

**Stockholm School of Economics
Master of Science in Business and Economics
Specialization in Management
Master's Thesis**

Applying Organizational Theories to a One-party State

**Using Imprinting, Contingency and Institutional Confusion Theories,
to Analyze the Evolution of China's Party-state**

Organizational theories are infrequently used to analyze states, despite states having similarities with other organizations, and very rarely used to analyze non-democratic, socialist one-party states. This retrospective longitudinal study applies imprinting, contingency and institutional confusion theories, to analyze the evolution of China's Party-state, the intertwined organizations of the People's Republic of China and the Communist Party of China, since the founding of the People's Republic in 1949 and until the present. It shows that organizational theories are useful, when analyzing non-democratic, socialist one-party states. China's Party-state was established after Soviet model, and the paper shows that it exhibits path-dependence in relation to its founding-era imprints. Its leaders are in an ongoing process of negotiation between the Party-state's founding-era imprints, organizational concepts and ideologies from the early 20th century USSR, and local environmental constraints in late 20th century and contemporary China, reflected in adjustments in the state's political ideology, economic policy and organizational structure. The paper introduces new terminology, drawing on organizational theory, to describe the People's Republic's history: 1949-1956 as "Founding Era Imprinting," 1956-2012 as "Era of Adjustments," and 2012- as "Return to Founding Era Imprints." The paper also uses institutional confusion theory, to introduce the term "company-ized state," to describe state-dominated economies, where the state's responsible for managing a vast empire of enterprises, and has itself started to act more like a corporation, than as a political organization.

Keywords: Imprinting, Contingency theory, Institutional confusion, China

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INTRODUCTION

Applying organizational theories in a new setting

Organizational theories are more often applied to companies than to government organizations, and rarely applied to entire states. Ahrne writes that in organizational studies, there's a tradition of studying companies, not states. Likewise, in political science, there's a tradition of studying states, not companies (Ahrne 1998: 123-125; Rothstein 1996: 34-35). However, there are similarities between companies and states. Both organizational types are *social conglomerates* (Ahrne 1998: 129). Both *shape, and are shaped by, their environment* (Pfeffer, Salancik 1978). The similarities make it seem relevant using political science theories to analyze companies, and organizational theories to analyze states. "Many organizational theories could be applied to states. Similarly, many theories associated with states, are applicable to companies" (Ahrne 1998: 123). Cross- and interdisciplinary research have led to the creation of several new fields of science, in natural- and social sciences, a process likely to continue. This may be done through explaining aspects of one discipline, in terms of another. In the relatively new organizational studies field *Business, Government, Society (BGS)*, a political science perspective is used to analyze companies (Steiner 2011). This study will do the reverse, analyze a state using organizational theories, normally used to analyze companies.

To the extent that organizational theories deal with government organizations and states, it's with *democratic states*. This study will apply organizational theories to a *non-democratic, socialist one-party state*, with a state-sanctioned ideology, a *state orthodoxy*, something which is very rarely done. It'll apply Stinchcombe's *social imprinting theory*, and *contingency theories*, to analyze the evolution of China's Party-state, since the founding of the People's Republic of China in 1949. It'll also apply Brunsson's *institutional confusion theory* to analyze China's Party-state in terms of *company-ization*, and its state-owned enterprises in terms of *politicization*. The study aims to show that it's possible and valuable using organizational theories to analyze non-democratic, socialist one-party states. Doing so broadens the field where organization theories are applied, and brings new insights from applying its theories in a new setting. It brings theoretical insights from another branch of social science, to political science. It also broadens the understanding of China, the world's second largest economy, and its ruling communist party, the world's largest political party.

The Chinese Communist Party was founded in 1921, with the help of Soviet advisors. It waged a several decades-long civil war on the Nationalist Chinese government, defeated it, and declared a new state, the People's Republic of China, in 1949. The new state was heavily influenced by the Soviet Union (USSR). For those unfamiliar with Soviet political terms, it's recommended to read the Glossary.

I wish to express gratitude to my alma mater the School of Oriental and African Studies, University of London, where I did a Bachelor of Arts in Classical and Modern Chinese, for allowing continued access to their research library, without which this paper wouldn't have been possible.

Research questions

General research questions

How could organizational theories be applied to China's Party-state, a non-democratic, socialist one-party state?

What's the value of applying organizational theories to a non-democratic, socialist one-party states?

How does it contribute to the understanding of of China?

Specific research questions

1. What are the founding-era social imprints on China's Party-state? China's Communist Party and People's Republic were founded during the first half of the 20th century and influenced by the USSR. Have this left imprints on these organizations?

2. Did the new Soviet-type organization structure fit China's environmental conditions? China's Communist Party aimed to establish a Soviet-type centrally planned economy in China. Did this new, foreign organization structure, fit China's environmental conditions?

3. How was the new organization structure adjusted, to increase its fit with environmental conditions in China?

4. Did the Party-state's policies exhibit path-dependence in relation to its founding-era imprints, as it tried to adjust its organization structure to fit China's environmental conditions?

5. Do Party-state policies still exhibit path-dependence?

6. In terms of contingency theories, what's the difference between how socialist one-party state organization structures in Eastern Europe and China, changed to fit environmental conditions?

7. Can the evolution of China's Party-state's organizational structure be explained in terms of social imprinting and contingency theories?

8. Viewed as an institution, does the Party-state exhibit institutional confusion?

LITERATURE REVIEW

Applying organizational theories to states

The idea behind this paper, was conceived when reading an anthology by Ahrne (1998), with contributions of Papakostas, asking “Could entire states be analyzed, using organizational theories?” This paper aims to do just that, but take one further step into unknown territory, by using organizational theories to analyze a *non-democratic, socialist one-party state*, something which has rarely been done before. We'll begin with a short overview of Ahrne's and Papakostas' thoughts, on analyzing states with organizational theories.

As organizational forms, companies and states have influenced, and borrowed elements, from each other. During the 1960s, the state was viewed as the optimal form, and companies tried resembling it. During the 1990s, the company has been viewed as optimal, and states sought to resemble it (Papakostas 1998: 203). Companies and states are the same type of social phenomenon, *social conglomerates*. They cannot exist without members. They have defined borders and a certain autonomy toward their environment, yet *shape their environment and are shaped by it* (Pfeffer, Salancik 1978). Both can be *interpreted as organizations or institutions* (Ahrne 1998: 129). There's nothing more mystical about states than companies, states only have a longer history and more organizational mythology (Ahrne 1998: 136).

Although there've been attempts at coupling organizational theory and political science, the two academic disciplines have traditionally been separated, and rarely confronted with each other (Ahrne 1998: 123; Rothstein 1996: 34-35). Organizational theory has been perceived as primarily relating to companies, although many organizational theories draw on studies of states (Ahrne 1998: 124). Organizational theories have been overly influenced by the image of the company, as ideal organization type, overlooking the state (ibid.: 125). The term *bureaucracy* is today associated with state bureaucracy (ibid.: 24), although Weber wrote about bureaucracy as a phenomenon of large companies and states (Weber 1983: 151).

Given the similarity between the two organizational forms, it could be useful applying theories relating to one of them, to the other. *Many organizational theories are applicable to states*, and political science theories to companies. Through *contingency theories*, companies' relationship to their environment have gotten more attention. Like companies, *states are influenced by, and influence, their environment* (Papakostas 1998: 205). State organizations exhibit a pattern of variation, seemingly dependent on environmental contingencies, similar to companies (Papakostas 1998: 209).

Similarities between companies and states include: *Membership includes submitting to an authority* (Coleman 1990: 66, quoted by Ahrne 1998: 130). States' authority over subjects, is based on citizenship, a compulsory membership (Ahrne 1998: 131). Companies can exclude members not following rules (Barnard 1968: 169, quoted by Ahrne 1998: 138). As citizenship's permanent, states put citizens in prison, as means of exclusion, to uphold its authority (Ahrne 1998: 147). *Organizational culture's a cohesive force, keeping an organization together and*

giving it structure, in companies and states (Ahrne 1998: 136). It's especially important if members have frequent contacts with the environment, as in service companies and states, and in highly fractured organizations, as states: "Without strong cultural bonds, atomized work units fly off in a centrifugal plane" (Deal 1988: 193; Heydebrand 1989: 347). States build organizational cultures, a national culture with anthem, flag and mythology, giving members shared identity (Anderson 1983). *Sub-organizations of states, are part of them, similar to how subsidiary companies are part of corporate groups* (Ahrne 1998: 135). Despite a certain autonomy, sub-organizations of states and companies, are subject to a superior organizational authority.

Three organizational theories

WHY THESE THEORIES?

Imprinting, contingency and institutional confusion theories will be used to analyze China's Party-state. The choice of theories was guided Papakostas' and Ahrne's writings on similarities between states and companies. Like companies, states *are influenced by, and influence, their environment* (Papakostas 1998: 205). Both *shape their environment and are shaped by it* (Pfeffer, Salancik 1978, quoted by Ahrne 1998: 129). Imprinting and contingency theories highlight organizations' *relationship to their environment*. It would be particularly interesting to apply these theories to non-democratic, socialist one-party states, conceived as closed entities, with relatively little interaction with their environment (Naughton 2006: 380). Both companies and states can be *interpreted as organizations or institutions* (Ahrne 1998: 129). Institutional confusion theory allows us interpreting the Party-state as an institution, more specifically as a company.

Imprinting

There's a correlation between an organization's time of founding, and its organizational structure. Organizations adopt organizational technologies prevalent during the period of their founding and seem *socially imprinted* by these and their environment, during this period (Stinchcombe 1965). These social imprints leave a lasting legacy, social conditions and organizational technologies of its formative period, are later reflected in its organizational structures and organizational ideology (Stinchcombe 1965; Papakostas 1998: 210).

As the organization then matures, stiffens and becomes more resistant to change, the founding-era organizational structures and ideologies remain, despite changing environmental conditions. *Organizations adopt the organizational technologies prevalent during their time of founding, without being able to fully modify these organizational technologies during later periods* (Stinchcombe 1965; quoted by Papakostas 1998: 216). There are similar generation-effects in companies and states, founded during different periods (Papakostas 1998: 219).

This is a *structural lock-in*. Once an organizational structure's established, the number of possible organizational changes during later periods, are restricted. Because of these restrictions, organizational development becomes *path-dependent*, future changes become dependent on historical experiences. That the number of possible changes are limited, leads to

bounded rationality, and to the organization eventually becoming *inadequate and outmoded*, as it cannot adjust sufficiently to environmental changes (Papakostas 1998: 210).

Change in both companies and states, is path-dependent. Both organizational types exhibit inertia and resistance to change (Romanelli 1994; Krasner 1984). The pace of change is related to the organization's regulatory framework and decision-making procedures (Ahrne 1990, 1994). Change in states may be slower, as states' decisions are often codified as laws, take longer time to change through democratic and parliamentary procedures, and require participation of more people, than decision-making in companies (Papakostas 1998: 218).

An imprint on Soviet-type planned economies: The machine bureaucracy

Mintzberg's *machine bureaucracy* is a common organizational model in industrial production. It's an approximation of the Weberian ideal type of bureaucracy, and a rational adjustment to an industrial society's stable conditions. The stability in the environment, allows the company to organize its operations in a fast and routinized work mode. This is a predictable mode of production, allowing for extensive planning, with hierarchical and well-defined positions, clear lines of command, and where supreme decision-making power is gathered at the top of the organization (Mintzberg 1993; quoted by Papakostas 1998: 211).

Contingency theories

The second section provides an overview of contingency theories, and their premise that organizations must adjust to conditions in their organizational environment (Donaldson 1999; Galbraith 1973; Morgan 2007; Scott 1981; Van de Ven 1984).

Early organizational theories, as Weber's theories on bureaucracy and Taylor's scientific management theory, focused primarily on how *internal factors* influenced organizations' structure and management style, and less on the environment's influence. Organizations were viewed as *closed systems*. Early organizational theorists sought to develop generalizable *one-fits-all models*, applicable to different companies, irrespective of their individual characteristics (Papakostas 1998: 210).

These early theories had a tendency to view organizations as *machines*. Departments and employees were cogwheels and bolts which should be fitted into a rigid but efficient *bureaucratic hierarchy*. Commands had to be obeyed, for efficiency to be achieved. There was little need, or incentives, for individual initiatives or innovative new ideas from lowly employees (Grobman 2005: 350).

In 1967 three works were published, forming the basis for a new group of *contingency theories* (Lawrence, Lorsch; Thompson; Perrow), focusing on how *environmental factors* influence organizational structure and management. Optimal structure depends on the individual organization's external and internal situation, on how well it satisfies the organization's external and internal constraints, rather than on how well it resembles a prescribed one-fits-all organizational model. The concept *fit (alignment)*, particularly between organizational structure and environmental factors, is central.

Due to large differences between organizations' respective environment, *no single model can fit all organizations*. There's no single optimal one-fits-all way to structure and manage organizations. A particular organizational model may be useful in some situations, but not in others. The contingency theories represented a radical break with previous management theories, e.g. Taylor's scientific management, according to which organizations were to be structured after general models, to reach predefined objectives as high efficiency and output.

Premises underlying contingency theories

Organizations are not closed systems, which don't interact with their respective environments, but *open systems*, which interact closely with, and are dependent upon their environments (Scott 1981).

As the environment is crucial to the organization, it must *adapt to the environment*. Both the organization as a whole and its subsystems, must achieve a *fit (alignment) with the environment*. Both the organization and its environment have needs, and the organization's leaders must achieve a balance, where both are satisfied (Van de Ven 1984).

As organizations must adapt to their environments, and environments vary greatly, there is no single optimal type of organization, but *different types of organization are better suited for different environments*. What type of organization that's optimal, as well as specifics as to its configuration, is contingent upon environmental factors (Donaldson 1999; Galbraith 1973; Morgan 2007; Scott 1981).

Organizations' adjustment to the environment, is driven by organizations' *adaptive change* to the environment, and by *environmental selection processes* through which unfit organizations are eliminated.

Environmental selection processes: Organizations of different types compete. Weaker ones are eliminated and stronger ones survive, through a process of natural selection. Characteristics as organizational structure and centralization of decision-making power, are determined by environmental demands and restrictions. Changes occur when older organizational types are eliminated by newer ones, or when older organizations successfully manage to adapt themselves to the new requirements of a changing environment (Freeman, Hannan 1977; 1989). These ideas have developed into the field of organizational ecology, where the establishment, change, longevity and mortality of organizations are studied (Aldrich 1979; McKelvey 1982; Baum 1999).

Adaptive change: Leading individuals and coalitions in organizations, change the organization to increase its fit to the environment, in response to environmental changes (Chandler 1977; Child 1972; Lawrence, Lorsch 1967; Pfeffer, Salancik 1978; Porter 1980; Rumelt 1986; Thompson 1967).

Institutional confusion

Organizational types as the political organization and the company, are *institutional ideal types*. Actual organizations contain elements of different ideal types. Companies borrow elements from political organizations and become *politicized*, political organizations borrow elements from companies and become *company-ized*, leading to *organizational confusion* (Brunsson 1994: 323-335).

The political organization's environment consists of *citizens* with *broad interests*, whose demands are *legitimate*, and must be considered by the organization to maintain its *legitimacy* (Brunsson: 324-325). The company's environment consists of *customers*, with more *limited interests* and specific demands than citizens. Unlike a political organization, a company needn't satisfy all these, but *specialize* in satisfying certain demands and customers only, which it wants and is able to satisfy" (Brunsson: 325).

The political organization focuses on *debate*. The company focuses on *action*, its organization principle's the *action organization*. Effective and coordinated action requires organizational *unity*, which is achieved through *hierarchical structures* and *standardized ideologies* (Brunsson: 327).

The *survival of a political organization's not an end in itself*. The political organization does the tasks assigned to it, but the organization has no value in itself, if the task disappears. For a company, *survival's* a superior goal. A company has *no mission* like a political organization. It's expected to show *flexibility* and no loyalty to old ideas, adapting its products according to changing market demands, to ensure profitability and corporate survival. The company *pursues its own interests*, profit and survival (Brunsson: 325).

