „physical" withdrawal from the market (in increasing order): to cut export (0.4%), to reduce the proportion of migrant workers (2.7%), to cut working time (7.0%), to implement paycut (7.4%), to lay off (10.0%).

Despite lower sensitivity in production 61.3 of the enterprises (273) reported leaving employees. However the mobility does not seem to be too high. During the two years all together 12079 workers left from 273 enterprises. From these 1589 were managers, 10490 were workers, of which 6975 were migrants. The main motivations for leaving were apparently not directly connected to the crisis situation but the „usual" ones: they left for higher wages in the case of 49.0% of the enterprises, at l3.0% of the enterprises workers left for seasonal reasons, while owing directly to crisis only 9.7% of the enterprises, or due to mismanagement from 2.5% of the enterprises reported leaving workers.[5]

[5] Presumably this would have higher frequency at private enterprises. Data reflect the evidence that private enterprises of different sort employ migrants more frequently, but it also shows that the average of enterprises employing migrans during 2008, 2009, 2010 increased in all categories of ownership while the standard deviation in the percentage of the average declined in all categories, except for the that of foreign ownership, while dropped the largest in case of enterprises from Hong Kong, Macao and Taiwan.

Table 4

Dynamics of economic indicators between 2008-2010

Dynamics	Changes in GOV (2008–2010)	Changes in FIXASS (2008–2010)	Changes in Total Profit (2008–2010)	Changes in EMPLOY (2008–2010)	Changes in MIG (2008–2010)
Grew-grew (steady growth)	245 (59.5%)	155 (39.8%)	162 (41.6%)	113 (29.3%)	87 (32.5%)
Grew-declined (late impact)	45 (10.9%)	68 (17.5.%)	68 (17.5%)	30 (7.8%)	30 (11.2%)
Grew-stagnated	6 (1.5%)	16 (4.1%)	13 (3.3%)	18 (4.7%)	11 (4.1%)
Declined-grew (recuperation)	83 (20.1%)	59 (15.2%)	88 (22.6%)	63 (16.3%)	29 (10.8%)
declined-stagnated	1 (0.2%)	11 (2.8%)	1 (0.2%)	15 (3.9%)	7 (2.6%)
Declined-declined (steady declinle)	19 (4.6%)	57 (14.7%)	49 (12.6%)	43 (11.1%)	13 (4.9%)
Stagnated-grew)	13 (3.2%)	12 (3.1 %)	7 (1.8%)	41 (10.6%)	27 (10.1%)
Stagnated-declined	0	7 (1.8%)	1 (0.2%)	18 (4.7%)	10 (3.7%)
Stagnated-stagnated	0	4 (1.0%)	0	45 (11.7%)	54 (20.1%)
Total available data	412 ((100.0))	389 ((100.0))	389 ((100.0))	386 ((100.0))	268 ((100.0))
No data	33 (7.4)	56 (12.6%)	56 (12.6%)	59 (13.3%)	177 (39.8%)
Total	445 100.0%	445 100.0%	445 100.0%	445 100.0%	445 100.0%

CRISIS IMPACT AND ENTERPRISE CHARACTERISTICS

What are the characteristics of enterprises hit by the crisis to different degree? Are there any differences in degree regarding to their size and ownersip? Size may be checked in three official statisitcal categories sales, fixed assets and employment. Table 5a, b, c contains all three of them.

Table 5a.

Level of crisis impact at different sized enterprises

SALE08

	Total	SALE08 1	SALE08 2	SALE08 3
CRSIMPCT 1	111	30	61	20
	(100.0%)	(27.0%)	(55.0%)	(18.0%)
	28.3	30.3	27.5	27.8
CRSIMPCT 2	234	58	131	45
	(100.0%)	(24.8%)	(56.0%)	(19.2%)
	59.5	58.6	59.0	62.5
CRSIMPCT 3	48	11	30	7
	(100.0%)	(22.9%)	(62.5%)	(14.6%)
	12.2	11.1	13.5	9.7
	393	99	222	72
	100.0	100.0	100.0	100.0

Note: CRISIMCT 1, 2, 3 represents strong, not so strong and mild crisis impacts respectively; SALE 1, 2, 3 show sale sizes large, medium and small scored according to official statistical criteria

Table 5.b

Fixed asset size and level of crisis impact in 2008

FIXASS08

	Total	FIXASS08 1	FIXASS08 2	FIXASS08 3
CRSIMPCT 1	110	6	13	91
	(100.0%)	(5.5%)	(11.8%)	(82.7%)
	26.1	30.0	27.1	28.1
CRSIMPCT 2	264	12	30	192
	(100.0%)	(5.1%)	(12.8%)	(82.1%)
	62.6	60.0	63.1	59.3
CRSIMPCT 3	48	2	5	41
	(100.0%)	(4.2%)	(10.4%)	(85.4%)
	11.4	10.0	10.4	12.7
	422	20	48	324
	100.0	100.0	100.0	100.0

