



**Doctoral School of
International
Relations and
Political Science**

THESIS SUMMARY

to the Ph.D. dissertation by

András Pinkasz

**Dependent Development and Hungary's
Integration into the World Economy:
From Comecon to Global Value Chains**

Supervisor:

Dr. Péter Gedeon

Professor Emeritus

Budapest, 2022

Department of World Economy

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I. Prior research on this topic

Following the severe recession associated with the system change of 1989, during which period Hungary underwent an economic transformation and repaid its external debt, the country experienced a decade and a half of growth. However, the world-economic crisis of 2008 led to a serious downturn; this crisis inspired a series of long-term analyses of Hungary’s economic performance (e.g. Vonyó and Markevich 2021). Among these empirical studies’ primary conclusions is that Hungary—despite the cycles of economic expansion and contraction it has gone through, and like Central and Eastern Europe in general—has occupied a remarkably stable position in the world economy over the course of recent decades, or even the last century. In this dissertation, I have sought to identify the factors which have contributed to Hungary’s inability to change its structural position in the global economy despite fundamental shifts in the conditions of production experienced there since WWII.

My research involves simultaneous evaluations of economic conditions in pre- and post-1989 Hungary. This necessitates the use of a uniform framework for analyzing the import-substitution industrialization of the socialist era—in which the country was integrated into the world economy via the Council for Mutual Economic Assistance (Comecon)—and the conditions of capital in post-1989 Hungary, which have been regulated by integration into the European Union and organized by global value chains. Most studies of Central and Eastern Europe, however, evaluate these two periods independently of one another. And while numerous scholars have used a uniform analytical framework in evaluating the world-economic processes which have evolved since 1945, most of this research has been conducted from the perspective of the so-called core countries, primarily the hegemonic power of the era, the United States. Thus in formulating my answer to this dissertation’s research question, I have examined Hungary’s state-socialist system, its subsequent integration into global value chains, and the concurrent transformation of the world economy, then sought to synthesize these factors into a coherent response.

There have been numerous attempts to analyze the state-socialist system; many of these studies started as analyses of Hungary’s domestic economy (e.g. Kornai 1980 [1993], 2012), from which they then deduced the conditions of Hungary’s integration into the world economy. I have also made considerable use of studies of the integration of the socialist bloc (e.g. Köves 1980; Csaba 1984);

however, these investigations tend to derive Hungary's external conditions from the internal conditions of its state-socialist system, and thus do not provide any direct answers to questions concerning the continuities between Hungary's pre- and post-1989 systems.

My research has been influenced significantly by scholars of the socialist bloc's embeddedness in the world economy, such as Frank (1977), Chase-Dunn (1980), and Böröcz (1992). Given their focus on state socialism, however, the post-socialist transformation of Central and Eastern Europe brought their work on the region to an end, and thus they did not investigate the question under discussion here. And while several authors have dealt with the continuities between the two eras (e.g. Eyal, Szélényi and Townsley 1998), they concentrated primarily on the idiosyncrasies of the early, transitional years of the post-socialist period.

One important precursor to my research is Éber, Gagyi, Gerócs, Jelinek, and Pinkasz (2014), a study which integrates these "two" periods by analyzing the evolution of Hungary's indebtedness within the framework of a world-systems approach. Several aspects of these studies—associated with the Public Sociology Working Group Helyzet—have since been expanded by a series of research projects focused on other issues (e.g. Gagyi 2019; Éber 2020; Gerócs 2021); likewise, several studies of political economy written within the framework of the Social Theory Research Group at the Institute of Political History have made important contributions to my

interpretation of the period since the system change of 1989 (e.g. Scheiring 2019; Sebók 2019). Two important precursors to my examination of the manner in which state socialism was embedded into the global economy via Comecon are Gerócs and Pinkasz 2017 and 2018a. The economic-historical materials here were gathered in the course of the archival research I conducted as part of a project coordinated by James Mark (see Mark and Betts 2022).

Among the literature of the post-1989 period, I have relied primarily on theoretical studies of global value chains (Gereffi and Korzeniewicz 1994; Henderson et al. 2002; Gereffi, Humphrey, and Sturgeon 2005), studies derived from those theoretical works (e.g. Coe and Yeung 2019), and related empirical research (e.g. Pavlínek 2015; Szalavetz 2019). Analyses by Vliegenthart (2010) and Vakhil (2017) have served as important starting points for my discussion of the dilemmas associated with Central and Eastern Europe's specialization within these value chains. These scholars' observations have been supplemented in several important ways by studies which discuss reindustrialization in the context of corporate relocation strategies (e.g. Krzywdzinski 2017; Lux 2017). I have integrated the foregoing literature into this dissertation's uniform framework of analysis. It is also important to mention one last set of precursors to this study, namely Gerócs and Pinkasz 2019a, 2019b, and 2019c.

In my analysis of the processes which have typified the world economy since 1945, I have relied primarily on the work of Harvey (1989, 2004) and Brenner (2006).