A company acquires money by *selling products*. A political organization generates money through *taxation*. A company gets *legitimacy* by producing products that are in demand, under competition (Brunsson: 326).

METHODOLOGY

Reflexive methodology

This study uses *reflexive methodology* (Alvesson 2000; 2017) which has three *interpretative levels*. The highest level, *metatheory* ("theory of theories"), is the scientific approach, and its underpinnings in philosophy of science. Metatheories problematize the legitimacy of dominating theories and interpretations (Alvesson 2017: 391). The second level, the *interpretative repertoire*, consists of applied organizational theories: imprinting (Stinchcombe 1965), contingency (e.g. Burns, Stalker 1961) and institutional confusion theory (Brunsson 1994).

The third level is *empirical material* on China's Party-state, from primary and academic sources. Primary sources are the *constitutions of the Communist Party and the People's Republic of China*, and the *central government's national economic plans*. The Party constitution (CPC 2017) contains its guiding ideology, and is consistently updated. Each new Party leader successively adds ideological contributions to it, resulting in it having character of a chronological description of the guiding ideology's evolution. This study uses that feature of the

Party constitution, for studying changes over time. The national constitution (NPC 2014) begins with a preamble, an historical account of the People's Republic since 1949, with a similar structure to the Party constitution, also with leaders' successively added ideological contributions. Five-year plans are national economic plans, guiding policy documents for the state bureaucracy and state-owned enterprises (NDRC 2011, 2016).

Academic sources are *academic works on political and economic aspects of China's Party-state*. These are represented in the School of Oriental and African Studies' (University of London) research library, a leading Western research library on China, and one of the UK's five National Research Libraries (HEFCE 2016). They include highly cited standard works, as Heilmann's *China's Political System*, MacFarquhar and Fairbank's (eds.) *Cambridge History of China*, Naughton's *Chinese Economy*, and works covering specific aspects. The reason for using academic sources, instead of expanding the section on primary sources further, e.g. including China's official data, is the latter's low reliability. Particularly for the turbulent 1949-78, but also 1978-present, there's a lack of reliable and systematic primary sources. The insufficiency of Chinese primary sources, is noted by Western standard works on modern Chinese history, as Oksenberg (in MacFarquhar 1995: 547-575): "Basic sources and their limitations," Saich (2017: 103-141): "Where does correct Party history come from? The construction of Party history," and Wilkinson (2015: xii): "Chinese publishers instinctively censor anything contradicting the Party line, anything indicating Party leaders aren't correct, any estimate deviating from official statistics." China is a one-party dictatorship (Ringen 2016: viii; Zheng 2017: 250). It's "a government accustomed to secrecy," with "data-providers lacking political independence, under direct Party control," that "provide little information about source data or methodological framework, making outside verification of numbers, or understanding of their strengths and weaknesses, impossible" (Bernanke 2016). It doesn't "release raw data underlying official statistics, raising serious concerns about accuracy" (Yu 2015: 147). Its system has "strong built-in incentives, for bureaucrats to beautify official data" (Landry 2008). Currently, "quantitative research relying on government- issued data, remains liable to government restriction. Information on the central government's particularly sensitive. Government restrictions force scholars to imperfect data for empirical support" (Reny 2016: 920). Thus this study partially relies on Western academic accounts, less likely to be compromised by political considerations, than Chinese primary sources. These are used as approximations of empirics, in absence of reliable primary accounts.

The term *reflexive* highlights interactions between interpretative levels and theories, which are "reflected in each other," combined and/or contrasted with each other, contributing to the analysis (Alvesson 2017: 385). Contacts and confrontations between levels and theories, and between different theories that complement and challenge each other, give perspective and stimulate reflection by providing breadth and variation (ibid.: 385, 387, 392-393, 396), improving conditions for considering different interpretations (ibid.: 387, 396). "Reflection arises when one form of thinking is confronted with another form of thinking" (ibid.: 384). Using multiple perspectives and terms, lessens the risk of getting stuck in a specific theoretical position, adhering to a static theoretical point-of-view, increases the probability of understanding the limitations of the initial perspective (ibid.: 383, 395-396). This study combines Stinchcombe's

imprinting and Burns and Stalker's contingency theories, into a joint longitudinal analysis of China's Party-state's evolution over time. The imprinting-contingency perspective is complemented by Brunsson's institutional confusion theory, providing another interpretation and breadth to the analysis.

D-reflexivity is reflection as deconstruction and destabilization, challenging conventional theories. *R-reflexivity* is reflection as reconstruction and reconfiguration (ibid.: 438). This study mostly applies R-reflexivity, *reconstructing* theories in a new setting, and *reconfiguring* them to make them fit a new study object.

Philosophy of science foundations

To understand the study's metatheory, reflexive methodology, it's important to understand its underlying assumptions, deriving from two Continental philosophies of science, postmodernism and critical theory.

Nietzsche was skeptical of the positivist concept of scientific truth. According to his *perspectivism*, all knowledge is situated and partial, dependent on time and place, and not universally applicable. A *veil of impartiality* conceals its time- and culture-based assumptions (Nietzsche 1967). Inspired by Nietzsche, postmodernists rejected the positivist belief in an objective reality, separate from and possible to analyze independently of human subjectivity (Alvesson 2017: 276). As everybody's influenced by subjective factors contingent on place and time, there could be no objective standpoint from which to evaluate truth claims. Postmodernism rejects that a single set of reason and logics could be universally valid, with the same laws of science applying everywhere and to all. Reason and logic are constructs and not necessarily applicable everywhere. *Where it's applicable, has to be found out on a case-by-case basis. There's no single generalizable "truth," but many partial "truths," which may or may not be applicable to a particular case.* There's no established scientific "truth," only an *ongoing process towards better and improved methods of building scientific knowledge* (Childers 1995: 241). Reflexive methodology allows the researcher apply multiple theories, finding out which are better suited to analyze an object. The theories' universal applicability isn't assumed, but *applicability is tested case-by-case*, leading to accumulation of knowledge, about theories and study objects. This study will test the applicability of three organizational theories to China's Party-state, contributing to knowledge about these theories, and about the Party-state.

According to Foucault's *power-knowledge*, these with power "construct" narratives and truths, reinforcing their position and benefiting themselves (Aylesworth 2015). The dominant intellectual discourses of a historical period, are *discursive regimes (epistemes)*, determining what can be said and thought, the degrees of freedom in intellectual debates (Foucault 1970). Foucault's skepticism toward absolute concepts, didn't mean that he denied these per se, merely that he didn't consider them universal and eternal (Aylesworth 2015). Reflexive methodology aims to question *discursive regimes*. Alvesson (2017: 430) stresses Bourdieu's (1968) statement about the achieving "an *epistemological break* with conventional and common sense-knowledge." Creativity is to deviate from established views, "breaking with previously established consensus" (Alvesson 2017: 430). "The point of reflection's to break with consistency, to break out of the

thinking, the frame of reference, one is locked into" (ibid.: 383). This study aims to break against established practise, by crossing disciplinary borders and apply organizational theories to a non-democratic one-party state. In so doing, it questions the disciplinary division between organizational studies and political science. Alvesson supports cross-disciplinary studies: "What's viewed as 'true' within one branch of science, where everybody uses the same underlying assumptions and vocabulary, could be a narrow-minded understanding" (Bernstein 1983; quoted by Alvesson 2017: 382).

According to Lyotard, modernist discourses tend to be *metanarratives*, universally applicable, epistemically certain and complete stories encompassing and predicting everything, e.g. Marxism (Lyotard 1984), ignoring the heterogeneity of reality, imposing conformity on other perspectives and discourses. He sought to replace metanarratives with *little narratives*, smaller, locally legitimated narratives, focusing on local contexts. Rather than singular all-encompassing theories, a cohabitation of a range of diverse theories with a multiplicity of perspectives and a varying degree of applicability across localities and time (Lyotard 1984; Ermath 1992: 56-66). This study's *interpretive repertoire* includes multiple theories, with different theoretical standpoints, according to Lyotard's ideal of theoretical diversity, a cohabitation of a range of theories, complementing each other. These are lyotardian *little narratives*, covering narrower aspects, *locally legitimated* through application to a local study object, limited in time and space. *Their local applicability doesn't prove their universal validity, but highlights their potential applicability to other local study objects* (Alvesson 2017: 286-287).

Derrida's *deconstruction* viewed society as a "text," whose meaning was unstable and ambiguous, historically and culturally defined, allowing for multiple interpretations. Like a text, *society may also be interpreted in an endless number of ways, and searching for a single correct interpretation is hopeless* (Alvesson 2017: 277-288). This study and reflexive methodology, view society and history in a derridean sense, as a "text" which may be *deconstructed*. By examining society from different theoretical vantage points, society's meaning becomes unstable and ambiguous, allowing for multiple interpretations. Like a text, society may be interpreted in multiple ways, there are no single correct interpretations.

Habermas *communicative rationality* differ from the positivist position, in that it doesn't locate rationality outside of the human subject, in a supposedly objective external reality, but in interpersonal communication aiming for *rational consensus*. Alvesson writes that social science theories often are difficult to unambiguously validate or reject, only after application to empirical data. Many of the theories considered most groundbreaking and important, have weak empirical support, and rely on interpretation (Alvesson 2017: 431). As empirical testing alone isn't enough to validate them, they also to rely on *communicative rationality*, reaching rational consensus through academic discussion. As this study covers ambiguous developments in modern Chinese history, which can be interpreted in many ways, it's difficult to reach unambiguous conclusive answers through empirical testing. This study also to some extent relies on a habermasian *communicative rationality*.

Implications for external validity

Postmodernism's rejection of universally valid reasoning and logics, and view that theories' applicability has to be decided on a case-by-case basis, as with Lyotard's *little narratives*, whose local applicability doesn't prove their universal validity, but highlights their potential applicability to other local study objects, has implications for *external validity* (view below).

Reliability and validity

LeCompte and Goetz (1982; quoted by Bryman, Bell 2011: 400) propose four measures for reliability and validity.

Internal reliability (inter-observer consistency), whether more than one observer would agree, on what's observed. This study relies on *triangulation*, using more than one source of data, to ensure internal reliability (Bryman, Bell 2011: 401-402; Denzin 1970: 310). Using many sources of data, primary sources as well as multiple academic sources, made it possible to cross-check empirical data, using each source of data as a check against the others (Kanter 1977: 337). Except for constitutional quotes, most empirical data used is supported by at least two, and at times more, sources. Using multiple reference points, allows for greater confidence in findings.

External reliability, whether a study is replicable. According to Bryman and Bell (2011: 400), this is difficult in qualitative research, as it's difficult to reconstruct the social setting, which a study is based on. This study doesn't have that problem, as it's a longitudinal study, analyzing historical developments, drawing on written primary and academic accounts. It's replicable by using the bibliographical sources.

Internal validity, whether observations match theories. According to Bryman and Bell (ibid.) this is a strength in longitudinal qualitative research, where long time periods allows ensuring a high level of congruence between observations and theories, which applies to this study.

External validity, whether findings are generalizable across social settings. This is problematic in qualitative research, due to the usage of case studies, small samples and a focus on contextual uniqueness and depth over breadth (ibid.). Guba and Lincoln (1994; quoted by Bryman, Bell 2011: 400) instead propose *transferability*, that detailed thick descriptions provide readers with a database for making judgements about the study's' generalizability to other milieux. This study's detailed accounts and extensive references to source material, provides such a database.

Reflexive methodology's implications for external validity

According to Bryman and Bell, it's recognized that simple application of the quantitative research criteria reliability and validity, to qualitative research, isn't desirable as it presupposes that a *single absolute account of social reality* is possible (2011: 400, 404). Lincoln and Guba (1985; quoted by Bryman, Bell 2011: 400, 404) reject the realist view, according to which there are *absolute truths about the social world*, which social scientists should reveal. The philosophy of science basis for these statements, ultimately is Nietzsche's and postmodernism's rejection of universally valid reasoning and logics. There can be *more than one, possibly several different accounts* (Bryman, Bell 2011: 404), and reflexive methodology adheres to the postmodernist

view that theories' applicability has to be decided on a case-by-case basis, as with Lyotard's *little narratives*, whose local applicability doesn't prove their universal validity, merely highlights their potential applicability to other local study objects (Alvesson 2017: 286-287). In this study, the local applicability of three organizational theories to China's Party-state, doesn't prove the theories' universal validity for all socialist one-party states, but highlights their potential applicability to them. In so doing, the study aims to stimulate other researchers to use organization theories to analyze other one-party states, so that the body of knowledge on this phenomenon keeps expanding.

EMPIRICAL MATERIAL

Primary sources

Official ideology

Political ideology is inscribed into the Communist Party's (CPC), and the Chinese state's constitutions. The Party constitution contains its *guiding ideology* (CPC 2017: 2, 6; Heilmann 2017: 220; Miller 2017: 1), theoretical justifications for all its policies. Every leader adds contributions to it, while retaining contributions of previous leaders (Miller 2017: 2; Heilmann 2017: 221-223, Lam 2018: 135-152): *"The Party uses Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, Three Represents, Scientific Outlook on Development and Xi Jinping Thought as its guide to action"* (CPC 2017: 1).

The most important concepts of the Party ideology, have been inscribed into the state constitution. *"Under leadership of the Communist Party and guidance of Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory and Three Represents, China will continue to adhere to the people's democratic dictatorship"* (NPC 2014, Preamble).

Marxism–Leninism

Marxism–Leninism is the Party's most important and underlying theory (CPC 2017: 1-4, 11, 20, 22). *"Marxism-Leninism is the laws governing the development of the history of human society. Its basic tenets are correct and eternal. So long as the Party upholds Marxism-Leninism, suited to China's conditions, socialism in China will be victorious. The realization of communism is the highest ideal and ultimate goal of the Party"* (CPC 2017: 1). The state is *"under leadership of the Communist Party and guidance of Marxism-Leninism"* (NPC 2014, Preamble).

Marxism-Leninism motivates why a Communist Party should lead a developing country (view Glossary in appendix), stipulates the general organization principle for the Party-state, *democratic centralism* (CPC 2017: 9, 14, 15, 23; Heilmann 2017: 211), and the Party-state's leading role in the economy. *"The Party must uphold democratic centralism, it's fundamental organizational principle"* (CPC 2017: 9). *"The State organs of the People's Republic of China apply the principle of democratic centralism"* (NPC 2014: §3).

"The Party must uphold the basic economic system, with state ownership playing a dominant role" (CPC 2017: 3). *"The Party must play the role as core leadership among all other organizations. It must concentrate on leading economic development, organize and coordinate*

all forces of economic development” (CPC 2017: 10). *“The State upholds the basic economic system in which State ownership is dominant and diverse forms of ownership develop side by side”* (NPC 2014: §6). *“The State-owned sector is the leading force in the national economy. The State ensures the growth of the State-owned sector”* (NPC 2014: §7).

Mao Zedong Thought

Theories developed by Mao (CPC 2017: 1-4, 11, 20, 22), the Party-state’s first leader (1949-76). *“Mao Zedong Thought is a combination of the basic tenets of Marxism-Leninism with the actual practice of the Chinese revolution. It’s the application and development of Marxism-Leninism in China”* (CPC 2017: 1).

Seeking truth from facts (CPC 2017: 2, 8, 23), a Maoist concept stressing pragmatism, adjustment to local conditions rather than ideological dogmatism, when applying the Marxist-Leninist theories to China. It has been used by later leaders, to justify market-liberal reforms. *“The Party must seek truth from facts, advance with the times, be realistic and pragmatic. The Party proceeds from reality in all it does, integrates theory with practice, and verifies and develops the truth through practice. All Party members must explore new ways, boldly experiment with new methods, innovate, work creatively, develop Marxism through practice, and adapt Marxism to Chinese conditions”* (CPC 2017: 8-9).