Note: Crisis impact 1,2,3, means the degree of impact, strong, not too strong and faint respectively; FIXASS 1,2.3 means large, medium and small enterprises respectively

Table 5.c

Employment size and level of crisis impact in 2008

EMPLOY08

	Total	EMPL08 1	EMPL08 2	EMPL08 3
CRSIMPCT 1	110	5	39	66
	(100.0%)	(4.5%)	(35.5%)	(60.0%)
	27.3	23.8	31.5	26.6
CRSIMPCT 2	235	15	71	149
	(100.0%)	(6.4%)	(30.2%)	(63.4%)
	58.3	71.4	57.3	60.0
CRSIMPCT 3	48	1	14	33
	(100.0%)	(2.1%)	(29.2%)	(68.8%)
	11.9	4.0	11.3	13.3
	403	21	124	248
	100.0	100.0	100.0	100.0

Note: Crisis impact 1,2,3, means the degree of impact, strong, not too strong and faint respectively; EMPL 1,2.3 means large, medium and small enterprises respectively

From the point of view of sales the medium and large enterprises were hit the strongest and similar ratio order were in the faintly and not hit categories. From the point of view of employment and fixed assets, small and medium enterprises were hit the strongest.

The dispersion of the frequency among those of different sizes does not substantially differ in the case of different sensitivity to crisis within each of the statistical categories (sales, fixed assets or employment). Largest frequency in all sizes may be found in the „not-too strongly hit" category. This similarity in the distribution of frequencies does not change if we compare Sales to Fixed Assets and Employment. Only the number of enterprises within each size is changing according to different categories (sales, employment, fixed assets).

Dispersion of frequencies is also similar according to ownership categories and according to crisis extent, except for collectives and foreign ownership where the frequency of those hit strongly by the crisis is much higher than in other cases. Thus, same extent of crisis (strongly, not-too stongly, faintly) attained different size and ownership categories similarly.

LONG-TERM BEHAVIOR OF ENTERPRISES

We have seen economically rational short-term behavior in adaptation to crisis regarding production, profit, fixed assets, employment, migration and reactions to zero profit or losses. Would this economically rational behavior stand for longer term developments under critical conditions and the higher distribution activity of the decision-making structure in order to compensate the crisis?

The use of different kind of resources reveals the chances enterprises had in acquireing financial support for their projects. Major sources for investment were most frequently own sources 47.5% followed by bank loans 16.9%, and commercial credit 12.6 %. Institutions providing those sources were the following: 55% percent of the enterprises had resources from banks, 29.4% received commercial institutions, 29.4 invested from own sources, 18% bank acceptance, 13.7% from private firms, 13.5 from international financing, and 7% from other non-bank financing.

From all these sources only 13.5% of the enterprises had long-term debts. [6] What percentage could rely on resources connected to the stimulus package? This percentage is very low compared to the total number of the sample, suggesting a strong selection in the allocation of resources. From the 445 enterprises 83, that is 18.7 % was able to benefit from the stimulus package support introduced in late 2008. Support involved development potential, high-tech development, workplace development, new government orders, tax relieve etc. Taking enterprise size according to sales into account, during the researched years and combining it with the participation of enterprises in the stimulus support, (Table 6) one may see a strong bias towards larger enterprises compared to the sample's size distribution. Moreover, this bias increased with the years. This fact presumably motivates enterprises' drives for growth in order to fulfill the criteria of allocation.

Checking the distribution of stimulus support according to ownership (Table 7) and comparing it to the distribution in the sample it shows that the lowest was the ratio of collectives and private limited liability companies compared to their number in the sample. The highest was the participation of foreign enterprises[7] while state owned and state controlled enterprises did not represent more than their one fith and quarter respectively.

[6] Unfortunately most of these data regarding investments are indirect since only one third of the enterprises answered this question.

[7] This result may be biased, since the sample is not representative to foreign enterprises, it participates in the sample owing to random sampling of the basic data in the 12 subsectors.

Table 6

Tendencies of allocation of the stimulus support according to size and time

	Total	data known	large	medium	small	no data
STIMSUPP; SALE08	**83**	**78 (100.0%)**	**29 (37.2%)**	**39 (50.0%)**	**10 (12.8%)**	**5**
STIMSUPP; SALE09	**83**	**80 (100.0%)**	**35 (43.8%)**	**34 (42.5%)**	**11 (13.8%)**	**3**
STIMSUPP; SALE10	**83**	**83 (100.0%)**	**40 (48.2%)**	**37 (44.6%)**	**6 (7.2%)**	**0**
SALE08 sample	***445***	***393 100.0%***	***99 25.2%***	***222 56.5%***	***72 18.3%***	***52***
SALE09 sample	***445***	***411 100.0%***	***120 29.2%***	***228 55.5%***	***63 15.3%***	***34***
SALE10 sample	***445***	***433 100.0%***	***148 34.2%***	***236 54.5%***	***49 11.3%***	***12***