II. Methodology

My dissertation is a theoretical reinterpretation of Hungary's post-1945 economic development, and thus its central propositions have been formulated in the context of a historical narrative. I have drawn my empirical evidence primarily from previously published secondary literature, though I have supplemented this information with statistical data, interviews, archival research, and analyses of the debates of the period in question. In gathering statistical data, I have concentrated on the yearbooks of Hungarian Central Statistical Office (KSH), as well as information available online, primarily official data compiled by the KSH and other international institutions. I chose to conduct interviews in cases where the quantity of secondary literature was limited. In the interest of understanding the global embeddedness of the state-socialist semi-periphery, I engaged in archival research within the framework of an international project. And in analyzing the debates of the era under discussion, I have relied on both primary and secondary literature.

III. Results

In the last 150 years, Hungary's political system has gone through a number of significant transformations. In terms of economic structure, the most important of these transformations was the shift from state socialism to post-socialist neoliberalism. My research question, however, assumes a certain continuity between these two eras, and thus my most important task has been to indicate how it is possible for post-1945 Hungary to have maintained a relatively stable structural position within the international division of labor despite its transition between two disparate frameworks with utterly divergent systems of domestic economic institutions.

According to my hypothesis, understanding Hungary's integration into the world economy requires simultaneous examinations of the transformation of Hungary's domestic institutions, the evolution of the international division of labor, and the interaction between these two systems. My research suggests that the socialist bloc continued to function as part of the capitalist world-system, even though it developed its own particular institutions within that system. That is, it is not enough to examine the manner in which Hungary was integrated into the socialist division of labor; one must also analyze the socialist bloc's integration into the capitalist world-system. In accordance with this hypothesis, I have created a common denominator that makes it possible to compare the periods that preceded and followed the system change of 1989.

Thus in hopes of understanding the process of dependent development in Hungary, I have tried to describe the manner in which Hungary has been integrated into the global division of labor. In keeping with the world-systems approach, I have assumed the existence of a hierarchical international division of labor, positions in which are determined primarily by access to advanced technology and sources of financing for such access. At the same time, the capitalist world-system itself has always been in a state of flux. Thus in parsing these changes, I have relied on two concepts associated with the French regulation school: “accumulation regimes” and the “modes of regulation” which serve to stabilize them. And thus in evaluating Hungary’s international embeddedness, I have been obliged to attend to the asymmetrical interactions of these global and local systems.

I argue that Hungary’s structural position in the socialist era and its post-socialist specialization in the global value chains are merely particular instances of its integration into the actually existing accumulation regime. Given that the conceptual vocabulary of the Fordist-Keynesian accumulation regime has been applied primarily to so-called core countries, its usefulness in the international context is not necessarily obvious. However, I have argued that the Fordist model operated on a global scale, thus its function in the core countries was merely a special case of a general paradigm. Expanded to a global scale, the Fordist model can be applied not just to the core countries, but to the socialist bloc and to the economies of Latin America, with their programs of import-substitution industrialization. Thus while the

system took distinct forms in particular localities, all its forms are structurally equivalent. On the other hand, scholarly explanations of the post-Fordist, neoliberal accumulation regime have been overly broad, particularly in their application of the concept of neoliberalism. This term has been used to describe a range of diverse phenomena in core and (semi-) peripheral countries without reflecting on the differences between these regions. Other observers have used this concept to denote a transformation or metamorphosis of a certain vision of humanity which occurred in this period. The variability in the usage of this term has led some authors to suggest that it has no concrete semantic content. Thus in my argumentation, I have differentiated between the abstract notion of neoliberalism, its application to specific locales, and the territorially divergent manner in which the associated economic and social policies have been implemented.

On the basis of the foregoing, I have attempted in this dissertation to determine how Hungary has been integrated into the historically evolving global accumulation regime from 1945 to the present day, and to examine the particulars of the country's embeddedness by gauging its access to advanced technology and its various methods of financing such acquisitions. I have discussed Hungary's access to advanced technology in the context of a case study of the automotive industry, which research overlaps with this dissertation. I have focused my response on this field because it was the defining sector of the Fordist era and because the overproduction crisis that typified this

industry in the 1970s and 1980s was a significant factor in this sector's reorganization into global value chains in the 1990s. For these reasons, changes in the automotive industry are well-documented in both the pre- and post-1989 periods.