The *people’s democratic dictatorship* (CPC 2017: 1, 4-5), is China’s version of the Marxist-Leninist ‘dictatorship of the proletariat.’ It’s interpreted as that the Party acts in the interest of the public, but retains the oppressive means of a dictatorship, to use against those who oppose the Party (Mao 1949; Meisner 1999). *“The Party upholds the people’s democratic dictatorship”* (CPC 2017: 4). *“The People’s Republic of China is a socialist state under the people’s democratic dictatorship”* (NPC 2014: §1).

Deng Xiaoping Theory

Second leader (1978-1992) Deng (CPC 2017: 1-3, 8, 11, 20, 22), initiated limited market-liberal reforms, during the *reform and opening-up* (CPC 2017: 2-5, 8-9, 23), creating China’s current economic model *socialist market economy* (CPC 2017: 5; Vogel 2013: 684), where some sectors are under central planning, and other liberalized and marketized. *“Reform and opening-up is the path to a stronger China. Only through reform and opening-up can we develop China, develop socialism, and develop Marxism”* (CPC 2017: 4-5). *“The Party leads the development of the socialist market economy. It develops the state-owned sector and guides the development of the non-public sector. It gives play to market forces in allocating resources”* (CPC 2017: 5). *“The State practises socialist market economy”* (NPC 2014: §15). *“The non-public sector constitute an important component of the socialist market economy. The State guides the development of the non-public sector, exercising supervision and control”* (NPC 2014: §11).

The market reforms were motivated in terms of Marxism-Leninism, by China being in the *primary stage of socialism* (CPC 2017: 3-4), where economic growth is the primary concern and private companies could be accepted, as long as the Communist Party retained power. Full state ownership, requires a later stage of socialism. *“China is in the primary stage of socialism,*

which will last for over a hundred years. In this stage the Party makes economic development the central task while upholding the Four Cardinal Principles” (CPC 2017: 3-4). *“In leading the cause of socialism, the Party must take economic development as the central task, all other work must take an ancillary role and serve this central task. The Party must lose no time in speeding up development, promoting rapid economic development”* (CPC 2017: 4).

The Party doesn’t view market reforms as a break with its ideology. *“Deng Xiaoping Theory is the product of combining Marxism-Leninism with practice in contemporary China and the features of the times; it’s a continuation and development of Mao Zedong Thought under new historical conditions; it represents a new stage for the development of Marxism in China; it’s the Marxism of contemporary China; and it guides the continuous progression of China’s socialist modernization”* (CPC 2017: 2).

The *four cardinal principles* (CPC 2017: 3-4, 8) is Deng’s policy of maintaining the one-party system, in spite of economic liberalization. *“The Four Cardinal Principles, to keep to the path of socialism, upholding the people’s democratic dictatorship, the leadership by the Communist Party, and Marxism-Leninism and Mao Zedong Thought, are the foundation for building the country. Throughout the whole course of socialist modernization the Party must adhere to these”* (CPC 2017: 4).

Three Represents

Third leader (1992-2002) Jiang, allowed private business-owners become Party members (CPC 2017: 1-3, 8, 11, 20, 22; Heilmann 2017: 231). This angered left-wing Party factions, and was vaguely formulated in the Party constitution as: *“Advanced elements of other social strata may become Party members”* (CPC 2017: 5).

Scientific Outlook on Development

Fourth leader (2002-2012) Hu, focused on social and environmental issues (CPC 2017: 1-3, 8, 11, 20, 22). *“Scientific Outlook on Development puts people first and calls for sustainable development”* (CPC 2017: 2). *“The Party builds a harmonious socialist society...focuses on improving the people’s wellbeing by solving problems of immediate concern to the people, enables all to share the fruits of development in a more equitable way”* (CPC 2017: 6). *“The Party builds a socialist ecological civilization, raising its ecological awareness, conserving resources and protecting the environment. It strives to build an environmentally friendly society, implementing the strictest possible environmental protection systems, ensuring sustainable development and healthy ecosystems”* (CPC 2017: 6-7).

Xi Jinping Thought

Fifth leader (2012-incumbent) Xi, has taken a conservative approach, reemphasizing the Party’s leading role in the economy and in society, over the armed forces, and Party-internal discipline (Heilmann 2017: 212). *“Leadership of the Communist Party is the most essential attribute of socialism with Chinese characteristics, and the greatest strength of this system. The Party exercises overall leadership over all areas of endeavor, in every part of the country”* (CPC 2017: 10; Xinhua 2017). *“The Party shall uphold its absolute leadership over the People’s Liberation*

Army; implement Xi Jinping's thinking on strengthening the military; strengthen the development of the forces by enhancing their political loyalty; build forces that obey the Party's command," and "Improve discipline in the Party" (CPC 2017: 7; Xinhua 2017).

National economic plans

Twelfth (2011–2015) and Thirteenth (2016–2020) Five-Year Plans

China's state follow Soviet-type national *five-year plans* for economic development (Ericson 1991: 15), devised by the National Development and Reform Commission, the central government's planning agency. Plans issued before 1978, gave detailed instructions for all economic sectors. Plans issued after the initiation of limited market reforms in 1978, give detailed instructions to some sectors, and state-owned companies, while allowing for market-based decision-making in some sectors, and by non-state-owned (private and cooperative) companies (NDRC 2011, 2016).

National Medium- and Long-Term Plan for Science and Technology Development (2006–2020) Published by the central government in 2006, this long-term plan has been elevated to the status of "core national economic strategy" (McGregor 2010: 12). It details how central agencies of the Party-state should increase their control over China's science and research sector, including academia and universities, which since the 1980s has enjoyed a degree of autonomy, to make the sector realize the Party-state's political goals. Through relying on central planning China would be able to "leapfrog into a leadership role in science-based industry by 2020" (State Council 2007). The Party leadership has identified research and innovation as important to China's future economic growth, and is targeting this sector with central planning policies. It's an example of current central planning in China.

Academic sources

Partial overview of academic sources, including more important works. Teiwes (1995) gives an overview of the establishment of the new state 1949-1952, under heavy USSR influence, Lardy (1995) of its first Soviet-type five-year plan 1953-1957. Deborah Kaple's (1994) *Dream of a Red Factory, Legacy of High Stalinism in China*, in some respects a groundbreaking work, analyzed what foreign works were translated into Chinese and officially published by the new PRC state in the 1950s. Kaple concluded that the Party-state's founding-era legacy, was emulating a particular Soviet-type organization: the USSR 1945-53, Stalin's later, more authoritarian years as leader, called *High Stalinism*, and the USSR's radical fourth five-year plan, the *Stalin Plan*. Both Li's (2006) *Mao and the Economic Stalinization of China 1948–1953*, analyzing declassified PRC archival documents, and Bernstein's (ed., 2011) *China learns from the Soviet Union*, verifies her findings and conclusions. In her works (2011, 2006, 2002), Li writes that Mao reproduced Stalin's 1920s-1930s Soviet development trajectory, in China: forced agricultural collectivization and rapid state-led heavy industrialization, aiming for a Chinese *Stalin Plan*.

Naughton (2006), describes the 1949-1978 completely planned economy, prioritizing capital-intensive labor-scarce heavy industry, as failing due to inconsistency with China's factor endowments: capital-scarce and labor-abundant. *In terms of contingency theories, the Party-*

state's heavy industrialization policies, were inconsistent with China's environmental conditions. Naughton describes China's post-1978 *dual track* economy, where large parts of the economy remain under central planning, while other are privatized, as different from the *Big Bang*-reforms of the Eastern Bloc, where central planning was dismantled completely. Vogel's (2013) Deng biography, gives insights into the inner workings of the Party-state, during the *reform and opening-up* 1978-1992. Szamosszegi (2011) gives an overview over state-owned enterprises and their large influence on China's economy.

Heilmann (2016) gives a detailed overview of the Party-state's Soviet-type *dual organizational structure*, with mirroring Party and state hierarchies. He highlights the central role of the Party, as non-transparent core of the state, where only final decisions are made public, and little is known of intra-Party discussions. Brown (2017) and Holbig (2017) write about the close relationship between ideology and policy in the Party-state. Policies must be motivated by ideology, or ideology adjusted to fit new policies. Holbig studies this adjustment process under president Hu (2002-2012), when environmental protection ("socialist ecological civilization") was included in the official ideology. Lam (ed., 2018) covers Party control over state and economy, the emulation of the Soviet model, and impact of the USSR's collapse. Zheng (2017) describes what functions and strategies the Party uses to steer the state. Miller (2017) writes about the Party's *leading small groups*, Party-internal groups which may override government ministries, and take direct charge of government departments. Burns (2017) and Chan (2017) describes the Communist Party's *nomenklatura* system, which it emulated from the USSR, and which allows it to control all appointments of officials in China's state bureaucracy and state-owned enterprises.

Landry (2008) describes the Party-state's extensive economic decentralization, initiated through Mao's 1956 break with orthodox Soviet Marxism-Leninism, and setting it apart from the USSR. Authoritarian decentralized states are uncommon, however China's economic decentralization is coupled with political centralization, upheld through the central authorities' monopoly on appointing officials, and right to intervene in local government decision-making, in a system Landry calls *decentralized authoritarianism*. Xu (2011) agrees, and writes that Imperial China was governed similarly, calling the system *regionally decentralized authoritarianism*. *De facto* decision-making was decentralized, but the emperor's central government had *de jure* unlimited decision-making powers, could intervene in local affairs at will, thus *local autonomy was bounded*. Lin (2013) found that the state's organizational structure, since 1949 evolved in *recurrent cycles of centralization and decentralization over time*, caused by the tension between the Party-state's two *irreconcilable objectives*: 1) Central authorities objective to *retain influence* over the economy and realize politically motivated goals, through central planning and 2) Achieving *economic growth*, benefited by decentralization, private and local initiatives. Lieberthal (1988; 1992) called the partially market-liberalized decentralized system 1978- *fragmented authoritarianism* and wrote that the Party and state form a *principal-agent relationship*: the Party decides and the government executes. Tsang (2009) writes that the Party's objective is staying in power, and its reforms are adjustments to facilitate that. The Party applies "*consultative Leninism*": gives impression of listening to public demands, to preempt demands for democratization.

Pei (2016), Dickson (2017), and Wedeman (2017) investigate the Party-state's increasing corruption. Pei analyzed 260 corruption cases involving officials and business people, concluding that the Soviet-type system's lack of clear ownership rules for public property, enables political and business elites to collude in stealing state assets. Guo (2017) covers the Party-internal *Central Discipline Inspection Commission*, investigating members violating Party rules. Li (2017) discusses the state court system's ("People's Courts") judicial dependence on the Party.

Shambaugh (2008, 2016) compares the evolution of the USSR and China 1949-, finding that the states are organized, and evolve over time, in similar ways. Ericson (1991) describes Soviet-type systems and implications for reform, Sakwa (1998) the USSR's system. Brooks (2006) provides some of Lenin's first-hand writings, including Lenin's own reasoning behind Soviet economic policies and ideology.

ANALYSIS

1949-56: Founding Era Imprinting

After the Russian Revolution in 1917, USSR leader Lenin sent political commissars from *Comintern*, a USSR organization for spreading communism to other countries, to China (Dirlik 1989: 191-216; Ishikawa 2012: 82-122; Saich 2015: 3-34, 68-75). Under their guidance, the *Communist Party of China* was founded in 1921, closely modelled after the USSR Communist Party (Fairbank 1999: 430-32, 444-51, 505-517; Uhalley 1988). A long civil war followed (1927-1949), between the Nationalist Party government and Communist Party guerilla. The latter was victorious and proclaimed a new state, the *People's Republic of China*, in 1949 (Fairbank 2002: 168-229, 609-788; Uhalley 1988: 150).

"With the great support of the USSR, and our own greatest strength, we will realize the industrialization of our nation step by step!" Political poster (1953).

After the founding of the People's Republic, the new state was internationally isolated. Non-socialist states refused to recognize it, aiming to contain the spread of Marxist ideologies (Li 2006: 15;

MacFarquhar 1995: 259). The Chinese Communist Party was a military organization, with little knowledge or experience of organizing a civilian government. Party Chairman Mao declared it



was time for China to learn from the USSR, how to organize a state. The USSR was perceived as the first country in the world to have "realized communism," a shining example Chinese communists wanted to emulate (Bernstein 2011: 27; MacFarquhar 1995: 262; Naughton 2006: 55). In late 1949, the senior Party leadership travelled to Moscow, for a several months long study tour. A comprehensive *Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance* (1950) was signed, whereby the USSR promised to help the new state build a Soviet-type economy. Tens of thousands of "*Soviet experts*" and advisers were sent to China to give instructions on how to organize administration, agriculture and industry, after Soviet model (Bernstein 2011: 153; Li 2006: 61; MacFarquhar 1995: 51).

"Study the USSR's advanced economy to build up our nation." Political poster (1953).

The Soviet experts provided crucial support for building up and organizing China's industrial base, including blueprints for hundreds of types of factories and enterprises, and designs for thousands of different production processes. Soviet experts worked as advisors throughout the state bureaucracy, and managers in Chinese enterprises. Also in education and science, China accepted Soviet models and practices. China sent hundreds of thousands of students to universities in the USSR, and as apprentices to work in USSR industry and agriculture (MacFarquhar 1995: 67-121).



Five-year plans

During the first period of its existence, the new Chinese state was heavily influenced by the USSR (Kaple 1994; Naughton 2006: 55-67). The Soviet model, which the Chinese Communist Party wanted to emulate in China, was a rigid command economy, the product of Stalin's heavy-handed economic policies 1945-53, the era of *High Stalinism* (Fowkes 1995: 52; Kaple 1994: 3; Naughton 2006: 60).

A central government planning agency used a hierarchical bureaucracy to execute economy-wide five-year plans of production and investment, which were binding by law (Kaple 1994: 10; MacFarquhar 1995: 51-91). After some years of preparations, including establishing a Soviet-type state bureaucracy, nationalizing industries and collectivizing agriculture, China was ready to launch its *First Five-Year Plan* in 1953, to be executed by the State Planning Commission, the central node of the planned economy (MacFarquhar 1995: 155-179; Naughton 2006: 65).

During China's *First Five-Year Plan* (1953-1957), the country's economy was essentially made to operate like a huge *machine bureaucracy* (Mintzberg 1993), coordinated by the state bureaucracy, and with the senior Communist Party leadership as ultimate decision-makers. This was also how the USSR economy operated (Allen 2009: 89-111; Kaple 1994; Li 2006: 121).

Machine bureaucracy

It's interesting to notice that the Soviet economic model was conceived by Lenin during the 1910s and early 1920s (Brooks 2006: 94), at a time when early organizational theories, as Weber's bureaucracy and Taylor's scientific management theories, were popular. Grobman wrote that these early theories tended to view organizations as machines (Grobman 2005: 350). Organizational departments and employees were cogwheels and bolts which should be fitted into a rigid but efficient bureaucratic hierarchy. Commands had to be obeyed, for efficiency to be achieved. There was little need, or incentive, for individual initiatives or innovative new ideas from lowly employees (*ibid.*).

"The USSR is our example." Political poster (1953). Notice the image of USSR leader Stalin, on the Moscow skyscraper.

Grobman's description of early organizational theories, is a good description of the Soviet bureaucracy and economic model. The centralized, hierarchical and rigid Soviet system (Ericson 1991: 11-15), had similarities with a machine bureaucracy. Lenin, founder of the USSR, mentioned Taylor's scientific management as the "most widely discussed topic today in Europe, and to some extent in Russia, is the 'system' of the American engineer, Frederick Taylor," in *Pravda* (Lenin 1975: 594-595).

Stinchcombe described a strong correlation between an organization's time of founding, and structure. "Organizations adopt the organizational technologies prevalent during their time of founding, without being able to fully modify these organizational technologies during later periods" (Stinchcombe 1965; quoted by Papakostas 1998: 216).