Table 7

Stimulus support and ownership types

	Total	data known	1	2	3	4	5	6	7	8	9
STIMSUPP; OWNERSH	83	83 (100.0%)	7 8.4% (9.3)	6 7.2% (37.5)	43 51.8% (17.6)	4 4.8% (19.0)	9 10.8% (25.7)	3 3.6% (13.0)	5 6.0% (62.5)	3 3.6% (25.0)	3 3.6% (27.3)
number			*75 100.0*	*16 100.0*	*244 100.0*	*21 100.0*	*35 100.0*	*23 100.0*	*8 100.0*	*12 100.0*	*11 100.0*
%			*16.9*	*3.6*	*54.8*	*4.7*	*7.9*	*5.2*	*1.8*	*2.7*	*2.5*

Note: ① a sole proprietorship; ② private partnership; ③ private limited liability private equity company; ④ state-owned; ⑤ state-controlled; (6) collective and holding; ⑦ foreign ownership; ⑧ Hong Kong, Macao and Taiwan holding; ⑨ mixed equity; percentages in parethesis are the number of privileged in a given ownership type compared to the number of enterprises in that ownership type of the sample.

The traditional preferences of a communist system regarding the distribution of resources are directed to large enterprises while enterprises in these systems are all state owned (Csanádi 1997, 2006). In the case of the transforming economic subfield largeness remains preferential distribution criteria but state owned and state controlled enterprises do not seem to have priority. Let us see if other traditional factors of allocation in party-

states such as the bargaining capacity through integration into the politically monopolized decision-making network (Csanádi 1997, 2006) has also changed as a result of economic transformation.

SELECTION AND RESOURCE DISTRIBUTION: THE GUANGXI

We shall see to what extent connections with the apparatus is necessary to survive and invest. Which are the most frequented and powerful organizations by the enterprises in the decision-making system at least in Z., according to questionnare results? Is there a difference in these connections according to enterprise characteristics?

The integration into the politically monopolized decision-making system in different ways, levels and dymensions first of all supports the bias towards large enterprises (Table 8). There are degrees in the strength of connections as well: very few have strong connection with the banks (5.4%) and with government institutions (8.3%). Percentage becomes higher if we take into consideration the „not too strong" connections with banks (21.3%) and with government institutions (16.4%) resulting in 25.7% and 24.7% respectively. Strong bank and government connections overlap in the case of 79.2% of the enterprises with strong bank connections, while the overlapping percentage is lower in case of enterprises with strong government connections (51.4%). The overlap is 85.2% (184 enterprises) in the case of those who do not have connections at all with one or the other.

The most frequented government organization from the point of vew of distribution[8] according to the response of sample enterprises is the DRC followed in decreasing order by the Land Bureau, Housing Committee, Cadre administration Bureau, and finally the Planning Bureau (Table 9). This refers to both strong selectivity in the connections and bargaining capacities of enterprises. It also reflects the conditions of the transforming economy where maximum 40% of the enterprises have connections to key organizations and minimum about 14%. However, the fact that 40% does have connections to the DRC, 36%t to Land Bureau, 30% to Housing Committee substantially surpassing the 14% ratio of state owned and state controlled enterprises, it suggests the other characteristics of a transforming economy: selective allocation in the politically monopolized decision-making structure implies strong connections with distributor organizations also in case of private enterprises. Data show that chances for connections and enterprise size are related since both large and medium sized enterprises are overrepresented compared to the basic ratios

[8] These organizations were selected by the author from the point of view of potential direct and indirect distribution of resources and not regarding general frequency of connections with organizations in the decisio n-making process. From this latter point of view it is evident, that the rank of institutions in frequency of connections begins with the Tax Bureau, Commercial Bureau, Environmental Bureau, Work Safety Bureau and only after these are the ones the distributor organizations follow.

of the sample, moreover, their ratio increases during the surveyed years to the detriment of small eneprises (Table 9). These results compared to the sample distribution are repeated according to both bureaus and time if we take the frequency of connections and sale size instead of fixed assets.

Table 9

Connections with distributor organizations and fixed asset size in 2008 and 2010

	Total	data known	Large	Medium	Small	no data
NETDRC; FIXASS08	131	110 100.0% 28.0	9 8.2%	17 15.5%	84 76.4%	21
NETDRC; FIXASS10	131	127 100.0% 28.9	15 11.8%	22 17.3%	9 70.9%	4
NTLANDBR; FIXASS08	124	104 100.0% 26.5	6 5.8%	12 11.5%	86 82.7%	20
NTLANDBR; FIXASS10	124	123 100.0%	10 8.1%	16 13.0%	97 78.9%	1
NTHOUSCM; FIXASS08	100	89 100.0%	11 12.4%	18 20.2%	60 67.4%	11
NTHOUSCM; FIXASS10	100	99 100.0%	17 17.2%	25 25.3%	57 57.6%	1
NTCADRMN; FIXASS08	49	42 100.0%	8 19.0%	4 9.5%	30 71.4%	7
NTCADRMN; FIXASS10	49	49 100.0%	9 18.4%	8 16.3%	32 65.3%	0
NTPLANBR; FIXASS08	36	30 100.0%	4 13.3%	5 16.7%	21 70.0%	6
NTPLANBR; FIXASS10	36	35 100.0%	7 20.0%	8 22.9%	20 57.1%	1
FIXASS in sample 2008	*445*	*392* *100.0%*	*20* *(5.1%)*	*48* *(12.3%)*	*322* *(82.6%)*	
FIXASS in sample 2010	*445*	*439* *100.0%*	*33* *7.5%*	*76* *17.3%*	*330* *75.2%*	

