

Patchwork Capitalism in Central and Eastern Europe – a New Conceptualization¹

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Abstract

This paper aims at a new conceptualization of the essence of post-communist capitalism that emerged in most former socialist countries in Central and Eastern Europe, with special emphasis on the eleven states that joined the European Union between 2004 and 2013 (CEE11). Our conceptualization highlights the unique nature and peculiar features of this type of capitalism, resulting from the path-dependent evolution of the socio-economic orders in most countries of the region. On the basis of theoretical and empirical research conducted in the field of new institutional economics, new economic sociology, economic anthropology, comparative political economy and related disciplines, as well as applying Weberian ideal-type method, we argue that

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the CEE11 countries exhibit incoherence of their institutional architectures or else – they lack the institutional 'fabric' of their socio-economic orders (fundamental rules of the game) which would determine the nature of their 'thread', i.e., organizations and secondary institutions (players). Simultaneously, we also show that this is the outcome of both the centuries-long weaknesses of the national institutional architectures in these countries, two institutional and class structure breakdowns or turning points on their development trajectories that occurred in the 1939–1949 and the 1989/1991 periods respectively, as well as the subsequent, unique process of 'building capitalism without capitalists' in the 1990s. As a result of the interaction of multiple factors, in most of the CEE11 countries a peculiar type of capitalism has emerged, which we have described in terms of an ideal type. Its essence boils down to: (i) the weakness of basic institutions making up their socio-economic order, including the state and the law, as a consequence of their historical legacy and the way it was created by the intelligentsia-based 'breakthrough elite'; (ii) the absence of a dominant form of capital able to impose its own 'fabric' preferences: this was, inter alia, a derivative of unconstrained access of foreign capital, coming from various countries, and the coexistence of various forms of national ownership, none of which has achieved or maintained a strong enough position to impose an institutional structure on the entire economy; (iii) the resultant absence of a dominant economic class (e.g. the national bourgeoisie) interested in the existence of a particular 'fabric', ready to defend it and with sufficient political influence to do so; and (iv) the lack of well-internalized – or deeply socially embedded – cultural values supporting the 'fabric'.

These factors combined make patchwork capitalism vulnerable to entropic economic growth (the concept we discuss in Section 3 of the article) as, due to low institutional barriers to entry, any new organizations and institutions can join it relatively easily, imposing their own logics on the host institutional architectures – exactly the way a patchwork blanket is made through stitching divergent new patches.

Given these peculiarities we argue that patchwork capitalism ought to be conceived as a new, distinct research category in comparative studies on post-communist capitalism. Our intention, however, is not to replace the existing typologies of capitalism in CEE11 countries with a new one; rather, we aim to complement and ameliorate them through pointing to a new, peculiar dimension of capitalism, mostly neglected in the hitherto research. The peculiarity of this dimension consists in its two-form character: it either (i) gives certain types of capitalism a patchwork feature, indicating the relative weakness of the institutional 'fabric' involved and vulnerability to transformation, or (ii) denotes a separate object, i.e., it implies the existence of a self-contained type of capitalism, labeled 'patchwork capitalism'. In the latter situation, a specific socio-economic order converges to the ideal type due to the extreme weakness of its 'fabric'. In the first case, an exemplification may be for example 'patchwork corporatism', i.e., an order in which, despite the relative weakness of its fabric, the institutional architecture concerned resembles a coordinated market economy. In turn, in the second case, the institutional fabric is so ambiguous and volatile that its unequivocal classification in conceptual terms inherent to standard typologies of capitalism becomes a challenge, which often leads researchers to qualify a given socioeconomic order as 'heterogeneity'.

Keywords: comparative capitalism, socio-economic orders, national political economies,

institutional fabric, organizational and institutional thread, patchwork capitalism, Central and Eastern Europe.