It's not unreasonable to assume that early USSR leaders were influenced by early organizational theories prevalent when the USSR was founded, and that those theories became reflected in the organizational structure of the USSR state bureaucracy. To some extent, the Soviet-type command economy (Ericson 1991: 11-15), was an extreme version of early 20th

century organizational thinking, in which entire countries could be organized as huge and rigid bureaucratic hierarchies, where all production decisions were made and coordinated by a central government planning agency.

Mintzberg described the USSR as a *machine bureaucracy*: “The difference between America and the USSR from an organization theory perspective, is that one is controlled by a *single giant closed system machine bureaucracy*, while the other is dominated by several hundred [different companies]” (Mintzberg 1989: 370). Ironically, USSR bureaucrats described the state as *apparat* (Russian: machine), and were themselves called *apparatchik* (Russian: little machinist; Ra'Anan 1990).

Closed systems

Early organizational theories, as Weber's bureaucracy and Taylor's scientific management theories, viewed organizations as *closed systems*, subject to little influence from the environment, and thus focused on *internal factors* (Papakostas 1998: 210). Soviet-type planned economies also operated as closed systems, with little foreign trade and a high degree of economic self-reliance (Ericson 1991: 20). Although there also were foreign reasons for these states' lack of international trade, the USSR and China were subject to Western trade sanctions, these economic systems were designed to operate as closed entities, only participating in international trade out of absolute necessity (Naughton 2006: 377; Winiecki 2013: 170).¹

One-fits-all models

Early organizational theorists sought to develop generalizable *one-fits-all models*, applicable to many different companies, irrespective of individual characteristics and environment (Papakostas 1998: 210). They focused on standardization of production processes and organization forms, to take advantage of new production techniques at the time, as the conveyor belt. Standardized organizations were built around production processes, and the same model could be replicated in many places. In contingency theories, each organization needs to adjust to its particular environment, and as environmental conditions differ, there cannot be one-fits-all model.

USSR leaders didn't view their economic model as only suitable to their own country, with its particular conditions, but actively tried exporting it through Comintern, having other countries implement a similar model (Hallas 2008: 40). After World War II, the USSR established Soviet-type planned economies in many European countries, and exported its model to several East Asian countries, including China (Fowkes 1995: 6-51; Kenez 2006: 160-184). In view of how the Soviet model was implemented in China and other countries, with “Soviet experts” pouring in to replicate the Soviet system, it's hard not to believe that the USSR ideologues and leaders must have viewed their own system's organizational structure as a one-fits-all model.

¹ An extreme example is North Korea, a modified Soviet-type planned economy. Late leader Kim Jong-Il described its system as “a *self-reliant national economy* with heavy industry as backbone” (Kim 1982: 45).

Implementing the Soviet one-fits-all model in China

As the Chinese Communist Party during the late 1940s and early 1950s essentially tried to construct a copy the Soviet system in China (MacFarquhar 1995: 51-92; Naughton 2006: 55, 66), the legacy of the Soviet system was deeply imprinted on the new Chinese state's organization. China's new state bureaucracy was constructed around the leading Communist Party, as an instrument through which the Party efficiently could effectuate its commands, as in the Soviet model (Heilmann 2016: 35).

China's Party-state was, and still is, organized as a Soviet-type *dual organization structure*, where the Party organization mirrors the state bureaucracy at every level. Most bureaucrats in any state organization unit, are also members of a corresponding group in the mirroring Party hierarchy. This "*matrix muddle*" leads to *dual accountability*, state officials are both accountable to the state and the Party (Landry 2008: 57).

Soviet Marxism-Leninism was, and still is, inscribed as official ideology, both into the national (NPC 2014, Preamble) and Party (CPC 2017: 1-4, 11, 20, 22) constitutions. The *people's democratic dictatorship*, a Chinese version of Marx' *dictatorship of the proletariat*, guaranteeing one-party rule by the Communist Party, were, and still are inscribed into the national (NPC 2004: §1) and Party (CPC 2017: 1, 4-5) constitutions (Zheng 2017: 250). USSR leader Lenin's *democratic centralism* was, and still is, inscribed as organization principle for the Party-state (Heilmann 2017: 211), both into the national (NPC 2014: §3) and the Party constitutions (CPC 2017: 9, 14, 15, 23). The Party-state's leading role in the economy, was guaranteed in the national constitution: "*The State upholds the basic economic system in which State ownership is dominant*" (NPC 2004: §6); and Party constitution: "*The Party must uphold the basic economic system, with state ownership playing a dominant role*" (CPC 2017: 3).

Already during the implementation of the *First Five-Year Plan*, it became evident to Party leaders that the Soviet-type model didn't fit China's environmental conditions (MacFarquhar 1995: 155-185; Mao 1977).

Hard environmental constraints: Given China's immense population and size, the central planning system caused the central government's workload to become enormous. Party leaders realized it was impossible for the central government to micro-manage the decision-making in hundreds of thousands of Chinese villages. China's underdeveloped infrastructure made it difficult to communicate central decisions to different locations around the country (Xu 2011: 1076–1151).

Soft environmental constraints: Cultural problems: The centralized planning system caused incentive problems with local governments. Local officials were used to local autonomy (as in China's traditional *Regionally Decentralized Authoritarianism* model), but now had their decision-making power reduced. Not having the support of the local officials, made it difficult for the central government to implement its plans. Realizing the grand economic plans of the Party, required the support of local officials, which could only be obtained through compromise, by

meeting some of their demands (Xu 2011: 1076–1151). This traditional Chinese culture of local autonomy was, in terms of contingency theories, an environmental constraint, which it was necessary for the Party to adapt the new organizational structure to.

1956-2012: Era of Adjustments, Adjusting the Soviet model to China's conditions

Mao's break with Soviet orthodoxy: Partial policy adjustments to increase fitness

Party-state leader Mao realized the difficulties in implementing the Soviet model in China. In his 1956 speech, *On Ten Important Relationships*, he declared that the Party-state would henceforth not follow a strict Soviet model, but a modified version better adapted to China's conditions, allowing more local decision-making and flexibility in reaching centrally decided production targets (Mao 1977). This weakened the role of State Planning Commission, the central government's planning agency.

This policy change was a necessary compromise between Marxist-Leninist ideology, the Party-state's founding-era imprint, and China's environmental conditions. It lessened China's economic model's likeness to the Soviet original, considered the genuine Marxist-Leninist model (MacFarquhar 1991: 33-53), but increased its fit with environmental conditions in China, enhancing its survivability. These decisions caused severe political tensions with the USSR, which until then had viewed its own model, as the only viable communist policy model, to be replicated by other countries (Lüthi 2008: 46). The *Sino-Soviet Split* included withdrawal of "Soviet experts" and aid (1956), China ending diplomatic relations with the USSR and its allies (1961), an armed USSR-Chinese border conflict (1969), and left China all but completely internationally isolated (ibid.: 340; MacFarquhar 1995: 478-525; 1991: 54-80, 218-291).

This was China's Party-state's first major deviation from orthodox Soviet Marxism-Leninism (MacFarquhar 1991: 33, Naughton 2006: 60). It was ideologically motivated by including Mao's *seeking truth from facts*, stressing pragmatism and adjustment to local conditions, over ideological dogmatism, into the Party's official ideology (CPC 2017: 2, 8, 23). The Party should be "*realistic and pragmatic; proceed from reality; verify and develop truth through practice; develop Marxism through practice and adapt Marxism to Chinese conditions*" (CPC 2017: 8-9).

After Stalin's death 1953, later USSR leaders didn't add to, or change the USSR ideology of state, in major ways. The relationship between ideology and decision-making became *deductive*, policies derived from existing ideological knowledge. The USSR state's organization structure and ideology became increasingly "rigid, unimaginative, ossified, and disconnected from reality" (Shambaugh 2008: 105), signifying an aging organization resistant to change (Stinchcombe 1965). After China's Party-state initially tried to replicate the Soviet model 1949-56, its relationship between ideology and decision-making became increasingly *inductive*, with practical decision-making justifying ideological changes (Shambaugh 2008: 105). This still ongoing local adjustment process, called "*localization of Marxism*" (State Council 2017) or "*sinification of Marxism*" (Knight 2002), started in 1956 with Mao decoupling China from orthodox Soviet Marxism-Leninism. It explains why the Party-state's been able to adjust its

organization and policies to increase their fit to China's environmental conditions, through its own *adaptive change* (Lawrence, Lorsch 1967; Thompson 1967), enough to ensure the Party-state's organizational survival, rather than being eliminated through *environmental selection processes*, as unfit organizations may be (Freeman, Hannan 1977; 1989), and as the rigid planned economies of Eastern Europe were (Fowkes 1995: 170-197). This is why, from an organization theory point of view, the period from 1956 may be called the "Era of Adjustments."

It's important to notice that this was a partial adjustment of Party policies, to increase alignment with environmental conditions in China. It wasn't a full adjustment to environmental conditions, as the Party's overall policy objectives hadn't changed. It still relied on central planning, albeit with reduced micro-management of local affairs. It remained committed to developing the heavy industry, as the USSR Communist Party, but now realized that different policies were needed in the Chinese environment, to achieve these same aims.

Recurrent centralization-decentralization cycles

Two years after decentralization policies were initiated in 1957, the Party started re-centralizing decision-making. This marked the beginning of a repetitive pattern of centralization followed by decentralization, having characterized the evolution of the state's organizational structure ever since (Lin 2013: 467-490). The recurrent cycles have two phases. A centralization phase, with centralization of decision-making to the central government and implementation of centrally decided plans, followed by a decentralization phase, with decentralization of decision-making to the local governments, allowing these implementing their own plans (Lin 2013: 467-490).

Cycles' cause: Party organizational ideology doesn't fit environmental conditions

This recurrent and cyclical variation pattern over time, in how decision-making power is distributed between central and subnational governments, seems driven by the tension between *two irreconcilable objectives*: 1) the Party's continued adherence to Soviet-type *central planning*, centrally directing and steering economic development (Ericson 1991: 12), and 2) its objective to achieve *economic growth*, which is hampered by central planning and diktats, but benefits from decentralization and local initiatives (Lin 2013: 467-490).

The Party's first objective is a product of its *founding-era social imprints*. It was founded to implement a Soviet-type planned economy and state organization structure in China. The Party's continued adherence to centralized planning, is evidence of a *structural lock-in* of these social imprints, and of *path-dependence*. It's second objective, the practical need to achieve economic growth, requires an economic model and state organization structure aligned with local *environmental conditions* and *environmental constraints* in China. The Party's preferred centralized state organization structure, faces two types of environmental constraints in China:

Hard environmental constraints: Economic: Centralization lessens local and individual incentives and initiatives, which lessens economic growth (Devarajan 1998; Lin 2013; Martinez-Vazquez 2003). *Administrative*: Centralization causes administrative overload with the central planning authorities and requires costly monitoring of local governments (Xu 2011: 1080).

Soft environmental constraints: Cultural: Traditionally local governments in China have enjoyed extensive local autonomy (as in the *Regionally Decentralized Authoritarianism* model, Xu 2011: 1076). It's difficult to make local governments in China adhere to a highly centralized decision-making structure.

The Party's two objectives are irreconcilable, as its preferred *organizational model doesn't fit environmental conditions* in China.

Cycles' result: Current system is compromise between Party-state's founding-era imprints and China's environmental conditions

The Party-state's current organization structure is a compromise between its founding-era imprints and China's environmental conditions, exhibiting both instances of Leninist political centralization, and decentralization. It's politically authoritarian and a *de jure* unitary state, without constitutionally guaranteed rights for subnational governments. Yet local governments have a relatively large *de facto* influence over local economic matters (Heilmann 2017: 243-253, 280-283, 490-492; Landry 2008: 24). As the combination of political authoritarianism and fiscal decentralization is uncommon among states, Landry calls the Chinese state's organization structure "a remarkable outlier" (ibid.). The Party-state leadership enforces discipline throughout the state organization structure, using a set of control mechanisms:

"Vertical imbalance" between fiscal revenues and expenditures

Central government receives most fiscal revenues, but is only responsible for a small share of fiscal expenditures. Local governments receive insufficient fiscal revenues, to finance their fiscal expenditures. Central government transfers funds to local governments to compensate for this, but only if local governments adhere to the central government's policies (Heilmann 2017: 280-283; IMF 2018; Landry 2008: 14).

Monitoring of local governments' performance

Local government officials compete with officials from other local governments, about achieving the highest GDP growth rate in their respective constituency. Officials having achieved the highest growth rates, are promoted to the next higher level in the state bureaucracy (Heilmann 2017: 250-252; Landry 2008).

Rearranging local governments' organization structures

Subnational government levels and units are ill-defined in China's state constitution. The central government may change the local governments' organization structures, to weaken influential local governments (Heilmann 2017: 292; Landry 2008: 53).

Nomenklatura system: Communist Party appoints all state officials

Through its Organization Department, "institutional heart of the Leninist one-party system" (Landry 2008: 263), the Party controls selection, promotion and dismissal of all officials in China's state bureaucracy and state-owned companies (ibid.: 71; Brødsgaard 2017: 390-420; Burns 2017: 479-509; Chan 2017: 541-579; Lam 2018: 153-164; Naughton 2006: 60-61, 317).

China replicated this *nomenklatura* system, from the USSR, which had an identical system (Heilmann 2017: 291; Kryshtanovskaya 1996: 711-720; Voslenskii 1984).

“Matrix muddle:” state officials have dual accountability to state and Party

Most state officials, especially at higher levels, are Party members (Burns 2017: 479–509; Li 2017: 626–665). The Party has a parallel organization hierarchy to the state’s, mirroring it at every level, with Party units corresponding to units in the state bureaucracy. Officials in a state unit, who are Party members, are also members of a corresponding Party unit. The Party can thus bypass the state’s decision-making channels, and make targeted decisions over individual officials anywhere in the state bureaucracy, only relying on Party-internal decision-making (Heilmann 2017: 235; Zheng 2017: 255). “The Party replicates the state hierarchy at each level, and asserts its authority over the state via Party committees at all levels” (Lieberthal 1992; 1995; quoted by Landry 2008: 57). This *dual accountability* of state bureaucrats, to Party and state, effectively turns the two organizations into a single one, the Party-state, a complex organizational “*matrix muddle*” (ibid.). It’s an effective means for the Party to dominate the state. China replicated the system of mirroring state and Party hierarchies, from the USSR, which had an identical system (Heilmann 2017: 235; Sakwa 1998: 89-102).

Deng’s reforms: Apparent lack of fitness, triggers radical policy adjustments

When Mao died in 1976, thirty years of failed experiments to implement the Soviet model, had made China was one of the poorest countries in the world (World Bank 2018). The lack of fitness between Party-state and environment, was apparent. Radical organizational adjustments were initiated, to increase fitness. Yet, the organization was restricted by founding-era imprints, limiting the scope of reform: making it impossible to completely dismantle central planning, which would have undermined the Party-state’s leading role in the economy, and thus the one-party rule, the central feature of Soviet-type states.

During Deng’s leadership 1978-1993, the *reform and opening-up* period, market reforms were gradually introduced, through a *dual track policy*. Only some sectors were liberalized and opened to private ownership, other stayed under state control and central planning (Naughton 2006: 92, 378). Thus the central institutions of the planned economy, were never dismantled in China, as in Eastern Europe, but stayed on and continued controlling large parts of China’s economy (Heilmann 2017: 450-460; Naughton 2006: 86, 310). They remain today, as important part of the economy. The former central planning agency, the State Planning Commission, changed names to National Development and Reform Commission, and is still used to steer economic development (Szamosszegi 2011: 103). New planning agencies were created, as the State-owned Assets Supervision and Administration Commission, controlling state-owned enterprises (SOEs; Lin 2012: 735). Through ownership of SOEs, the state is responsible for 30-50% of China’s GDP (Lee 2009: 6; Szamosszegi 2011: 1, 99), and has a dominating influence on China’s economy (Heilmann 2013; Ling 2016). Due to continued state influence over China’s economy, it’s a hybrid economy, combining central planning with instances of market-liberalism. The model has been called the “*Beijing Consensus*” (Ramo 2004) or “market authoritarian model” (Halper 2012: 112). Neither the US nor the EU recognize China as a market economy (Wils-Owens 2017). Chen Yun, chief reform architect, explained their intention through the

“birdcage theory.” The cage, the central plan, could not be too rigid, lest the bird, the free market, would choke. “Cage size should be appropriate, regularly adjusted, central plans amended. But the bird must have a cage” (Chen, quoted by Vogel 2013). The Party-state officially calls its model a *socialist market-economy* (CPC 2017: 5; NPC 2014: §§11-15), “socialist” indicates a Soviet-type centrally planned economy.