Note: NETDRC Connections to the Development and Reform Commission; NTLANDBR Connections to the Land Bureau; NTHOUSCM Connections to the Housing Committee; NTCADRMN Connections to the Cadre Administration; NTPLANBR Connections to the Planning Bureau. First percentage reflects the distribution of the frequency of connected enterprises by government organization and size.

Compared to the general 18.7%, those who had connections with the above organizations, had more chance to participate in the stimulus plan. This was the fact with 33.6% of those who had connections wit the DRC, 30.0% of those with housing committe and 22.6% with the Land Bureau, 42% of those with connections to Cadre Administration and 30.6 with connections to the Planning Bureau. Importance of connections to these

organizations lay in the ranking of preliminary criteria set by authorities for project acceptance: 55.5% of the enterprizes marked the obtainment of land, than qualification licence 48.5%, project approval 45.8%, and only 32.8 ranked financing to first place.

At the same time both competitive advantages and major problems they mention are market conforming. Competitive advantages in decreasing order of frequency: flexibility 45%, low price 44%, technology leader 42%, innovative 24% and business model 13%. Major major difficulties they mention in decreasing frequency were: rising raw material prices 56.0%, high labor costs 41.3% , lack of new technology 36.2% , lack of adequate liquidity 24.5 %, and high taxes 23.8%. Market conforming competitive advantages are reached and market oriented probelms are solved differently by those who have connections to the authorities and those who do not have.

Connections are not only active in the direction of organizations of the decision-making structure, but also the other way round: results suggest that about 58% of the enterprises had been visited by different level government officials increasing their capacity of networking and chances to be bailed out or participating in investment projects (Table 10). 18.4% were visited by leaders at- or above provincial level, 12% by leaders of city level, 16% by leaders from county level and 11% from below county level. Visits reveal size and crisis sensitivity of the government staff. This is visible on Table 10. no matter their level of administration.

Table 10

Crisis sensitivity of government officials reflected by visits from different levels

	CRSIMPCT				
	1 (seriously)	2 (slightly)	3 (little)	No data	Total
NTVSTPR	24 29.3%	52 63.4%	6 7.3%	0 0.0%	82 100.0%
NTVISCIT	18 32.7%	27 49.1%	10 18.2%	0 0.0%	55 100.0%
NTVSCOUT	18 25.4%	50 70.4%	3 4.2%	0 0.0%	71 100.0%
NTVBILCN	13 26.5%	32 65.3%	4 8.2%	0 0.0%	49 100.0%

Note: NTVSTPR visitors from provincial level and above; NTVISCIT visitors from city level; NTVSCOUT visitors from county level; NTVBILCN visitors from below county level

Similar sensitivity is reflected in Table 11. regarding the strength of connections with banks and government departments in case of serious impact and less serious impact for those who have connections. However this sensitivity is focused on those who have connections with banks and government departments, rather than those who do not have, no matter the impact of the crisis on them.

Table 11

Crisis sensitivity of banks and government departments towards those who have and have not connections

	CRSIMPCT			
	1 (seriously)	2 (slightly)	3 (little)	Total
GXBANKS1	8 33.3%	10 41.7%	6 25.0%	24 100.0%
GXBANKS2	22 23.2%	62 65.3%	11 11.6%	95 100.0%
GXBANKS3	55 26.7%	122 59.2%	29 14.1%	206 100.0%
GXGOVDEP1	7 18.9%	25 67.6%	5 13.5%	37 100.0%
GXGOVDEP2	21 28.8%	44 60.3%	8 11.0%	73 100.0%
GXGOVDEP3	61 28.2%	121 56.0%	34 15.7%	216 100.0%

Note: GXBANKS1 strong connection to banks GXBANKS2 less strong connection to banks GXBANKS3 no connection to banks. GXGOVDEP1 strong connection to government departments; GXGOVDEP2 less strong connection to government departments; GXGOVDEP3 no connection to government department

To what extent visits and connections with government organizations and banks previewed a bail-out for those enterprises who were connected to these organizations? Table 12 shows that connections are crisis sensitive. The distribution of connected enterprises according to fixed assets and the different impact of the crisis is compared to the sample data regarding degrees of the crisis. Those enterprises who were seriously hit by the crisis were overrepresented in the case of all institutions, though to a different degree. Those who were slightly hit were underrepresented in the connection with each distributor. In the case of land bureau, cadre administration and planning buro also those were overrepresented who did not sense the crisis (Table 12).[9]

[9] The motivation for connection with distributors should be important even without being hit by the crisis for reasons of distribution of resources. However why are those mildly hit underrepresented while those who were avoided by the crisis overrepresented in some cases canno be revealed from the questionnaire.