In this dissertation, I have offered a theoretical explanation for the structural stability exhibited by the Central and Eastern European region in recent decades, and illustrated it by means of historical narrative, using Hungary as a case study. My work here thus contributes to the literature on these subjects in the following ways:

1. Theoretical contributions and conclusions:

In evaluating the global structures associated with the theory of dependent development, I have used a framework which integrates the observations of the French regulation school with a world-systems approach. This theoretical framework makes it possible to establish the interconnectedness of local institutional factors, public policies, global regulatory structures, and the technology-oriented hierarchy of the international division of labor. The theoretical novelty here is the interpretation of a country's integration into the world economy as a system of relationships resulting from an asymmetrical interaction. I have argued here that in addition to the institutional structure of the local state-socialist and capitalist systems, another of the most important determinants of the manner in which a country is embedded into the world-system—and thus an important factor in the semi-peripheral nature of the economies of Central and Eastern Europe—is

a country's access to advanced technology and its sources of financing for such access. The methods by which Hungary has been embedded have varied significantly over time, partly as a result of the evolution of global accumulation regimes and partly as a result of domestic institutional processes. The outcome of these changes, however, has been that Hungary has merely succeeded in maintaining its structural stability.

2. Central and Eastern Europe and the socialist bloc in the historical world-system:

Structuralist scholars rarely take Central and Eastern Europe into account, and even when they do, they tend to concentrate either on the period immediately before 1989 or the period immediately thereafter, or to focus on the transitional phenomena of the system change itself. In this respect, my dissertation adds to the literature by providing a comprehensive overview of the continuities that span these two eras, and my theoretical approach helps clarify the nature of these continuities; I have argued here that the socialist bloc was part of the capitalist world-system. This assertion made a limited number of appearances in the scholarship of the 1980s, but as a result of the collapse of the state-socialist system, few researchers would pursue the subject.

3. Fordism and its structural equivalents:

In accordance with the literature of the regulation school, I have used the expression “Fordist-Keynesian regime” to denote the period which started in the wake of the worldwide economic collapse of 1929, reached its zenith in the aftermath of WWII, and began to show signs of crisis in the late 1960s and early 1970s. However, I have reinterpreted the concept of Fordism by taking into account the experiences of semi-peripheral countries. Building on the theories of Antonio Gramsci, the regulation school limited the concept of Fordism to the experiences of the so-called core countries. Though Lipietz (1987) argued that the Fordist regime had begun to expand to a global scale, his reasoning preserved the core countries’ conceptual system and applied it to the semi-periphery. As a result, he concluded that the semi-periphery could not fully implement the Fordist model. In contrast, the unit of analysis in my theoretical framework is the capitalist world-system itself, and thus I have expanded the concept of Fordism to a global scale, then applied it to structurally equivalent elements such as the socialist bloc.

4. Neoliberalism and the establishment of European value chains:

In accordance with the scholarly literature, I have used the term “post-Fordist-neoliberal regime” to describe the period which began to unfold the 1970s and 1980s, came to full fruition in the early 1990s, and exhausted itself with the world-economic crisis of 2008. Applying the neoliberal accumulation regime to Central and Eastern Europe,

however, presents a set of challenges distinct from those of the Fordist regime. Scholars have often characterized the period that followed the liberalization of the 1990s as uniformly globalist; this was the age of “globalization.” And here, unlike the more narrowly defined concept of Fordism, the term “neoliberal” has been applied uniformly to the divergent regulations of a structurally diverse set of systems. The post-Fordist, neoliberal accumulation regime played a crucial role in the global process of fragmenting production activities and reorganizing them into value chains. Most scholars subject industrial and corporate value chains to separate analyses. However, in this dissertation, I have come to the conclusion that a semi-peripheral perspective requires these two sets of questions to be discussed within a single, uniform framework. For example, every level of the global value chain is present in Hungary, though the majority of the firms at every level are subsidiaries of foreign enterprises. A local enterprise’s ability to capture value is affected both by its position in a global value chain and by its ownership structure.

5. Limited opportunities for specialization in the global automotive industry:

I have framed my analysis of Hungary’s automotive industry with an emphasis on the fact that this sector was the central pillar of global Fordism. I contend that the relocation of global industry to Central and Eastern Europe—which was made possible by the system change of 1989—contributed significantly to the establishment of Europe’s

value chains. However, insofar as relocation and the creation of Europe's value chains were both schemes to increase the profitability of an industrial sector in crisis, the national-level profits to be made from this sector would continue to be limited. Nor has local production of electric cars and batteries done anything to change the pattern of dependent development that was reproduced in the course of Hungary's reintegration into the world economy following the system change of 1989. I have explained this phenomenon using Vernon's product life-cycle theory and a version of his two-product model adapted to the semi-periphery. I have also used the empirical findings of industrial sociologists to substantiate the aforementioned theoretical findings on the subject of relocation, as well as the assertions concerning dependent development which I have derived from them.

On the whole, given its semi-peripheral position, Hungary's embeddedness in the world economy—which has long been characterized by increasing openness and globalized interdependence (as evidenced by the capitalist transformation of the country's domestic institutions and the liberalization of its foreign trade)—has not automatically resulted in its catching up to the core countries. Thus Hungary's reorganization in accordance with two completely different social and economic models since 1945 has come to naught; despite these shifts, the country's structural position in the international division of labor has not changed. It is my hope that this dissertation and its analyses will contribute to an understanding of this process.

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