

Book review

D. Bohle and B. Greskovits, *Capitalist Diversity on Europe's Periphery*,
Cornell University Press, Ithaca and London 2012: 287
ISBN 978-0-8014-7815-4

New capitalism in Central and Eastern Europe (CEE) is a fascinating subject, which, nevertheless, lacks a comprehensive coverage in the academic literature. While there is a bulk of articles and chapters in the edited books dealing with the issue available, no single book aiming at describing and analyzing the phenomenon, which is still very much in the making, was published in English until recently. The position co-authored by Dorothee Bohle and Bela Greskovits is probably the first serious effort aiming to fill the void in a satisfactory way. The authors deliver a book summarizing their long-time interest (manifested by a number of papers under their names published before the book went on sale) in the process of market economy emergence in the post-communist Europe.

The book contains six chapters preceded by *Introduction* and closes with the *Conclusion*. In the first chapter the authors make a firm statement revealing their affinity to the classic economic sociology perspective (Karl Polanyi's approach). This sets out the main theoretical framework for their quest for the answer on the type of capitalism(s) forming in the CEE. In the second chapter, they sketch a regional context, familiarizing the readers with the commonalities and peculiarities of the countries in focus. The next three chapters are devoted to specific clusters of the countries where, as the authors claim, three distinctive types of capitalism in the region appear to have materialized: first, the Baltic states are characterized, followed by the analysis of the Visegrad states, and subsequently, the Southeastern Europe (SEE), especially, Slovenia, is discussed. Chapter 6 is centred around the recent developmental challenges posed by the global economic crisis, hardships of European

integration and globalisation that the New Member States with post-communist background face.

The authors decided to pursue an ambitious goal of building a typology of Eastern European capitalist political economy. In order to achieve that goal, they crafted an analytical framework, which, as they repeatedly state throughout the book, relies on the triad stemming from Polanyi's work, consisting of: government accountability, market efficiency and welfare state protection. Having adopted the Polyanian framework as the point of departure, Bohle and Greskovits come up with a hexagonal model, which, besides the three abovementioned dimensions, also comprises such features as democracy, corporatism and macroeconomic coordination. Specifically speaking, the terms employed in the framework refer to the following:

- a) government accountability – measured by effectiveness, regulatory quality, rule of law, and control of corruption;
- b) market efficiency – expressed in terms of the European Bank for Reconstruction and Development (EBRD) index¹;
- c) welfare state protection – measured by per capita spending on social benefits in PPS;
- d) democracy – Polity index²;
- e) corporatism – combination of wage bargaining, the level at which it takes place, and the extension of collective agreements to non-unionised firms (based on ICTWSS data);
- f) macroeconomic coordination – index of budgeting institutions³.

The authors conclude that three basic variations of capitalism have emerged in the region: neoliberal, neocorporatist, and embedded neoliberal. The neoliberal type is characterized by advanced marketization (understood as the progress in liberalization, privatization, and market-oriented institution building processes); high dependence on Foreign Direct Investments (FDI) concentrating in low-tech and low-skilled service sectors; residual welfare state; and very weak position of labour in industrial relations. In contrast, the neocorporatist type's (embodied in

¹ The EBRD index comprises the following dimensions: 1) price liberalisation, 2) trade and foreign exchange liberalisation, 3) small-scale privatisation, 4) large-scale privatisation, 5) enterprise restructuring and governance, 6) competition policy, 7) banking reform, 8) non-banking financial institutions, 9) infrastructure.

² The Polity conceptual scheme allows analyzing concomitant qualities of democratic and autocratic authority in governing institutions.

³ Based on M. Hallenberg, R.R. Strauch, and J. von Hagen (2009), *Fiscal Governance in Europe*, Cambridge: Cambridge University Press.

Slovenia) main features are: strive for stability at the expense of marketization, limited dependence on FDIs, protecting the welfare state as much as possible; relatively strong position of labour in industrial relations marked by high union density and mobilisation capacity. The embedded neoliberalism is placed somewhere between the former two models: marketization is moderate; industrial structure has evolved into a form enabling exports of relatively well-processed products; FDI concentrates in the complex manufacturing industries, and state policies aim at lessening the impact of market shocks on the industry; social inclusion is restrained, yet the welfare state has not been reduced as much as in the neoliberal countries; and the position of labour in industrial relations is quite weak, yet stronger than in the case of neoliberal regimes.

Each type shows noticeable diversity, when country-level perspective is applied. Whereas the Baltic States present a relatively uniform cluster (with the common denominator being the nation-building orientation of the political elites during the transformation period and social consequences of such politics), the Visegrad group is a more complicated case with each of the countries following its own development path, while being engaged in a competition for FDIs with each other. It is the SEE, however, which is particularly striking with its heterogeneity, as the authors themselves admit. On the one hand, we have a well-defined neo-corporatist regime in Slovenia (even though, its future is now very much in question) but on the other hand, there are 'weak states' (with patrimonial capitalism initially crystallizing in the 1990s, very much like in the post-Soviet republics, which diagnosis goes in line with thoughts of some authors operating within the VoC paradigm) and 'latecomers' (with the EU displaying a high level of reluctance towards their admission) leaning on neo-liberalism.

The most severe shortcoming of the book seems a quite superficial treatment of economic transformation in Poland, when compared to a thorough analysis of Hungary, and even the degree of the authors' concentration on the two post-Czechoslovakian states. It is debatable whether the largest country in the region is a particularly good case for analysis based on Peter Katzenstein's thesis of 'small states pattern'. Subsequently, Southeastern variation of new capitalism in post-communist Europe (Bulgaria and Romania) is also given a modest amount of attention, while Croatia is mentioned at an absolute margin. At one point, they are all conveniently thrown into a 'nonregime' bin, although the two former countries are later claimed to have moved towards the neo-liberal type of political economy on the verge of a new century, while the latter is said to follow the steps of the Visegrad countries (also in the 2000s, when the turbulent times of Balkan wars were over). Seemingly, it is the

group of NMS joining the EU in 2004, on which the authors predominantly focus, while the late-comers remain in the background.

The book's unique value lies in its innovativeness in terms of choosing the subject. Despite its flaws, the book should be regarded as a breakthrough, finally bringing the CEE region into the mainstream debate on contemporary capitalism. It is therefore a must-read for anyone interested in the constantly evolving capitalist diversity on Europe's peripheries.

Jan Czarzasty, Warsaw School of Economics, jczarz@sgh.waw.pl