Table 12

Connections with different distributive organizations in 2008 and the degree of the crisis

	Total	data known	1 CRISIS (seriously)	2 CRISIS (slightly)	3 CRISIS (little)	no data
NETDRC; FIXASS08	**131**	**131 100.0%**	**42 32.1%**	**75 57.3%**	**14 10.7%**	**0**
NTLANDBR; FIXASS08	**124**	**124 100.0%**	**35 28.2%**	**72 58.1%**	**17 13.7%**	**0**
NTHOUSCM; FIXASS08	**100**	**100 100.0%**	**33 33.0%**	**56 56.0%**	**11 11.0%**	**0**
NTCADRMN; FIXASS08	**49**	**49 100.0%**	**15 30.6%**	**27 55.1%**	**7 14.3%**	**0**
NTPLANBR; FIXASS08	**36**	**36 100.0%**	**9 27.9%**	**21 58.3%**	**6 16.7%**	**0**
FIXEASS08	**814**	**814 100.0**	**220 27.0**	**498 61.2**	**96 11.8**	

Note: NETDRC Connections to the Development and Reform Commission; NTLANDBR Connections to the Land Bureau; NTHOUSCM Connections to the Housing Committee; NTCADRMN Connections to the Cadre Administration; NTPLANBR Connections to the Planning Bureau

Visits however do not necessary bring about government funding for investments. Only four enterprises were funded from central, other four from ministerial level government institutions, 14 from provincial level government and 26 below provincial level government for new investments between 2008 to 2010. This is true for the stimulus support too. The stimulus support has been acquired by one third of those enterprises who had been visited by officials from different levels. Those, however, who had been visited from higher levels had higher chances for participation in the stimulus plan than those at lower levels. Those who were visited but did not get support from the stimulus package did not show frequency differences according to visiting levels. (Table 13) Naturally, visits may be consequences and not causes of size, crisis impact, connections and participation in the stimulus package or reversed.

From the point of view of the 83 enterprise who got the support, they had connections twice as frequently with the DRC than the enterprises in the sample (53% compared to 28.0%), had more frequently connections with the Land Bureau (36.1% as opposed to 22.7% in the sample) but had half frequently connections with the Housing Committee and (13.3% as opposed to 26%) in 2008.[10]

[10] Only interviews would reveal the reasons of lower percentage in this case.

Table 13

Enterprises visited by authorities and their participation in the stimulus package

	STIMSUPP			
	Yes	No	No data	Total
NTVSTPR	35 52.2%	47 24.7%	0 0.0%	82 31.9%
NTVISCIT	9 13.4	46 24.2	0 0.0%	55 21.4
NTVSCOUT	17 25.4%	54 28.4%	0 0.0%	71 27.6%
NTVBILCN	6 8.9%	43 22.6%	0 0.0%	49 19.1%
	67 100.0%	190 100.0%	0 0.0%	257 100.0%

Note: NTVSTPR visitors from provincial level and above; NTVISCIT visitors from city level; NTVSCOUT visitors from county level; NTVBILCN visitors from below county level

Table 14 shows that bank and government connections increased the chances of participating in the stimulus package. Substantially higher was the percentage of those enterprises who have received support who had strong bank and government connections than those who had looser ones and those who did not have any.

Table 14

Strength of connections and the stimulus support

	STIMSUPP		
	Yes	No	Total
GXBANKS1	9 37.5%	15 62.5%	24 100.0%
GXBANKS2	20 21.1%	75 78.9%	95 100.0%
GXBANKS3	28 13.6%	178 86.4%	206 100.0%
GXGOVDEP1	15 40.5%	22 59.5%	37 100.0%
GXGOVDEP2	18 24.7%	55 75.3%	73 100.0%
GXGOVDEP3	26 12.0%	190 88.0%	216 100.0%

Note: GXBANKS1 strong connection to banks GXBANKS2 less strong connection to banks GXBANKS3 no connection to banks. GXGOVDEP1 strong connection to government departments; GXGOVDEP2 less strong connection to government departments; GXGOVDEP3 no connection to government department

This fact presumably motivates enterprises for integration into the network in as many dimensions possible and to increase the strength of the connections.

However, according to the data the network of those who had positions at all has somewhat contracted during the critical period: more enterprises were without contact in 2010 than in 2008, and the number of contaced organizations decreased but these numbers were very small compared to those formerly having and even more to those deprived of them.