“Why can't there be a market economy in socialism? We can't say that China is capitalist. Our planned economy is in the primary position, and it integrates with the market economy. China is a socialist market economy.”

Deng Xiaoping

The dual track policy, partially retaining central planning and state-control through SOE ownership, was path-dependent. The Party-state’s founding-era imprints, were visible in that it never dismantled the planned economy, but let it live on side-by-side with marketized sectors (Naughton 2006: 92), and in the Party-state retaining a dominating influence over the economy (Szamoszegi 2011: 1), in spite of reforms.

Deng’s hybrid economic model is inscribed into the Party (CPC 2017: 4-5) and state (NPC 2014: §15) constitutions. Both constitutions stress Party-state control over the economy: *“The State guides the development of the non-public sector, exercising supervision and control”* (NPC 2014: §11); *“The Party leads the development of the socialist market economy* (CPC 2017: 5). Deng’s legal reforms included a degree of formal separation between Party and state. The Party still dominated the state, but indirectly through monopolizing the appointment of politicians, rather than through direct command, as under Mao (Wong 2005: 82).

Deng’s market-liberal reforms, forced the Party-state to adjust its Marxist-Leninist ideology. Marx believed the capitalist-worker conflict, was the main contradiction in society. Dengist ideologues invented the concept *“primary stage of socialism”* (CPC 2017: 3-4), describing China’s then low development level, where productive forces were underdeveloped and economic growth the primary concern, not class-based conflict, to justify privatization and marketization (Vogel 2013: 684). Deng believed a socialist state could marketize, without becoming capitalist (Deng 1994: 49), as the market was “class-neutral,” unrelated to class struggle (Vogel 2013: 668). This reinterpretation has been called “intellectual cynicism” and “comical” (Kuhn 2011: 527). The Party viewed it as an adjustment of Marxism-Leninism, to China’s conditions: *“Deng Xiaoping Theory is the product of combining Marxism-Leninism with practice in contemporary China and the features of the time...it represents a new stage for the development of Marxism in China; it’s the Marxism of contemporary China”* (CPC 2017: 2).

From a contingency theory perspective, the Party-state managed making major changes to its ideology and policies, adjusting to environmental conditions, increasing organizational fitness and improving its survival prospects. Through Deng’s policies, the inductive relationship between practical decision-making and ideology, with decision-making justifying ideological changes, increased (Shambaugh 2008: 105). Mao’s concept *Seek Truth from Facts*, stressing pragmatism over ideological dogmatism, was followed by Deng’s *Practice is the Sole Criterion*

for *Truth*, motivated by his belief that Party ideology must be dynamic, to ensure the Party's rule (ibid.; Chan 2003: 180). These concepts allowed the Party-state adjusting its ideology, relaxing the ideological constraints on policy-making, so that it could pursue policies more fit to China's environmental conditions. By taking charge over its guiding ideology, allowing itself to re-define and rewrite it, the Party-state became a driving subject in the process of change, an agent of change, rather than object at its mercy. It allowed the Party-state evolve through its own *adaptive change* (Lawrence, Lorsch 1967; Thompson 1967).

Four Cardinal Principles: Safeguarding the founding-era imprints

The Party's ideological changes didn't mean it decoupled itself from Marxism-Leninism, its founding-era imprint. It made a partial retreat, reformulating parts of its ideology considered less important, to ensure continued viability of other parts considered crucial, as the one-party rule (Zheng 2017: 260). Soon after initiating market-liberal reforms in 1978, Party-state leader Deng introduced *four cardinal principles*, which since 1979 has served as a red line, beyond which no ideological and political reform is allowed to move. These guarantee continued Party dominance over the state and adherence to Marxist-Leninist ideology: "*We must keep to the socialist road; uphold the dictatorship of the proletariat; leadership of the Communist Party; Marxism-Leninism Mao Zedong Thought*" (Deng 1995), and are inscribed into the Party constitution (CPC 2017: 3-4, 8).

"*Uphold Marxism-Leninism, Mao Zedong Thought*" (fourth cardinal principle). Poster (1984).



The principles had profound importance, as they in the midst of Deng's market-liberal experiments, signalled there still being issues on which the Party wouldn't compromise: its one-party rule and Marxism-Leninism, the latter being ideological justification for the former. Despite radically adjusting economic policies, to better fit conditions in the Party's organizational environment, its actions in other policy fields, were restricted by its founding-era imprints. It would not, or maybe could not, relax its grip on power. Given the Party's low transparency, it's difficult knowing what the reasons are, for its insistence on continued one-party rule. It might not purely be motivated by self-interest. As the state's built around the Party, the leadership could have concluded that the state would collapse, in absence of Party rule. As that already happened to the USSR, the model for China's Party-state, and the Eastern Bloc states, such a fear seems reasonable. The Party-state's founding-era imprints, the Soviet-type organization structure, limits the possible actions available to later leaders. They cannot liberalize the organization, without risking its collapse.

Three Represents: A surprising adjustment to new environmental conditions

As the private sector grew economically and in importance in society, Party leaders worried that the Party was losing its supremacy. Party-state leader (1992-2002) Jiang tried solving this by allowing major private business-owners as Party members, through the *Three Represents* (CPC 2017: 1-3, 8, 11, 20, 22; Backer 2017: 1373-1376; Bakken 2017: 816–848; Chan 2003: 201; Heilmann 2017: 231). Allowing “capitalists” become Communist Party members, angered left-wing Party factions (Kuhn 2011: 108), and had to be vaguely formulated in the Party constitution as: “*Advanced elements of other social strata may become Party members*” (CPC 2017: 5, membership criteria). It still represents the furthest departure from orthodox Soviet Marxism-Leninism, by the Party.

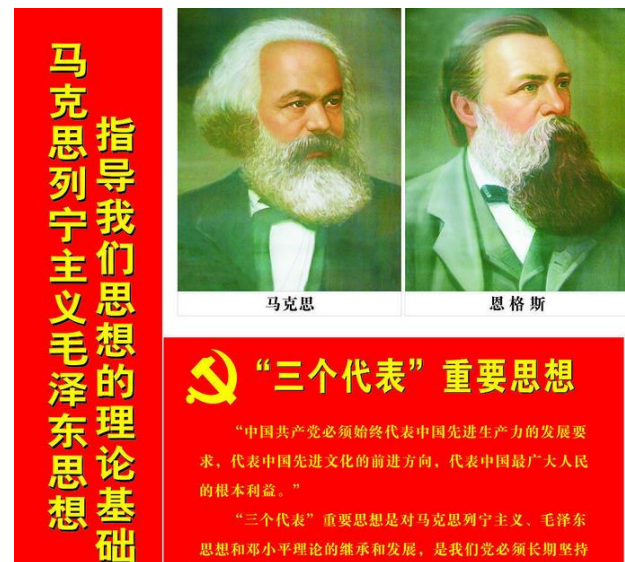
Poster explaining why private business-owners being Communist Party members, is consistent with Marxism-Leninism (2001).

In terms of contingency theories, Deng’s market-liberal reforms had produced new environmental conditions: an influential and wealthy class of business-owners had arisen. The Party needed to adjust to this, to ensure organizational survival. It wasn’t possible having such a resourceful group and influential group outside of the Party, if the Party was to retain its hegemonic role in the economy and society (Brødsgaard 2017: 520; Li 2017: 935). It also wasn’t possible to suppress the business-owners, without jeopardizing economic growth.

Thus the Party decided to integrate and co-opt them (Dickson 2017: 950). The resulting close ties between the twin elites of unelected politicians and big business, has been called “crony capitalism,” “pervasive collusion between officials and business,” “kleptocracy, institutionalized corruption” and “a Leninist regime in late-stage decay” (Pei 2016: 1-20). Jiang’s decision led to *patronage appointments*, where business people paid for promotions to political positions, and *factionalism*, where politicians and business-owners teamed up in patron-client relationships, developing into Party-factions, as Jiang’s “Shanghai Clique” (Bo 2017: 887-889; Finkelstein 2015: 103; Heilmann 2017: 370-375, 480-484; Lam 2018: 122-134; Nathan 2017: 855). According to SSE professor Anders C. Johansson, “Chinese private entrepreneurs benefit from participating in politics,” through “better access to debt financing, preferential tax treatment, more government subsidies, and access to regulated industries” (Feng, Johansson 2015: 220).

“Harmonious Socialist Society:” Stable environment and few adjustments

Party-state leader (2002-2012) Hu introduced policies, to lessen the growing economic inequalities and environmental destruction, both resulting from previous policies focusing on economic growth (Holbig 2017: 775). His ideological contribution *scientific outlook on development*, was intended to lead to a *harmonious socialist society* (CPC 2017: 1-3, 8, 11, 20,



22), and had similarities to European social-democratic parties' policies. Concepts as *environmentally friendly society, sustainable development and healthy ecosystems* (CPC 2017: 2, 6-7), and enabling "*all to share the fruits of development in a more equitable way*" (CPC 2017: 6), were inscribed into the Party constitution.

Hu's years as leader, were one of the happier periods in the People's Republics history. A certain economic level had been reached, and economic growth was still strong. Party-state leaders didn't see any direct threats to the one-party system, and pursued relatively humane and liberal policies, "*focusing on improving the people's wellbeing by solving problems of immediate concern to the people*" (CPC 2017: 6). In terms of contingency theories, environmental conditions were relatively favorable to the Party-state, during this period. There were few crucial inconsistencies between organization and environment conditions, and no need for radical adjustments, to increase fitness.

Although Hu's contributions weren't radical, adding "*all to share the fruits of development in a more equitable way*" (CPC 2017: 6) to official ideology, seems being a Party reinterpretation of its own dogma. Hu's equitable sharing contradicts Deng's *primary stage of socialism*, where economic growth is primary concern, and fits better with Marx' original theories, focusing on wealth distribution between social groups. This is one of many self-contradictions in the Party constitution, the result of continuous ideological and policy adjustments, to changing environmental conditions.

2012-now: Return to Founding Era Imprints

Xi Jinping Theory: Environmental uncertainty triggers return to founding-era imprints

Under Party-state leader (2012-) Xi, growth slowed, but is kept up through debt-financed government stimulus, producing excessive debts (IMF 2017-12). Due to structural factors, e.g. labor force contraction caused by decades of one-child policy, growth will continue slowing (IMF 2017-05; WEF 2017). The investment-led growth model followed since 1978, has become unsustainable and needs replacement (Lin 2018; Pettis 2014: 69-99). This is uncharted territory for the Party, causing heated debates, even leaking into state-media. In 2016, state-media published multiple first-page accounts arguing China is facing "L-shaped growth," financial collapse followed by long-term zero-growth, by the pen-name "authoritative insider" described as "top-level leader" (*People's Daily* 2016; Reuters 2016; Xinhua 2016-05), believed to be someone with Xi's support, arguing against another Party faction (*Economist* 2016; Miller 2016).

The Party-state has reacted to these new, unprecedented and threatening environmental conditions, by returning to its authoritarian founding-era imprints, reinforcing the Marxist-Leninist one-party system. It re-centralized political power, supposedly to more easily carry through major economic reforms (Brown 2017: 17-26; Heilmann 2017: 380; Lee 2017: 325-336). "Xi believes that since reform has entered a deepwater zone, only Party leadership can provide the 'top-level design' necessary to push reform to new heights" (Lam 2016: 410). It reinforced the Marxist-Leninist *democratic centralism* principle (Heilmann 2017: 211), that Party leaders' decisions are absolutely binding, requiring "total loyalty of officials" (Wang 2013; Xinhua 2018), to ensure "internal unity" (CCCPC 2017). "Reforms require strengthening the Party from within,

we must strengthen the Party's ruling functions" (Xi; quoted by Lam 2016: 415). It established a National Security Commission, with consolidated leadership of the Party-state's security apparatus' all parts, enabling increased censorship of information contradicting official narratives, to "clearly oppose and resist the whole range of erroneous viewpoints" (Xi, as quoted by Lampton 2015). It abolished the state constitution's presidential term limit, allowing for lifetime presidents, as Mao was, to "protect the authority of the Party, with Comrade Xi at its core" (State Council minister, quoted by Reuters 2018). It reactivated an old Party constitution paragraph, allowing Party *leading small groups* (CPC 2017: Chapter IX) to override government ministries (Heilmann 2017: 234, 340; Miller 2008: 1). The Party thus integrates government executive functions, directly into the Party organization, making the government superfluous, replaced by direct Party rule (Johnson 2017), ending Deng's formal separation of Party and state (Wong 2005: 82). It strengthened Party rule over state-owned enterprises. Party committees may override SOEs corporate boards, and give direct orders to the CEO (Hughes 2017). It established Party committees in private, including foreign, companies (Martina 2017). Foreign businesses are worried: "We're concerned establishing Communist Party committees in American companies, means the Party will play a role in operational decision-making, making politicized decisions" (U.S.-China Business Council, quoted by Bloomberg 2018).

"East, west, south, north and center, the Party leads everything." Phrase from Mao, revived by Xi (SCMP 2017).

Jiang allowing business people as Party members, caused endemic corruption in the Party, undermining its reputation (Heilmann 2017: 480-484; Wedeman 2017: 1244). Xi's presidency is characterized by its fierce anti-corruption campaign, to end Jiang's system of *patronage appointments* and stamp out *factionalism* (Bo 2017: 887–929; Heilmann 2017: 370-375, 480-484; Lam 2018: 122-134; Nathan 2017: 849–886), aiming to restore Party legitimacy, and making it easier to discipline and unite the Party around a common agenda (Guo 2017: 1180; Heberer 2017: 978–997; Sun 2017: 1221).

However, ultimately the corruption isn't caused by Jiang's policies, but by the Party-state's lack of independent depoliticized judiciary, a founding-era imprint. In China's Soviet-type system, the Party may intervene in court processes, and order judges to make politically motivated sentencings (Heilmann 2017: 211-216; Li 2017: 1325). Corrupt officials with powerful friends, aren't investigated (as 2002-2012 prime minister Wen, Barboza 2012). A one-party state couldn't function with an independent judiciary, making decisions contradicting Party leaders, that would undermine the one-party rule. The only way to combat widespread corruption in such a state, is for a forceful leader to implement draconian measures, instilling a sense of fear in the bureaucracy, in absence of due process (Zou 2017: 1295). Also, the Soviet-type system's lack clear ownership rules for public property, enables political and business elites to collude in stealing state assets (Pei 2016). Thus both the corruption, and the Party-state's measures to combat it, are products of its founding-era imprints. Interestingly, the USSR, the model for China's Party-state, also suffered endemic corruption (Vaksberg 1992), developed an entire hidden "*second economy*" (Ericson 1984:1-24; Grossman 1990), and tried solving it in similar

ways (CIA 1985; Clark 1993: 100-201; Trembl 1993). The corruption is systemic, and caused by organizational features shared by all Soviet-type states (Kneen 2000: 349: corruption unsolvable due to “bureaucratic and ideological constraints of the Soviet state”; Montias 1981; Wellisz 1986:646-58).