JEL classification: P16, Z13, P26, P51, P52

Introductory Remarks

The emergence of a general idea of 'patchwork capitalism' is an outcome of the discussions conducted by the authors and the other research team members (listed in footnote 1) since 2015. The first publication referring to the concept of 'patchwork capitalism' came out in 2018 [Rapacki 2018], followed by two collective monographs² published in 2019: in Polish [Rapacki (ed.) 2019] and English [Rapacki (ed.) 2019a], respectively. The aforementioned monographs comprised chapters written by the present authors, combining the perspectives of institutional economics – Ryszard Rapacki and economic sociology – Juliusz Gardawski [Rapacki and Gardawski 2019, Gardawski and Rapacki 2019]. After their publication, we started developing a more in-depth and versatile conceptualization of patchwork capitalism, which gave birth to this article. The initial versions of sections 1 and 4 were prepared by Ryszard Rapacki, sections 2 and 3 – Juliusz Gardawski, but the final content and form of these sections gained a lot due to long discussions between the authors. As a derivative, sections 1 and 4 contain a significant intellectual contribution from Juliusz Gardawski, while sections 2 and 3 earned a similar input from Ryszard Rapacki. In our view, we have demonstrated this way the fruitfulness of interdisciplinary collaboration in practice.

The overriding objective of the present article is to pinpoint the unique nature and peculiar features of capitalism born in eleven new EU member states in Central and Eastern Europe (CEE11), which we dub 'patchwork capitalism', and to put forward its new conceptualization. Based on theoretical and empirical research conducted in the field of new institutional economics, new economic sociology, economic anthropology, comparative political economy and related disciplines, as well as applying the Weberian ideal-type method, we will argue that the CEE11 countries are characterized primarily by the lack of relatively permanent institutional 'fabrics' of their socio-economic orders (fundamental rules of the game), which would determine

² The authors of both monographs included: Adam Czerniak, Juliusz Gardawski, Bożena Horbaczewska, Adam Karbowski, Piotr Maszczyk, Mariusz Próchniak, Ryszard Rapacki, Rafał Towalski.

the nature of 'threads' i.e., organizations and secondary institutions (players) in a relatively long period. Simultaneously, we will also show that this is a derivative of their path-dependent development pattern, i.e., both the centuries-long weaknesses of the national institutional architectures in these countries, two institutional and class structure breakdowns or U-turns on their development trajectories that occurred in the 1939–1949 and the 1989/1991 periods respectively, as well as the subsequent, unique process of 'building capitalism without capitalists' in the 1990s. We wish to stress, however, that our conceptualization does not imply a replacement of the existing typologies of capitalism prevalent in CEE countries with a new one; rather, we aim to complement them and make more versatile through highlighting a new, peculiar dimension of post-communist capitalism, mostly neglected in the hitherto research. In particular, we seek to explain the reasons behind its volatility and its susceptibility to a fairly easy transformation into or slipping towards hybrid forms [see, inter alia, Witold Morawski's analyses of the Polish case (Morawski 2001: 224)].

The argument has been structured as follows. In Section 1, we survey a selection of the most representative studies conducted within the framework of comparative capitalism, focusing on the countries of Central and Eastern Europe. Using sociological terminology, we will denote the subject of pertinent research as a socio-economic order or a socio-economic system. In the language of comparative economics, on the other hand, we will refer to this subject as a national political economy. Section 2 outlines the origins of the capitalist orders that emerged in the CEE11 countries, with special emphasis on the process of two critical junctures or turning points in their postwar history, namely the two breakdowns of the institutional architecture in these countries. This process created the premises for the subsequent transformation – which lasted through the decade of the 1990s – of the evolving socio-economic orders in the CEE11 countries towards the type of capitalism which displayed – to a greater or lesser degree – patchwork features. The section ends with our insights on the prospects of patchwork capitalism in Central and Eastern Europe. In Section 3, we introduce and develop the conceptual framework of the idea of patchwork capitalism. In Section 4, in turn, we provide an empirical exemplification of this idea, i.e., the results of our own, and our team's research. In the final section, we wrap up our conceptualization exercise with concluding remarks, addressing – inter alia – the question of the persistence of patchwork capitalism in Central and Eastern Europe.

1. Theoretical and Empirical Framework for the Study of Post-Communist Capitalism

We start our discussion with indicating those typologies of capitalism that constituted the intellectual frame of reference at the time of the collapse of the socio-economic order, briefly referred to as 'communism', and in the early years of systemic transformation. Seen from the perspective of Polish discussions in which we participated ourselves in the period of the critical juncture of 1989–1991, two concepts were particularly significant. The first was the dichotomous typology of Western capitalism developed by Michel Albert in his 1991 work *Capitalisme contre capitalisme* (Rhenish versus Anglo-Saxon capitalism) and the second – the tripart typology of welfare state put forward in 1990 by Gøsta Esping-Andersen in 1990 work *The Three Worlds of Welfare Capitalism* (liberal, conservative, and social democratic capitalism). In the discussions taking place at that time, it was debated which road from communism to capitalism was more suited to Polish conditions: the Anglo-Saxon or the European continental, associated with countries of the German language area.