Connections and bargaining capacities for interest promotion have evolved not only during the different visits and development of connections with banks and different government departments. Personal position and participation in political and government decision-making forums also matter in increasing bargaining capacities for resources (Table 15). This privilege is given to few.[11] Positions were more frequent in peope's deputy at all levels, as main leader in industry or commercial association and CPPCC member at all levels. The sum of personal connections somewhat expanded during the years as opposed to the slight decline in government connections during the critical period.

Table 15

Personal network of the enterprise leadership in state and political fields

identities	2008	2009	2010
1 as a people's deputy at all levels; PSPCNG+STPSPC	**79 (17.7%)**	**88 (19.8%)**	**89 (20.0%)**
2. as a CPPCC member at all levels; PSCCCP+STPSCC	**52 (11.7%)**	**52 (11.7%)**	**49 (11.0%)**
3. as a consultant or member of government decision-making at all levels; THNKTN+STTNKT	**14 (3.1%)**	**8 (1.8%)**	**17 (3.8%)**
4. as a government official; GOVOFL+STGVOF	**4 (0.9%)**	**6 (1.3%)**	**6 (1.3%)**
5. as a member of CPC committee of or above township level; CPCMB+STCPC	**5 (1.1%)**	**6 (1.3%)**	**5 (1.1%)**
6. As a main leader in industry or commercial association ICASOC+STICAS	**69 (15.5%)**	**78 (17.5%)**	**78 (17.5%)**
Sum of personal connections	**223**	**228**	**244**

Note: Percentages are formed by the number of connected enterprises whose manager bears a given status divided by 445, the total number of enterprises.

[11] In order to focus on enterprise position in the network the positions of the two economic leaders were added up, some of which overlap, some others don't.

CHARACTERISTICS OF SELECTION IN RESOURCE DISTRIBUTION

Who are those enterprises who had the chances to participate in different investment activities and what was their way of adaptation compared to those who did not have the chance to participate in such privileges? Putting together 7 direct or indirect (partially overlapping) factors of resource distribution from the questionnaire we shall have (Table 16).

Table 16

Seven sources of direct or indirect allocation during 2007-2010

Factor of allocation	Number of enterprises priviledged
Longterm debt	60
Stimulus support	83
Investments directly related to stimulus plan	42
Urgent need for long-term financing	49
Slight longterm financing gap to be financed	56
Projects financed by provincial government	13
New project	41

Chances of being privileged by any one or several of these direct or indirect sources are examined in the following way: Chances (Ch): the number of received privileges (Pr) by the given enterprise group times the number of enterprises in the group (N), divided by all potentially receivable privileges (PPr) in the group times the number of enterprises in the group (Ch = PrxN/PPr.xN). Groups are represented by different enterprise characteristics: size, ownership, subordination, personal and institutional network (having and deprived of it), the different level involvement in the crisis and different economic behavior. Based on these calculations we shall get an average result involving all the enterprises of the sample and this will be compared to the percentage of chances in different groups.

Average chance of all enterprises in the sample to participate in such priviledges was 11%. Compared to that, size proved to be an important criteria of allocation in which being large increased the chances of participation (Table 18). Taking different size-categories into consideration (sales, fixed assets and employment), higher chances of the large ones were shown in all of them but even among them those were more frequently preferred who were large according to employment, followed by those in fixed assets and lastly by sales. This rank among categories prevailed along the three years of examination, though chances declined somewhat in all categories, except their substantial growth for large enterprises in 2009. Small ones were under average in all categories with slight further decline of their chances along the three years.

Table 18

Chances of enterprises to be privileged according to size groups and categories

Size	Large	Medium	Small	Large	Medium	Small	Large	Medium	Small
Categ	Sales08	Sales08	Sales08	Sales09	Sales09	Sales09	Sales10	Sales10	Sales10
	3.1	-0.1	-2.9	2.8	-0.2	-1.7	1.9	-0.5	-2.8
Categ	FixedA08	FixedA08	FixedA08	FixedA09	FixedA09	FixedA09	FixedA10	FixedA10	FixedA10
	4.7	2.7	-0.2	11.6	1.3	-0.6	4.2	2.2	-0.8
Categ	Empl08	Empl08	Empl08	Empl09	Empl09	Empl09	Empl10	Empl10	Empl10
	18.3	1.6	-1.8	16.9	2.9	-2.2	12.8	2.3	-2.4

Note: Numbers show the deviation from the average which is 11% ("-" means below average, "+" means above average)

Also ownership matters in the allocation of privileges (Table 19). Preferences are focused on state owned and state-controlled enterprises, though large size shows larger positive deviations.

Table 19

Chances of get privileged according to ownership types

	1	2	3	4	5	6	7	8	9
%	-5.4	-2.0	0.5	4.0	4.9	0.2	3.3	2.1	12.4

Note: ① a sole proprietorship; ② private partnership; ③ private limited liability private equity company; ④ state-owned; ⑤ state-controlled; (6) collective and holding; ⑦ foreign ownership; ⑧ Hong Kong, Macao and Taiwan holding; ⑨ mixed equity; percentages in parethesis are the number of privileged in a given ownership type compared to the number of enterprises in that ownership type of the sample. Numbers show the positive or negative deviation of chances from the average.