Xi’s ideologically conservative, praising early Marxist-Leninist leaders: “To dismiss the history of the Soviet Union and the Soviet Communist Party, to dismiss the contributions of Stalin and Lenin, is historic nihilism. It confuses our thoughts and undermines the Party organization on all levels” (Xi’s presidential inauguration speech, quoted by Pomfret 2017). His constitution contribution, underscores the Party’s leading role in society: *“Leadership of the Party is the most essential attribute of socialism with Chinese characteristics, and the greatest strength of this system. The Party exercises overall leadership over all areas of endeavor, in every part of the country,”* over the armed forces: *“The Party shall uphold its absolute leadership over the People’s Liberation Army,”* and Party-internal discipline: *“Improve discipline in the Party.”* He reemphasized Marxism: *“‘Practise Socialist Core Values,’ including Marxism and communism”* (Brown 2017: 797–815; CPC 2017: 7, 10; Xinhua 2017). The Party propaganda department reiterated this, stating: “If we deviate from Marxism, our Party would lose its soul and direction” (State Council 2017).



Above: Politburo Standing Committee voting to amend China’s constitution, adding Xi Jinping Theory to official ideology (2018; Xi, center). Below: Party celebrates Karl Marx’ 200 anniversary (May 5th 2018).

Have the Party-state’s adjustments reached their limits?

Since Mao’s 1956 break with orthodox Soviet Marxism-Leninism, the Party-state’s continuously adjusted ideology and policies, to environmental conditions in China. These adjustments were carried out to allow the Party stay in power, to retain the one-party rule, core organizational aspect of Marxism-Leninism, the Party-state’s founding-era imprint. “Party leadership is the most essential feature of socialism with Chinese characteristics. Upholding Party leadership is the foundation and lifeblood of the Party and the state” (State Council 2017).

Chinese leaders believe the USSR collapsed due to its stagnant ideology (Shambaugh 2008: 105). The final death blow was Gorbachev's late-1980s liberal Party-state restructuring policies, jeopardizing the one-party rule: "The reasons behind the Soviet breakup were rigidity and conservatism. Yet, the root cause was its turning away from Marxism-Leninism and the socialist path" (State Council 2017).

Yet, in spite of all adjustments, also the Chinese Party-state's Soviet-type organization structure, faces constraints. Its leaders aren't free to make endless adjustments, but restrained by organizational founding-era imprints. Under Xi, the Party-state seems to have reached the limits, for how many adjustments it's possible to make, to its organization. China's industrialization's largely completed, and the country's moving into an innovation-driven stage, where growth comes from private initiative rather than central commands, requiring Party-state leaders to allow more societal freedoms. A Marxist-Leninist one-party state can't grant such freedoms, as that would erode the one-party rule and destabilize the Party-state. The Party-state has responded instinctively to these threatening environmental conditions, by returning to its founding-era authoritarian imprints. Interestingly, USSR leaders did the same during the 1960s, after having completed industrialization and then facing similar environmental conditions. Conservative leader (1964-1982) Brezhnev introduced authoritarian policies, contributing to a two-decades-long "*Era of Stagnation*" ("*Brezhnevian Stagnation*"), setting the stage for the USSR's 1991 collapse (Hanson 2003: 128-163; Thompson 2003: 13-25, 64-97). Soviet-type states are similar organizational constructs, facing similar ultimate constraints to adjustment (Shambaugh 2016: 15).² They react to environmental conditions in similar ways, and thus follow similar evolutionary paths. Xi's conservative policies could be viewed as a failure to adjust to changing environmental conditions, similar to how the USSR failed to adjust to changing environmental conditions under Brezhnev. Soviet-type one-party states lack mechanisms to handle environmental conditions requiring liberalization and allowing private initiatives. They react to such conditions by reinforcing authoritarian one-party rule and *democratic centralism* (Heilmann 2017: 211; Wang 2013).

Types of organizational change in socialist one-party states

The Eastern Bloc and China, two types of organizational change

The Soviet-type socialist one-party states in Eastern Europe, and East Asia, developed differently from each other. The communist parties of the USSR and the Eastern Bloc, failed to adapt to changes in their organizational environment and were ousted from power (Fowkes 1995: 170-197). The Chinese Communist Party has been more successful at adapting policies to changes in its organizational environment. It's done so by restricting itself to only implementing its ideas of central planning, in certain sectors of the economy. In terms of contingency theories, organizational adjustment to the environment, could be driven by an organization's own *adaptive change* to the environment, or by *environmental selection processes* through which unfit organizations are eliminated.

² Deng's market-liberalization has a USSR equivalent. Lenin began wide-ranging privatization and market-liberalization, in the *New Economic Policy* 1921-1929 (Bandelin 2002: 35-70; Lenin 1937; Rosefielde 2007: 39-58).

Eastern bloc: Organizational change through environmental selection processes

Environmental selection processes happen through organizations of different types competing. Weaker ones are eliminated and stronger ones survive, through a process of natural selection. Changes occur when older organizational types are eliminated by newer ones (Freeman, Hannan 1977; 1989). This seems a fitting description for political developments in Eastern Europe, after the fall of the Berlin Wall in 1989. The rigid Soviet-type regimes of Eastern Europe had not adapted sufficiently to their organizational environment, and were eliminated and replaced by new state organizational structures, better aligned with their organizational environment.

China: Organizational change through adaptive change

Adaptive change happens through leading individuals and coalitions within in organizations, changing it to increase its fit to the environment (Chandler 1977; Lawrence, Lorsch 1967; Pfeffer, Salancik 1978; Porter 1980; Thompson 1967). This seems a fitting description for political developments in China, over the last decades. Party leaders adapted organizational ideology and policies to China's environment, even opening sectors to market-liberal reforms. This continuous adaptation of the Party-state to its environment, is an ongoing process, driven by its objectives organizational survival and staying in power (Tsang 2009: 18).

The Party-state as a “Company-ized State”

Party-state's *company-ized* leadership

In 1949, China began implementing a Soviet-type *state capitalist* economic model, where the state, not private interests, accumulates capital to make necessary investments (Bernstein 2011; Li 2006; MacFarquhar 1995: 51-143; Naughton 2006: 55-66). Under this model, the state owns all or most of the businesses, and makes overarching managerial decisions for these businesses through national *five-year plans* (MacFarquhar 1995: 144-184; Naughton 2006: 59-66). The plans are successively divided into smaller sub-plans for organizational units on each administrative level, throughout the entire system down to individual factory-level. The five-year plans include stipulations for everything from employment levels and salaries, the use of capital inputs and technology, to production volumes (ibid.; Ericson 1991: 15). Since these all-encompassing plans for the management of the country's companies, are decided at the highest national political level (Heilmann 2017: 450-460; Lam 2018: 181-204), the state's political organization effectively turns into a corporate and business-like organization, a “*company-ized state*.”



“Investment distribution of the First Five-Year Plan.” Political poster (1956).

Since 1978, market-liberal reforms have been introduced in some sectors. However the central planning agencies still coordinate the economy through five-year plans (NDRC 2011, 2016; State Council 2007), state-owned companies dominate many sectors, the state accounts for 30-50% of GDP, owning most big companies (Lee 2009: 6; Szamosszegi 2011: 1, 99). The Party-state has a dominating influence on China's economy (Heilmann 2013; Ling 2016), as guaranteed by the Party constitution: "*The Party leads the development of the socialist market economy* (CPC 2017: 5).

In this *company-ized state*, the executive branch of the government, the cabinet, in addition to regular political functions, also takes on executive functions similar to these of a large corporate group's top-level management. The head of government is effectively also CEO of a vast conglomerate of state-owned enterprises. The legislative branch of government, China's rubber-stamp parliament, has a ceremonial *de jure* function. *De facto* decisions-making power, is with the Party (Heilmann 2017: 210-210; Lam 2018: 75-91; Zheng 2017: 249-278). The Party and state have a *principal-agent relationship*, the Party decides and the government executes (Landry 2008: 182; Lieberthal 1992: 61; Shirk 1990; 1993; 1994). The *Politburo Standing Committee*, the Party's highest governing body (Heilmann 2017: 233), has a function similar to the board of directors of a corporate group. As the Party has taken on itself to "represent the majority of the Chinese people" (CPC 2017: 1), the nominal owners of the state-owned enterprises, the Party's leading council takes a role of 'representatives for the owners' and functions as top decision-making body for the state's vast corporate empire. The PSB's elected by the *Politburo*, which convenes annually (Heilmann 2017: 233; Lam 2018: 92-107), in a fashion not unlike that of a shareholders' annual general meeting. Thus, in this type of state-capitalist system, both the top executive function (the State Council) and the function of the owners' representatives continually overseeing corporate activities (PSB), have been replicated and integrated into the political organization of the Party-state. That the Party-state has dual functions, political and corporate ones, leads to *institutional confusion*. It isn't merely a political organization, a state, but has *company-ized*, integrated decision-making structures normally seen in companies, and become a blend of a state and a corporate group, a *company-ized state*.

Party-state plans for the national economy, as if it was a company

Party-state leaders set economic and managerial goals, in a fashion similar to large corporations. The national five-year plans cover the entire economy, including very specific targets (MacFarquhar 1995: 144-184; Naughton 2006: 59-66; NDRC 2011, 2016). They contain detailed instructions for what part of the economy to focus on, what specific policies to follow, even what specific investments to make and projects to realize (NDRC 2011, 2016; State Council 2007). Unlike most democratic states, the Party-state at forehand sets annual economic growth targets for the entire national economy. For 2018, it's 6.5% (Reuters 2017).

Unelected politicians advance their careers by meeting economic targets

In the Party-state's Soviet-type *nomenklatura* system, politicians don't compete with each other by winning local election, as China isn't a democracy, but by achieving high economic growth rates in their constituencies (Brødsgaard 2017: 390-420; Chan 2017: 541-579; Li 2017: 626-

665). The city mayor with the highest GDP growth in a province, may become provincial governor. Successful governors could get the central government posts. Economic growth figures are used to evaluate politicians and bureaucrats, throughout the state bureaucracy (Burns 2017: 479–509; Lam 2018: 153-164; Naughton 2006: 60-61, 317; Shih 2017: 666–711), similar to how managers in corporations are evaluated and promoted, regarding company profitability and revenue.

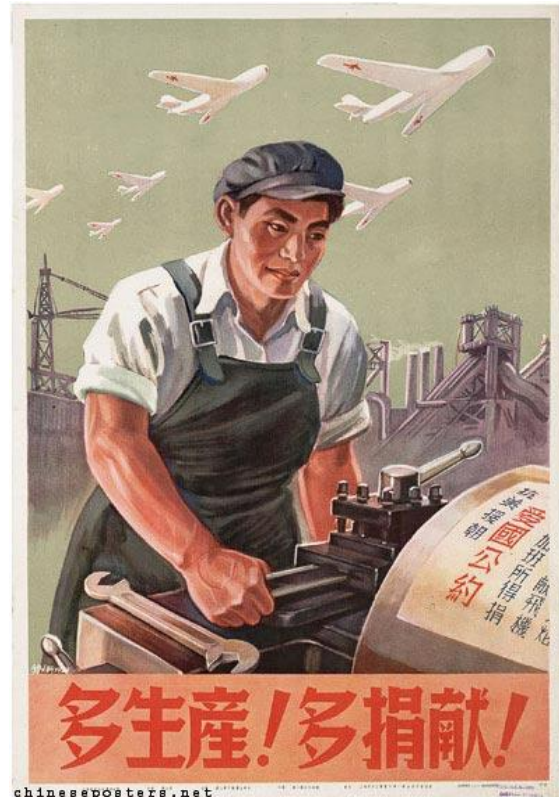
Party-state reports to public on meeting economic growth targets

State-media reports the Party-state's achievement of economic targets, in a fashion similar to how companies present annual revenue and profitability achievements. It broadcasts long lists, detailing all the recent achievements of the government, as growth targets met and how this compares to previous years, the number of airports, hospitals and subway-lines built, even the number of criminals arrested and sentenced.

Party-state justifies its rule by economic growth

As the Party isn't democratically elected, there's a need to justify its rule by something else, to the people. Rapid economic growth, has served as such a justification to the people, for why the Party should rule China (Heberer 2017: 978–997). This is similar to how company managers justify their leadership, by revenues and profits, to company owners.

"Produce more! Make a bigger contribution!" Political poster. The company-ized state views its citizens as employees, giving them commands.



Citizen-employees of a company-ized state

"The political organization's, and company's, environments are not constructed similarly, the actors are different. Political organizations' environment consist of *citizens*" (Brunsson: 325).

In private-capitalist systems, the state's political organization and private companies are separate. Inhabitants have two roles, as citizens towards the state and as employees towards private companies. In Soviet-type state-capitalist societies, there's no clear separation of roles. Inhabitants are citizens and employees of the same organization, the state. This causes *institutional confusion*, as it's difficult to know what role inhabitants have in relation to the state. Are they citizens, employees or some mix of the two roles, *citizen-employees*?

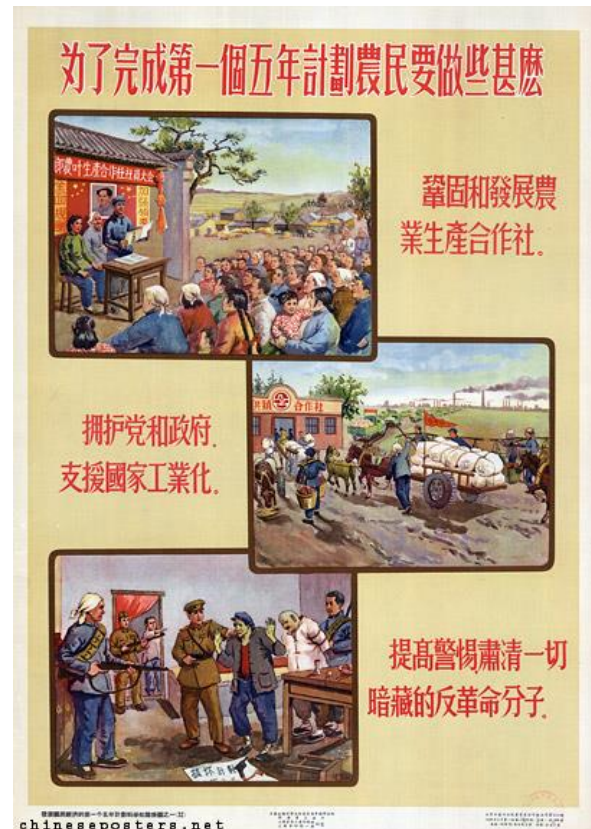
A private Western company is an autocratic organization, to its employees. Executive management, chosen by the owners, decides what activities should be carried out by employees. Employees don't have a democratic right to vote, and elect corporate executives. The role of citizens in China, is similar to that of employees in a Western company. Chinese citizens don't have a right to vote or choose the leaders of the state (Heilmann 2017: 224). The state leadership views citizens as Western company leaders view their employees. Citizens

have a responsibility to carry out the state leaders' commands and decisions, and to realize their vision for the country. Citizens that obstruct the Party-state leaders' commands, can't be fired, but alternative means have been developed to ensure compliance (Heilmann 2017: 630).

Citizens' demands may be illegitimate

"Almost all of citizens' demands are legitimate, and must be considered by the political organization, if it wants to maintain its legitimacy" (Brunsson: 324-325).

In China, citizens' demands aren't legitimate, if they don't adhere to the Party line. Since the one-child policy was initiated in 1979, millions of forced abortions have been carried out (Heilmann 2017: 512). But citizens' objections weren't considered legitimate, as the Party believed the policy had other benefits, outweighing the immense human suffering it caused. Protests over local governments' land grabs, environmental issues and labor issues, aren't considered legitimate (independent labor unions are illegal; Heilmann 2017: 580-583; Lam 2018: 219-232). As citizens' views may be illegitimate, the Party has to censor the internet and news media, so that illegitimate ideas don't start to spread and to "clearly oppose and resist the whole range of erroneous viewpoints" (Xi, as quoted by Lampton 2015; Heilmann 2017: 563-564, 616, 640; Lam 2018: 232-247). It could be dangerous if citizens' illegitimate concerns influence state policies, and thus citizens have been relieved of their right to vote. The one-party system rests on the notion that the citizenry's views aren't as legitimate as the Party's.