Most of the post-communist countries (excluding both the former Soviet Union republics and China, as well as some of the Balkan states) made a political breakthrough at the turn of the 1980s and 1990s, having an institutional order, which we call 'authoritarian socialism'. It remains a matter of discussion to what extent the communist world developed independently of the Western world, and whether the socio-economic orders of the countries concerned followed one uniform model or rather diverse socialist models. Immanuel Wallerstein [1974] included the communist world in his universalist vision of the world-economy as a periphery, but we share the argument of David Lane [2010] that it was a distinct formation with its own development logic, which he described as a 'counterpoint' to the hegemonistic, Western world-economy. It is also worth adding that in the countries of the Eastern Bloc before 1989, Marxist social sciences used to discriminate between their socio-economic orders using the category of 'developed socialism' [Mokrzycki 1997: 45]³.

³ Some scholars noted the differences between the countries of the Eastern bloc in terms of their distance from the ideal type of 'developed socialism'. One of the co-authors of this article participated in a series of lectures on 'historical materialism' in Moscow in 1973 delivered by the renowned Soviet philosopher and sociologist, vice-president of the International Sociological Association in the 1980s, Khatchik Momdijan, who 'off the record' qualified Polish socialism as underdeveloped in comparison

During the 'autumn of peoples' of 1989, many researchers in the field of Sovietology were surprised by the unexpected breakdown of the Eastern Bloc and the Soviet model of communism. Tony Judt [2011/2005: 796] commented this fact as follows: "the end of communism was an unprecedented event. The long-awaited transformation of capitalism into socialism was discussed ad nauseam at universities and cafes from Belgrade to Berkeley, but no one had thought of presenting some sort of plan to retreat from socialism and the road to capitalism'.

Hilary Appel and Mitchel A. Orenstein [2016: 313] wrote: 'At the beginning of the transformation, scholars and practitioners anticipated a series of political, cultural and institutional obstacles to liberalization in Eastern Europe and Eurasia. In particular, they emphasized the incompatibility of sudden democratization and economic liberalization'. Referring to Adam Przeworski, Ralf Dahrendorf, Jon Elster and Ellen Comisso, the two authors recalled predictions that the economic hardships accompanying the introduction of capitalism would induce voters to vote against the reforms. At best, reforms were to be rejected in the name of maintaining the *status quo ante*, and at worst, the new democracies would be exposed to the emergence of not only authoritarianism but also populism and xenophobia. According to other predictions, the main opponents of a consistent reform process were to be not losers to reforms, but their winners – interest groups earning a rent from unfinished reforms. In this context, Piotr Kozarzewski [2005] examined the Russian case of the 'unfinished reform trap', referring to the publication of the World Bank by Pradeep Mitra and Marcelo Selovsky [2002]. In Kozarzewski's view: 'the greatest failure was the inability of privatization to expand the social base of reforms. The new owners who obtained title deeds in a secretive and non-transparent manner were entirely uninterested in strengthening market mechanisms and the rule of law' [2005: 229]. The threat of the reforms being halted by special interest groups inherited from authoritarian socialism was stressed many times also by Jerzy Hausner [1994; 2007: 76 ff.].

Yet other scholars have emphasized the role of 'path dependence' and the legacy of socialism, which might make it difficult to promote a capitalist work ethic, entrepreneurship, individualist culture and the rule of law. Moreover, they pointed

with all other countries of the Eastern Bloc – Poland was to be in 'a transition period from capitalism to socialism'. The reason behind this qualification was the large private sector in agriculture and the prominent role of the Roman Catholic Church in Polish society. Other satellite countries of the USSR were also ranked: East Germany and Bulgaria were regarded as the closest to the Soviet benchmark, while Mongolia was deemed the most distant.

to the adverse effects of dominant state ownership, low productivity, underdeveloped infrastructure, and lack of competition. In Polish literature, this view was propounded by one of the leading opposition intellectuals tolerated by the communist party authorities during the period of Polish authoritarian socialism, Stefan Kisielewski [1990/1983]. In his opinion, the powerful working class shaped by socialism will make it impossible in democratic conditions to embark on genuine market reforms, rationalize employment and shut down unprofitable enterprises, as this would entail the risk of mass unemployment.