Also subordination to different administrative levels with uneven allocative power and different bargaining capacities for the sake of subordinated enterprises proved to be a strong criteria for allocation: enterprises subordinated to the central level administration had much higher chances for participation -- and higher than any size and ownership criteria and so does local government affiliation (Table 20).

Table 20

Chances to get privileged according to administrative subordination

	10	20	40	50	62	63	72	90
%	18.5	0.4	7.3	-0.2	0.2	-3.9	6.1	-0.8

Note: 10 central 20 provincial, 40 city, 50 district, 62,63,72,90 others. Numbers show the positive or negative deviation of chances from the average.

Not only different level subordination provide different bargaining capacities for enterprises but the different extents of connection with banks and government institutions show the uneven chances of enterprises: the stronger the connections the higher the chances, and no connections show chances below average (Table 21).

Table 21

Chances to get privileges and strength of connection with banks and government departments

Strength of connection	No connection	Strong	Less strong	Mild
Banks	**-2.8**	**8.6**	**2.2**	**1.5**
Government departments	**-2.6**	**7.1**	**5.2**	**-0.5**

Note: Numbers show the positive or negative deviation of chances from the average.

There is even a clear hierarchy among government authorities the connections with whom will increase the chances of being privileged in decreasing order Planning Bureau, DRC and Land Bureau (Table 22). Chances of those who have no connections are below average. Table 23. shows that central level visits to the enterprises add substantially to the chances of being privileged. Naturally causes and consequences are mixed in all cases.

Table 22

Hierarchy of chances according to goverment authorities and level of official visits

Institutions	Chances of those who have connections	Chances of those who do not have connections
Planning Bureau	9.6	-0.8
DRC	6.9	-2.8
Land Bureau	4.2	-1.6

Note: Numbers show the positive or negative deviation of chances from the average.

Table 23

Hierarchy of chances according the level of official visits

Level of official visits	Chances of those who have connections	Chances of those who do not have connections
Official visits from prov. level or above	13.0	-2.9
Official visits from city level	1.2	-0.1
Official visits from county level	-3.0	0.6
Official visits from below county level	-0.5	0.1

Note: Numbers show the positive or negative deviation of chances from the average.

Besides selective institutional attention attributed to size, ownership, subordination, and institutional network, personal integration into the decision-making stucture through positions of the enterprise leadership acquired in different political and state committees

also provide higher chances compared to the average and below the average chances of those who do not have such positions. These positions are the following: people's parliamentary deputy at all levels; a CPPCC member at all levels; consultant or member of government decision-making at all levels; a government official; member of CPC committee of or above township level; and main leader in industry or commercial association. Checking the chances by individual positions interestingly enough being a think-tank has given the highest chance above average among positions in 2008 and increased way further in 2009, than dropped in 2010, still remaining the highest among all positions. The highest frequency was of being people's parliamentary, party congress and heads of commercial and industrial association at any level, but these positions ensured lower chances than being think-tank. Being party committee member of or above township or higher level was for few enterprise leaders and its below average chance in 2008 increased with the years to above average, suggesting increased activity in the decsision-making process after 2008. [12]

Table 24 shows both the below average chances of those who do not have any of the mentioned social, state and political positions, and that of those who have any one, two, or mor than two of those positions in the party-state network in the examined years. The combination of two or more of such positions in an enterprise provide the highest chances.[13]

Table 24

Accumulation of personal positions of the enterprise leadership and chances for being privileged

Positions	0	1	2	More than two
2008	-1.5	1.0	6.8	7.4
2009	-1.8	1.3	6.6	4.0
2010	-1.8	1.2	6.2	6.0

Note: 0 means that the enterprise leadership have no such positions; 1,2, more means the number of simultaneous occurrence of those positions. Numbers show the positive or negative deviation of chances from the average.

Bargaining capacity and thereby chances to get resources further increases with the right collaterals in applying for resources (Table 25). For those who do not have collateral, chances are below average. For those who have, chances are high above average, while further increase if they are guaranteed by the government. Chances differ if a private insurance company is the collateral compared to a government collateral, or if the two types jointly form the garantees naturally involving less and less enterprises having this chance.

[12] Being government official was so rare that this does not provide statistically realistic results.
[13] It is unclear why combination of three positions would give lower and declining chances with the years. Some counting mistake might be in the background that will be corrected later on.

Table 25

Chances to get privileges and the type of backing collaterals

No collateral	Have collateral	Private guearantee company	Government guaranteed company	Priv+gov
-1.1	**8.7**	**6.5**	**8.8**	**14.7**

Note: Numbers show the positive or negative deviation of chances from the average.