"What must the peasantry do to bring the First Five-year Plan to a success?" Political poster. In a company-ized state, it's the citizens duty to realize their leaders plans.

Party-state specializes in satisfying certain demands and customers

"The customer has more *specific demands* than the citizen. Unlike the political organization, the company *doesn't have to satisfy all demands*. It may choose serving some customers only, specializing in satisfying certain groups and interests. Citizens have broad interests, customers limited interests, those the *company wants and is able to satisfy*" (Brunsson: 325).

Party-state policy has explicitly focused on meeting certain citizen demands and develop certain of its abilities, as economic growth and infrastructure investments, considered important in Marxism-Leninism. Other demands have been neglected, as healthcare, welfare, retirement benefits, and environmental protection. Policies have consistently focused on infrastructure investments, in factories, housing and public transportation as subways, high speed rail and airports. Today China's public transport system is world-class, rivalling developed countries (Heilmann 2017: 618, 680). But there's no national retirement benefits system, many citizens

save for retirement from their monthly income (Heilmann 2017: 650). Underfunding of universities has led many of China's most talented young graduates to emigrate and pursue advanced degrees abroad (Henze 2012: 96). Underfunding of healthcare is chronic and has caused civil unrest (Lafraniere 2010). Negligence of environmental degradation, has given China among the world's most severe pollution problems, and food safety problems (Heilmann 2017: 611-612). Citizens' demands for individual freedoms, have been neglected (Heilmann 2017: 563-564, 580-583, 616, 640; Lam 2018: 219-247; 283-332).

Party-state policy also specialized in satisfying certain citizen cohorts, "choosing to serve certain customers" (Brunsson: 325), e.g. by favoring urban over rural residents. There are two types of residency permits (*hukou*), urban and rural. Rural permits give limited rights to social services, whereas urban permits provides more generous services (Heilmann 2017: 513, 530-544; Lam 2018: 205-218; Naughton 2006: 116). State investments in social services, schooling and healthcare, have been channeled to cities, bypassing rural areas (Naughton: 116).

"*Build socialism at breakneck speed.*" Political poster (1953). The Party-state's an action organization.

Party-state values action higher than debate

Companies focus on *action*, not *debate*. Political organizations focus on debate, causing slow or lacking action. "Companies' crucial problem is *effective and coordinated action*. Their organization principle is the *action organization*. The structuring principle is *unity*, which makes coordinated action easier. Recruits are assumed to support the organization's goals and aims. Unity is created and sustained by *hierarchic structures* and by imposing *standardized ideologies*" (Brunsson: 327).

The Party-state isn't fond of societal debates. It has a sophisticated media censorship apparatus, which it uses to censor the internet, print and broadcasting media (Heilmann 2017: 563-564, 616, 640). It recently established a new National Security Commission, enabling increased censorship of information contradicting official narratives (Lampton 2015). The Party prefers to tell citizens what they should believe, through its Propaganda Department (Brady 2017: 752; Shambaugh 2017: 720). Party leaders aren't very fond of Party-internal debates either. The Party's organized along the Marxist-Leninist *democratic centralism* principle, where Party leaders' decisions are absolutely binding on members, and debate isn't allowed after leaders' decisions-making. This principle was recently reinforced to ensure "total loyalty of officials" (Wang 2013; Xinhua 2018) and "Internal unity" (CCCPC 2017).



The Marxist-Leninist state-capitalist model was devised to allow the USSR progress rapidly from being a poor agricultural economy, to a developed industrial economy. An authoritarian state and central planning were believed to enable a rapid progression to a higher economic level.

The focus was on action, as in a company with a clearly defined goal, rather than on lengthy political debates. In the 1950s China emulated the USSR's Marxist-Leninist model, and its Party-state came to exhibit a similar focus on action, coupled with disregard for free debate. Early five-year plans were supposed to have produced rapid heavy industrialization, but failed for various reasons.

After 1978, policies changed, but the focus on rapid action remained, and is even inscribed into the Party constitution: "*The Party must lose no time in speeding up development, promoting rapid economic development*" (CPC 2017: 4). This focus on rapid action, contributed to China's fast economic development over the last decades. The authoritarian one-party system allowed for quick implementation of policies, with little time spent debating alternatives, enabling swift investments, rapidly rising production and economic growth. Absence of debate may lead to important information not being considered. This problem was lessened, as China's Party-state replicated policies from more developed countries, as it directed and coordinated investments.

"*Surpass Great Britain's economy in 15 years!*"
Political poster (1953).

An action organization with unity, hierarchic structure and standardized ideology

The Party, whose members are appointed to posts in the state bureaucracy and state-owned enterprises, is different from democratic political parties. It's a highly *hierarchical structure*, where *internal discipline*'s reinforced by a separate system of Party-internal courts, adhering to the Party's constitution and disciplinary rules, not Chinese law. Party courts' only have jurisdiction over Party members, but in cases regarding members, its decisions take precedence over ordinary courts. Party rules are stricter than Chinese law, with less protections for freedom of speech. The difference between Party and ordinary courts, may be compared to the difference between the military and civilian courts in the US. The Party's hierarchical structures and strict disciplinary rules ensures organizational *internal unity* (CCCPC 2017), around Party leaders and their policies. The Party organizes mandatory study programs for members, covering ideology and recent policies issued by the Party leadership, ensuring that the Party's *standardized ideology* is adhered to by the members.



Survival is superior goal to Party-state

“A political organization has no intrinsic value, if its task disappears. *Organizational survival isn't an end in itself*. The company has no mission in this sense. The important thing is that its products are in demand, if demand falls the products should be adapted. It *shows no loyalty to old ideas, flexibility is all, survival is a superordinate goal*.” (Brunsson: 325).

The Party-state's several times exhibited a surprising ideological flexibility, with little loyalty to old ideas. Mao's 1956 break with orthodox Soviet Marxism-Leninism, Deng's 1978 introduction of market-liberal reforms, and Jiang's 2002 *Three Represents* policy, allowing business-owners as Communist Party members, all were radical ideological adjustments. The Party adjusts its ideology and policies, to ensure the one-party system's viability, and the Party-state's survival. “Party leadership is the most essential feature of socialism with Chinese characteristics, upholding leadership by the Party is the foundation and lifeblood of the Party and the state” (State Council 2017). For the Party, *survival is a superordinate value and goal*, as in Brunsson's description of a company (Brunsson: 325).

Party-state's financed by state-owned enterprise profits, rather than taxation

“The *company* acquires money, *selling products*. The *political organization* generates money through *taxation*” (Brunsson: 326).

For various reasons, the Party-state hasn't primarily generated money through taxation. Partially it's due to the central planning model, where the state's financed by revenues from state-owned enterprises (SOEs), not taxes. As the *dual track*-policy led to most important sectors still being SOE-dominated (Naughton 2006: 91-93), the state continued relying on revenues from these, and was slow to develop an efficient tax system. There's also a *vertical imbalance* in fiscal revenues across the state bureaucracy (Heilmann 2017: 280-283; Lin 2013: 467-490; Landry 2008: 14), where local and regional levels of the state bureaucracy, have insufficient revenues to finance their responsibilities. This gap is met through SOE profits, land sales and even illicit financial transactions (Li 2011: 527; Ong 2006: 377-378). The Party-state thus finances its activities through other means than *taxation*, the *political organization's* mode of financing, and to a large extent relies on SOE profits from selling products, which is how a company's financed.

Politicized state-owned enterprises

“The company has *no mission*. What's important is that its products are *in demand*. If demand falls, it's expected to *adapt its products*. It should show no loyalty to old ideas; flexibility is all. It's assumed to *only favor its own interests* of profit, wealth and survival” (Brunsson: 325).

State-owned enterprises are responsible for 30-50% of China's GDP, and dominate systemically important sectors of the economy: banking and finance, petrochemicals and oil, mining, steel, telecommunications, transport, shipping, construction, automotive, defense, news and media etc (Szamosszegi 2011). Many are very large. On the Fortune 500 list of the world's biggest companies in 2017, 75 were Chinese SOEs (*Fortune* 2017; EY 2017). China's SOEs often act in ways which could be expected of political organizations, rather than profit-driven companies. The government issues orders to SOEs to act according to the Party-state's political objectives, rather than according to their own profitability objectives. SOEs have Party

committees, ensuring that managers follow the Party's political guidelines and directives (Hughes 2017; Leutert 2016: 95-99).

Examples: The government orders state-owned commercial banks lend money at subsidized rates to unprofitable SOEs, avoiding these going bankrupt and laying off workers, which could cause social unrest (Benno 2018; Lam 2017); During a 2015 stock market crash, the government ordered a group of large SOEs to invest in listed companies, regardless of risk of losing money, to stabilize the market (Wildau 2015); "One Belt One Road" is a Party-state project to build infrastructure in surrounding countries. The government ordered SOEs to build infrastructure installations in active armed conflict zones in Pakistan and Burma, in spite of risks. It ordered state-owned banks to offer credits, in spite of some of these countries being notorious for defaulting on loans (Du 2018; Lam 2015; Leutert 2016); SOEs trade among each other. Prices are decided by political rather than profitability objectives. Low prices may be agreed upon if the buyer is an unprofitable SOE. SOEs acquiring foreign technology, may be ordered to share this technology with other SOEs in the same sector (Szamoszegi 2011); SOE managers aren't appointed by corporate boards, but by the Party's Organizational Department, responsible for all personnel appointments in the state bureaucracy and SOEs. As SOE managers in advance in their careers, the Party doesn't allow them rise to more senior positions in the same company, but in a different SOE or the state bureaucracy. Such "*lateral promotions*" or "*horizontal cadre rotations*" avoid managers building personal power-bases, rivaling the Party's influence (Landry 2008: 91-92; Xinhua 2016-10).

"SOEs are a force for Party rule, and Party leadership is 'the root and soul' of SOEs." President Xi (quoted by Xinhua 2016-10)

"SOEs are facades for the state bureaucracy"

The *politicization* of SOEs is so severe, and their ties to the state bureaucracy so close, that some analysts question if they are companies at all: "Chinese SOEs aren't independent and profit-driven corporations in a western sense, but different facades for one entity, the Chinese state bureaucracy, which is driven by political objectives" (Wang 2015).

Ahrne wrote that sub-organizations of states, are part of them, similarly to how subsidiary companies are part of corporate groups (Ahrne 1998: 135). China's state-owned enterprises are subsidiary companies to an organizational entity which nominally is a state, but in reality has great likeness to a corporate group. The SOEs are subsidiaries of a *company-ized state*.

SOEs don't get legitimacy from producing under competition

"The company gets legitimacy producing products in demand, under competition." (Brunsson: 326).

1949-1978 China didn't have a free market and its companies weren't under competition (Naughton 2006: 55-76). Since 1978, competition between companies has been introduced as part of a market-liberalization (Naughton 2006: 85-109). Most small and medium-sized companies are private and operate under competition. However, almost all of large companies are SOEs, dominating several sectors, offering few alternatives to customers. SOEs benefit

from favorable legislation and subsidies (Leutert 2016; Szamosszegi 2011). It's not likely that SOEs are considered legitimate due to producing under competition.

Many SOEs are sustained by state funding, not profits

"The company acquires money through selling products, the political organization through taxation." (Brunsson: 326).

In the 1990s, infrastructure-producing SOEs were successful, as China had a decades-old built-up need for investments (Naughton 2006: 298). Lately, many SOEs have started making losses (Benno 2018; Lam 2017). As the Party-state for political reasons is unwilling to let SOEs fire millions of employees, the SOEs depend on state-owned bank loan infusions (Benno 2018; Lam 2017; Leutert 2016). These SOEs violates Brunsson's conditions for a company, as they neither sell products sufficiently demanded by customers, nor acquire enough money through selling products.

CONCLUSION

This study used imprinting, contingency and institutional confusion theories to analyze China's Party-state, a non-democratic, socialist one-party state. The choice of theories was guided by Ahrne's and Papakostas' views on similarities between states and companies. Both types are *influenced by, and influence, their environment* (Papakostas 1998: 205), *shape their environment and are shaped by it* (Pfeffer, Salancik 1978, quoted by Ahrne 1998: 129). These theories highlight organizations' *relationship to their environment*, and are interesting to apply to socialist one-party states, perceived as relatively closed entities (Naughton 2006: 380), with little interaction with the environment. States and companies can be *interpreted as organizations and institutions* (Ahrne 1998: 129). Institutional confusion theory allows interpreting the Party-state as an institution, a company.

What are the founding-era social imprints on China's Party-State?

China's Party-state has clear *founding-era social imprints*. The dual organization structure was established to implement a Soviet-type political-economic model in China, with a centrally planned economy, coordinated through five-year plans, and executed through a Party-state bureaucracy organized as a machine bureaucracy, according to the Marxist-Leninist principle *democratic centralism*.

Did the new Soviet-type organization structure fit China's environmental conditions?

The new Soviet-type state organization structure, which the Party 1949-1956 tried to implement in China, didn't fit local environmental conditions. It clashed against *hard environmental constraints*, China's large population and size, and underdeveloped infrastructure, and *soft environmental constraints*, China's culture of local autonomy, *regionally decentralized authoritarianism*.

How was the new organization structure adjusted, to increase its fit with environmental conditions in China?

Since Mao's 1956 break with orthodox Soviet Marxism-Leninism, the Party has tried to partially adjust the new Soviet-type organization structure, to increase its fit with environmental conditions in China. It allowed for more local autonomy and flexibility towards centrally decided production targets, than originally. However, the Party's overall policy objectives, and core aspects of its Marxist-Leninist ideology, as the one-party system and the organization principle *democratic centralism*, remain unchanged.

Did the Party-state's policies exhibit path-dependence in relation to its founding-era imprints, as it tried to adjust its organization structure to fit China's environmental conditions?

The Party-state's policies exhibited *path-dependence* in relation to *founding-era imprints*, as it tried to adjust the state organization structure to fit to environmental conditions in China. On the one hand, the Party tried to satisfy environmental constraints in China, allowing for more local autonomy and limiting central planning. On the other hand, it never abolished its original Marxist-Leninist ideology, but repeatedly returned to it, updated it, and tried to reimplement it in new configurations. These policy iterations caused recurrent centralization-decentralization cycles in China's state organization structure. They have led to the state organization structure becoming an uncommon mixture of political authoritarianism and fiscal decentralization. In terms of imprinting theory, this is *structural lock-in*. After an organizational structure's established, it restricts the number of possible organizational changes during later periods. Because of the restrictions, organizational development become *path-dependent*, future changes depend on historical experiences. That the number of possible changes are limited, leads to *bounded rationality* (Papakostas 1998: 210).

Do Party-state policies still exhibit path-dependence?

Party-state policies still exhibit path-dependency. In spite of market-liberalization reforms, the state retains a dominating influence on China's economy, is responsible for a large share of the national GDP, and key sectors remain state-controlled. Through the *four cardinal principles*, introduced in 1979 and inscribed into the Party constitution as guiding ideology, the Party committed to retain the one-party system and its Marxist-Leninist ideology.

Under Party-state leader (2012-) Xi, economic growth has slowed and debts increased. The Party-state has responded to the pressing environmental conditions by falling back on its founding-era imprints, reinforcing the one-party system and the authoritarian *democratic centralism* organization principle. In terms of imprinting theory, this could be interpreted as the Party-state as it reached organizational maturity, having stiffened and become more resistant to change, and less able to modify its organizational technologies in line with changing environmental conditions (Stinchcombe 1965; quoted by Papakostas 1998: 216). This could become a future liability to the Party-state, as organizations which cannot adjust sufficiently to environmental changes, risk becoming inadequate and outmoded (Papakostas 1998: 210).

In terms of contingency theories, what's the difference between how state organizational structures in former socialist one-party states in Eastern Europe and China, changed to fit environmental conditions?