A prominent role among the ideas developed at the outset of systemic transformation, has been played by Jadwiga Staniszkis' 1991 book (completed in January of this year, a year after the beginning of Poland's transformation), in which she considered various scenarios of future reforms, referring both to the history of the Russian Revolution of 1905 and to the transition in Europe from feudalism to capitalism, the French Revolution as well as to democratization in Spain and the countries of Latin America. In this important study, she took up the problem of the 'revolution from above' implemented in 1990 by the elites of the CEE countries. In one of her scenarios Staniszkis assumed that an order of 'ethical socialism', rejection of market-type reforms, privatization and opening to the West was also possible [Staniszkis 1991: 185].

It soon became apparent that most (though far from all) CEE countries had begun to move towards the capitalist order in its radical market (neoliberal) form. This process proceeded not only at different speeds, but also along different paths. Over a longer period of three decades, however, it turned out that fears about the uncertain fate of the socio-economic orders in the CEE region were not misplaced due to the weakness of their institutional 'fabric', as we argue in more detail in our discussion of the concept of patchwork capitalism later in the text.

As the course and directions of institutional development vastly diverged across the former Eastern bloc countries in the 1990s, a uniform type of post-communist capitalism had not come into being. Instead, the process of deep divisions among the countries involved had unfolded.

With regard to Russia and the countries being now part of the Commonwealth of Independent States (CIS), a pretty homogeneous interpretation scheme has developed among scholars of the field. Ivan Szelenyi, Laurence King, Beata Farkas, Katherina Bluhm and other researchers defined the model of capitalism prevalent there using the adjective 'patrimonial', sometimes adding also the term 'with state domination'.

The Balkan countries of the WB6 group (Albania, Bosnia and Herzegovina, Kosovo, North Macedonia, Montenegro and Serbia) and Croatia chose a complicated road of transition from the command economy to a fully-fledged liberal market economy that lasted throughout the whole 1990s, and in some cases even longer. At the turn of the 1970s and 1980s the concept of 'crony capitalism' was devised with regard to the Philippines. This concept proved to be equally useful as a key to describe the socio-economic orders evolving in many Balkan states, as well as in Croatia during the rule of Franjo Tuđman [1990–1999].

The countries of the Visegrad Group and the Baltic states ranked among the best performers in the whole transition world, in terms of the rapid adoption of the political institutional architecture of Western democratic countries and the progress of market reforms, albeit the scope and depth of institutional changes in their economies varied as a derivative of country-specific historical legacies or path dependence factor⁴. In the first decades of transformation, Slovenia continued the system of collective agreements, partially based on institutional arrangements inherited from the socialist economy of the former Yugoslavia, which were however subject to considerable market-oriented, 'neoliberal' changes [Stanojević 2003; Bohle and Greskovits 2012].

The aforementioned institutional differentiation of CEE countries has led some scholars of comparative capitalism to argue that the same analytical framework that was originally developed to interpret models of advanced capitalism coexisting in Western Europe can also be applied to explain the nature and institutional peculiarities inherent in the evolving socio-economic orders in the CEE region. In the early period of transformation in Poland there was a debate as to whether the country was culturally closer to pluralistic, liberal model of the Anglo-Saxon type (Szomburg 1993) or to corporate (coordinated) model [Gilejko 1991; Kowalik 2000]. Later debates, especially in the top reformer post-communist countries, most advanced in the large-scale introduction of market mechanisms and institutions of liberal democracy, involved such analytical frames of reference as the typologies developed by Peter Hall and David Soskice (*Varieties of Capitalism*) and Bruno Amable (*Diversity of Capitalism*) neglecting other proposals [see Jackson and Deeg 2006].

⁴ According to the EBRD annual rankings, the group of top reformers among all transition economies between the mid-1990s and mid-2010s included Estonia, Poland and the Czech Republic [see e.g., EBRD Transition Reports 1995–2015, and Rapacki, Matkowski and Próchniak 2015].