Were these enterprises with higher chances specific from economic point of view? What impact did the crisis have on those and what was their economic behavior during the critical years of the crisis? Were these strongly integrated enterprises economically sensitive? The nature of their economic sensitivity is shown through allocation preferences of the authorities: These enterprises, had substantially higher chances to get the privileges if they were exporting (17.0, 16.5, 18.5 along the three years), compared to those who were not (-1.1, -1.0, -1.3 along the three years). They had somewhat higher chances for resource allocation if they were strongly hit by the crisis (2.9) and chances declined radically if they were hit mildly (-0.4) or were not sensitive to the crisis (-4.4). Both export and crisis sensitivity of authorities suggests that the character of resource allocation for investment was bail-out, supposedly to overarch export losses, or showing strong sensitivity to crisis provided bargaining capacity along the network, threatening it with its destabilization. If we recall that allocation preferences were biased towards large and integrated enterprises we can stress that this sensitivity was selective. Same seems to be the reaction of authorities for these selected enterprises in case of zero profit or loss. Allocation preferences and integration incites different economic behavior of privileged enterprises compared to economically rational behavior of the sample enterprises in general. While in this latter case higher was the frequency of reactions that would keep the enterprise on the market through rationalization of costs, production structure, retrainment of staff in the case of privileged enterprises the chances of being privileged were higher in case of raising funds, investing in Rand D, and location change. Chances for being privileged would have been around the average if choosing physical withdrawal from the market -- moves that in general enterprises scored the less frequent as reactions in case of zero profit or loss. Chances were well under average for those who either laid off or employed migrants or have cut auxiliary industry in case of zero or negative profit. Both over the average, average and below average chances suggest that for these enterprises the drive for growth and resource acquisition through investments is the solution to increase chances to become privileged rather than market oriented rationalization.

Economic consequences of behavior of privileged enterprises during crisis may be tracked through the dynamics of some simple economic indicators (Table 26). The most coherent incentives during the three examined years were shown regarding the decrease of migrant employment since chances were below average in case of steady migrant growth, recovering growth of migrants and well above average in case of steady migrant decline, or late reactions (first growht than decline) motivating layoff. Meanwhile chances were somewhat over the average in case of recovering production and profit, and steady growth in employment and below average chances in most indicators in case of stagnation or steady decline in employment. These were also motivating growth for resource distribution parallel to development motivations in case of zero and negative profit and over the average chances for resource acquisition in case of being strongly hit by the crisis.[14]

Table 26

Sensitivity of privileged enterprises during crisis period

	Steady growth (Grew-grew)	Late reaction (Grew-declined)	Recovering (Declined-grew)	Steady decline (Declined-declined)	Else+
GOV	**-1.4**	**0.1**	**2.9**	**1.8**	**-3.2**
Fixed Assets	**0.2**	**1.6**	**-0.3**	**1.5**	**-0.2**
Profit	**-0.2**	**0.1**	**2.8**	**0.1**	**-2.8**
Employment	**2.0**	**1.9**	**-3.1**	**-1.7**	**0**
Migrant	**-3.9**	**-4.3**	**-2.1**	**9.9**	**1.5**

Note: + Else involves stagnation in the dynamics

CONCLUSIONS

We have analyzed allocation preferences of authorities during the crisis period in one city. This does not allow us to confirm or reject our initial question whether a crisis incited stronger state intervention differs from the allocation preferences in general. What we can stress is that during these three years of observation when crisis hit the most resource distribution criteria did not differ from those characteristic in party states. Large and strongly integrated enterprises into the decision-making system were in the focus of distributing authorities sccording to politically rational selection criteria (Csanadi, 2006, 2008). The fact that party-state characteristics of allocation preferences prevail in a transforming economy at least during crisis, this apparently drives enterprises to

[14] Incoherence with this argument is found in case of the below the average chances of being privileges in case of recovering employment.

scysophrenic behavior regarding short-long-term. On the short-term, enomically rational and profit-sensitive trying to remain on the market through rationalization of production. On the long-term drive for growth and networking fulfilling politically rational criteria of resource distribution for the sake of resource aquisition. Schysophrenic motivations regarding market and long-term drives for growth and integration into the decision-making network becomes even more visible if comparing average chances to be part of allocation privileges and enterprise characteristics of those privileged. Chances to get privileged are above the average for enterprises which are large, state-owned or state-controlled, centrally subordinated, with strong connections to banks and government departments and who have combined personal positions in party and state forums, with government as collateral, exporting and strongly hit by the crisis reacting to zero or negative profit with fund raising and R and D rather than rationalization. On the other hand, chances are below average for those non-state medium and small enterprises subordinated to lower levels of the administration who were not as strongly hit by the crisis but profit sensitive reacting to zero profit or loss with rationalizations of production and producing factors, have no strong connections to banks and government departments and have no collaterals. Despite substantial economic transformation allocation preferences of state intervention during crisis motivate drive for growth and integration into the decision-making network rather than adaptation to market circumstances. Politically rational distribution criteria and according drive for growth may be in the background of investment overheating.