In terms of contingency theories, the Soviet-type state organization structures in Eastern Europe changed through *environmental selection processes*. Unfit state organization structures were eliminated and replaced by new more fit ones. In China, the change process has so far happened through *adaptive change*: organizational leaders adapted the organization to environmental conditions, to increase its *fitness*.

Can the evolution of China's Party-state be explained in terms of social imprinting and contingency theories?

China's Party-state was established after Soviet model. It's policies and organization structure exhibit *path-dependence* in relation to its founding-era imprints, validating Stinchcombe's imprinting theory, according to which organizational ideas prevalent when an organization is founded, leave an enduring imprint on the organization.

The Party-state's leadership is in an ongoing process of negotiation between it's founding-era imprints, ideologies and organizational concepts from early 20th century USSR, as the one-party system and *democratic centralism*, and local environmental constraints in late 20th century and contemporary China. This is reflected in constant adjustments in the Party-state's political ideology, economic policy and organizational structure, to increase the organization's fit to environmental conditions.

This study introduces new terminology, drawing on organizational theory, to describe People's Republic's history:

"Founding Era Imprinting": In 1949-1956, from the People's Republic's founding, until Mao's break with orthodox Soviet Marxism-Leninism, the Party-state tried to emulate the USSR's political-economic model.

"Era of Adjustments": In 1956-2012, from Mao's announcement that China's Party-state would modify and develop its own economic model, and until Xi's leadership, the Party-state made several far-reaching adjustments of ideology and policies, increasing its fit to environmental conditions.

"Return to Founding Era Imprints": Since 2012 and the beginning of Xi's leadership, the Party-state has introduced a number of conservative policies, which reinforce the one-party system and the authoritarian *democratic centralism* principle.

Viewed as an institution, does the Party-state exhibit institutional confusion?

This study draws on institutional confusion theory, to introduce the term *"company-ized state,"* to describe state-dominated economies, where the state manages a vast enterprise empire, and itself started to act more like a corporation, than political organization.

China's Party-state can be termed a *"company-ized state."* It's company-ized leadership structure seemingly replicates structures normally seen in corporations, not in political organizations. It makes detailed five-year plans for the national economy, as if it was a

company. Politicians don't advance their careers by being elected, but by meeting economic targets. Party-state leaders seem to view citizens more as employees, with responsibility to obey commands and realize the leaders' plans. Citizens' demands may be illegitimate, and thus they're neither allowed to vote, nor freely express their opinions. The Party isn't fond of debates, preferring action, and is organized as an *action organization* with unity, hierarchic structure and standardized ideology. It shows little loyalty to old ideas, have shown surprising ideological flexibility, and seem to view survival as its superordinate goal. The Party-state's state-owned enterprises are *politicized*, seem more driven by political than profit motives, and don't get legitimacy from producing under competition, as regular companies.

What's the value of applying organizational theories to a non-democratic, socialist one-party states?

Organizational theories are useful for analyzing non-democratic, socialist one-party states, as they offer a new theoretical perspective on how rigid authoritarian state organizational structures adapt to constantly ongoing environmental changes, which potentially could erode and undermine them.

DISCUSSION

What's the motivation for the Party-state's adjustments?

Why has the Party-state continuously adapted its ideology and policies, to increase its fit to China's changing environmental conditions? Some foreign observers believe that the reforms were motivated by the Party's need to adapt to the environment, to stay in power, and that the reforms have strengthened its grip on power, rather than weaken it. "The Party's objective is *to stay in power, not to reform itself out of existence*. Economic reforms, adopting some capitalist practices and embracing market in some areas, is a means to a political end. In a completely 'marketized' economy, with few state-owned enterprises, the Party would have no economic means to protect its political monopoly. But by only partially opening China to the market, the Party has strengthened its power, and that was the purpose of doing so. The Party has used China's growing economic resources to strengthen its repressive capacity, to defend its political monopoly" (Pei, quoted by Frum 2018). "By strategically controlling economic resources, the Party is building institutions entrenching its monopoly on power. Reforms and economic growth have enhanced the Party's ability to remain in power. Rather than being swept away by change, the Party is its agent and beneficiary" (Lee 2008).

China as "*failed workers' state*"

The Party-state is nominally a "working-class dictatorship" (NPC 2014: Preamble, §1), but its reforms has showed little loyalty to old proletarian ideals, and it could be characterized as a *company-ized state*. That raises the issue, what the Party-state's one-party system really is about? Interestingly, Trotsky (1937) called the USSR, the first Marxist-Leninist one-party state, on which China's Party-state is modeled, a *failed workers' state*, a nominally socialist state ruled by a bureaucratic elite, neither being workers, nor pursuing policies benefiting workers, but rather benefiting their own rule. It's an open question, whether this description doesn't also fit China's Party-state.

Is central planning viable in a post-industrial economy?

China's to a large extent relied on central planning during its industrialization process, but its industrialization is now largely complete, and the economy's moving on to a higher, post-industrial innovation-driven stage. It's questionable whether central planning and Marxist-Leninist *democratic centralism*, with rigid hierarchies, top-down decision-making and absolute obedience, is suitable for producing innovations, to drive future growth? Innovations tend to be stimulated by the opposite, highly flexible organizations as *adhocracies* (Mintzberg, quoted by Papakostas 1998: 211).

Interestingly, the Party-state's founding-era imprints, are visible also in its innovation policy. In 2007 it launched the *National Medium- and Long-Term Plan for Science and Technology Development 2006-2020* (State Council 2007), detailing how a number of science "megaprojects," centrally decided by Party-state top-level political leaders and not by scientists, should receive funding. Chinese scientists complained that scientific discoveries don't happen through top-down political diktats, and Western analysts noted that "Soviet planning cannot replicate the Silicon Valley" (McGregor 2010).

FUTURE RESEARCH

According to reflexive methodology, theories' applicability has to be decided on a case-by-case basis. Local applicability doesn't prove theories' universal validity, but highlights their potential applicability to other local study objects (Alvesson 2017: 286-287). In this study, the local applicability of three organizational theories to China's Party-state, doesn't prove the theories' universal validity for all socialist one-party states, but highlights their potential applicability to them. The study aims to stimulate other researchers to use organization theories to analyze other one-party states, expanding the body of knowledge on this phenomenon.

Does the *company-ized state* supersede optimal firm size?

If Soviet-type economies are viewed as corporate groups, this raises some issues, which could be further explored. Coase (1937) wrote that firms exist to avoid market transaction costs, e.g. information costs. Optimal firm size is when there's a balance between benefits from using markets' efficient price mechanism, and avoiding market transaction costs by using the firm as organization form. This leads to the question, if the Soviet-type socialist economies of the Eastern Bloc collapsed, as they as corporate structures, superseded the optimal size of corporations? Centrally planned Soviet-type economies had severe structural inefficiencies (Ericson 1991), of a nature which seems to indicate that their rigid hierarchical organizations were too big. A reason for Mao's 1956 break with orthodox Soviet policies, was the central authorities' administrative overload and the other inefficiencies, which these policies caused (Xu 2011: 1076–1151).

A business life-cycle for *company-ized states*?

A radical hypothesis would be to ask, if centrally planned economies are viewed as corporate groups, do they adhere to the business life-cycle hypothesis? Companies have much shorter life-cycles than states (Ahrne 1998: 136). The USSR survived for 70 years, and the Eastern

Bloc states for 45 years, much shorter than other states, which could survive for hundreds of years. Actually, it's similar to life-cycles of large corporations. The USSR's economic development, also seem to have similarities to the business life-cycle hypothesis (establishment 1920s, rapid growth 1930s-40s, maturity 1950s, stagnation 1960s-70s, decline 1980s). China's Party-state is special, in that it had a long establishment period, caused by failed attempts to implement the Soviet model (establishment 1949-1978, rapid growth 1980-2000s, maturity 2010s, stagnation 2020?, decline?).

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APPENDIX

Abbreviations

CCCCPC (Central Committee of the Communist Party of China). Formally the Party's highest organ, when the Party's Congress isn't in session.

CCPD (Central Committee Propaganda Department). Party's propaganda department.

CDIC (Central Discipline Inspection Commission). Party's internal-control department.

Investigates crimes by members against Party constitution and internal rules. Members sentenced by Party-internal courts, separate from China's public court system.

CPC (Communist Party of China).

GAPP (General Administration of Press and Publication). Central government agency regulating and distributing news.

NDRC (National Development and Reform Commission). Central government's economic planning agency. Controlled entire economy 1949-1978, then called *State Planning Commission*. Modeled after USSR's *Gosplan*.

NPC (National People's Congress). China's rubber-stamp parliament.

OD (Organization Department). Party agency controlling appointments of 70 million state bureaucracy positions. Modeled on USSR's *nomenklatura* system, where the Communist Party controlled appointments in the state bureaucracy.

PBS (Politburo Standing Committee). Party's leading body. Seven members. Current leader Xi Jinping, who's also General Secretary of the Party and President of the state.

PLA (People's Liberation Army). The Party's armed forces, serving as national defense. China's state doesn't have armed forces.

PRC (People's Republic of China). China's state's (1949-) official name.

SASAC (State-owned Assets Supervision and Administration Commission). Central government agency managing state-owned enterprises.

SOE (State-owned enterprise).

State Council. Central government of PRC (China's state).

USSR (Union of Soviet Socialist Republics). Official name of the Soviet Union (1922-1991).

Glossary

Comintern (Communist International). USSR organization for spreading Marxism-Leninism, internationally. Sent political commissars to China, who 1921 helped found, fund and organize China's Communist Party.

Communist Party. Marx mentioned a Party in his *Communist Manifesto* (Marx 1848). Concept further developed by Lenin, into a small vanguard party, governed through *democratic centralism*, highly centralized decision-making and absolute obedience to Party leaders' decisions.

Democratic centralism. Organization principle invented by Lenin, for the USSR Communist Party. Issues may be discussed by members, but once decisions are taken by Party leaders, these are absolutely binding. In practice this means dictatorship by Party leaders, who only have to listen to members' viewpoints, but make decisions by themselves, being absolutely binding. Inscribed into China's constitution: "All State organs apply democratic centralism" (NPC 2014: §3).

Dictatorship of the Proletariat. According to Marx, the post-industrial "socialist" stage of economic development, would be ruled through working class dictatorship, redistributing wealth accumulated during the preceding industrial "capitalist" stage. Lenin believed this system could be implemented already in agricultural pre-industrial economies, as Russia and China. China's version, the *people's democratic dictatorship*, where "democratic" refers to Lenin's democratic centralism, is inscribed into the constitutions of the People's Republic and the Communist Party of China.

Leninism. Highlights Lenin's contributions to Marxism-Leninism: the Communist Party as an elite *vanguard*, organized through *democratic centralism*, and able to lead agricultural economies through industrialization. This contradicts Marx theory, where the capital-owning bourgeoisie led the industrialization. Lenin's aim was to achieve a more rapid industrialization and faster economic growth, than possible under bourgeois capitalism. As material human needs would be satisfied sooner, society would reach Marx' final economic stage "communism," earlier. To quicken the pace of industrialization, a centrally planned economy was established, enabling central authorities to steer investments to the heavy industry, identified as important to growth.

Marxism. Refers to Karl Marx' theory *historical materialism*. History develops through pre-determined economic stages, each beginning with a revolution, where one social class ousts the previously dominating class. The new class establishes a politico-economic system dominated by itself. Stages/systems and revolutions: a) agrarian feudalism/feudal aristocracy; b) bourgeois revolution (e.g. French revolution) => industrial capitalism/bourgeois democracy; c) proletarian revolution => socialism/dictatorship of the proletariat; d) "*communism*." At this final stage, production technology is so advanced that there's *superabundance* of material wealth, all material human needs are satisfied. Without competition for material goods, social classes dissolve and society becomes *class-less*. As there's no need for trade, there's *no money*. Marx viewed the state as a means for *class-subjugation*. The state now dissolves and the communist stage is state-less. Without states, there's no more wars. Needless to say, no society has ever reached the stage of "communism."

Marxism-Leninism. During the early 1900s, Russian communist Lenin wanted to realize a proletarian (working class) revolution in Russia. Marx had written that such revolutions would happen in the most developed industrial economies. But Russia was a poor agrarian economy, without a large industrial working class, where it according to Marx wasn't possible with working class revolutions. So, Lenin made changes to Marxism, to justify a revolution in Russia. He replaced *bourgeois democracy*, the political system of Marx' industrial stage, with a *Communist Party dictatorship*. The industrialization would not be organized by the bourgeoisie through *private capitalism*, as Marx had written, but by a Communist Party through *state capitalism*, state-owned companies in a centrally planned economy. Lenin's changes to and reinterpretations of Marxist theories, are called 'Marxism-Leninism.' These made it possible with

working class revolutions already in poor agrarian economies, inspiring a following in countries as China, Korea, Vietnam and Cuba. They also necessitated a large state bureaucracy for central planning of the economy, something Marx never had envisioned.

On Ten Important Relationships. 1956 speech by Mao, about China modifying the USSR's model, allowing more local autonomy, through less strict central planning: *"Our territory is so vast, our population so large and conditions so complex. We must not follow the example of the Soviet Union in concentrating everything in the hands of the central authorities, shackling the local authorities and denying them the right to independent action. The central authorities should hand over the initiative to provinces and municipalities. The lower levels cannot be put in a strait-jacket"... "certain defects and errors occurred in the course of their [the Soviet Union's] construction of socialism"* (Mao 1977[1956]).

Party-state. Modern China's state, the People's Republic, was founded in 1949 by China's Communist Party. The state was constructed around the Party, as a means for it to execute its decisions. As the Party and state are deeply intertwined with each other at all levels throughout their respective bureaucracies, they cannot be separated, and any worthwhile analysis of the state, also has to cover the Party. Together these two co-joint organizations form China's Party-state, a state organization structure with the Communist Party at its core.

Party-state leaders

Leadership generation: a Party-state leader, and his political administration.

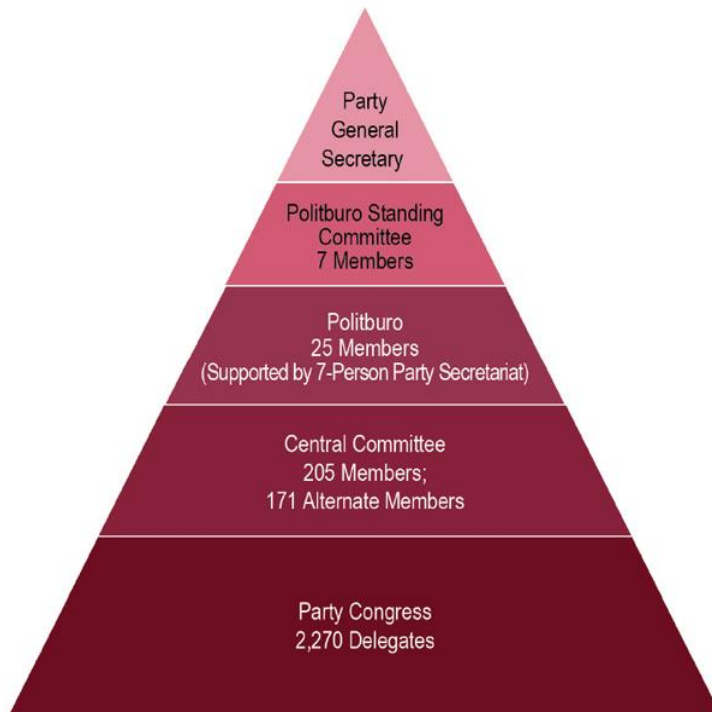
Mao Zedong (1st leadership generation; 1949-76)

Deng Xiaoping (2nd; 1978-92)

Jiang Zemin (3rd; 1992-2002)

Hu Jintao (4th; 2002-2012)

Xi Jinping (5th; 2012-)



Organization charts for the Communist Party of China (left) and the People's Republic of China (below).