The current labeled 'Varieties of Capitalism' (VoC), being part of comparative political economy, was situated by its originators, Hall and Soskice, in opposition to three earlier lines of research on institutional varieties of capitalism: the modernization approach, the neo-corporatist approach and the study of social systems of production, including, among others, the regulatory school. According to Hall and Soskice, all these currents focused on institutions exogenous to the economy (the state, trade unions, etc.), whereas '[t]he VoC's approach to political economy is actor-centered, meaning that we see political economy as an area populated by multiple actors, each seeking to satisfy their interests rationally in strategic interaction with others (...). Relevant actors may include individuals, firms, producer groups and governments. Political economy is focused on firms and treats them as key actors in the capitalist economy. Firms are key agents of adjustment in the face of technological change or international competition, whose actions contribute to the overall level of economic outcomes' [Hall and Soskice 2001: 6]. The main criterion that discriminates between various types of capitalism is the 'competitive advantage'. By adopting a firm-centered perspective, the authors 'build a bridge' between a business study and comparative political economy, while also incorporating in their approach microeconomics with the elements of game theory. It should be added that Hall and Soskice are the authors of a dichotomous typology having an ideal character, in the sense given to this notion by Max Weber.

As Magnus Feldmann noted, the debate on the international diffusion of institutional orders was largely inspired by the 'groundbreaking volume on varieties of capitalism edited by Hall and Soskice [2001] – one of the most influential books in the field of political science and political economy in recent years' [Feldmann 2013: 493]. A widespread recognition did not mean that there were no legitimate critics of the dichotomy of 'Liberal Market Economy' and 'Coordinated Market Economy'. Referring to Collin Crouch (2005), one can raise the objection that the two ideal types correspond to a few real-life cases; simultaneously, the question of the epistemological status of Mediterranean capitalism and generally – 'mixed types' remains open. The VoC approach was also criticized for being static and insensitive to institutional change. Nevertheless, many scholars made use in practice of the theoretical framework of Hall and Soskice in its original form, even though not all variables of their model were always taken into account [Feldmann 2006; Buchen 2007; Baboš 2010]. Other researchers adopted the key guidelines of Hall and Soskice's methodology with the end to extend the original dichotomous typology and add their own VoC variants. They were referred to as representatives of the second

generation of researchers of the diversity of capitalism [post-VoC] [Ricz 2019]. These tendencies have become particularly pronounced since the Eastern enlargement of the European Union [2004–2013] to the CEE region. In this context, it is particularly worth mentioning the concepts of *Dependent Market Economy* (DME) by Nölke and Vliegenthart [2009] who applied the VoC methodology for the Visegrad countries, Vytautas Kuokstis's *Flexible Market Economy* (FME), who made use of the same intellectual inspiration for the Baltic countries [2015], and *State Permeated Market Economy* (SME) by Nölke and others [2020]. We will discuss this problem in more detail later in this section of the paper.

In the ensuing part of the discussion, we present in some detail two intellectual proposals, rooted in the VoC paradigm that exemplify two ends of a broad range of its applications made by the followers of the Hall and Soskice's conception in their research on post-communist capitalism. The author of the first proposal, Martin Mendelski [2010] represents quite a numerous group of scholars who believed that the VoC approach could be directly applied in its original form to capture the nature and most salient features of the evolving socio-economic orders in transition countries. This line of research includes, *inter alia*, the studies by Knell and Srholec [2005, 2007], Hanson [2006], Baboš [2010], and Ahlborn, Ahrens and Schweickert [2016].

On the other extreme we have the proposal by two prominent researchers in the field, Martin Myant and Jan Drahokoupil [2010], who, while accepting the important methodological thread of the VoC approach, start their argument with a multifaceted critique of this approach to eventually come up with their own original typology of transition countries, which we label here as a 'non-standard approach' (Table 1). For the purpose of this text, it is particularly important to pinpoint Myant and Drahokoupil's relative deinstitutionalization of socio-economic systems that emerged in CEE countries, which makes their research perspective significantly distinct from the institutional interpretation of post-communist capitalism in this region within the ideal typology inherent to the original VoC framework⁵.

Mendelski took it for granted that the VoC conceptual apparatus can to a large extent serve the purpose of description and interpretation of the emerging post-communist capitalism in CEE countries. These were labeled 'Transition Market Economies' (TME): 'the VoC approach can be used as analytical framework and point

⁵ It is worth recalling that inspirations taken from the VoC approach may be also found in the research of other regions of the world (e.g., the concept of Hierarchical Market Economy [HRS] by Ross Ben Schneider [2013] designed for Latin America or the large emerging markets: China, India, Brazil, South Africa).

of departure to classify formal economic institutions (...). The VoC approach is also partly useful to identify which market economy has emerged in post-communist countries (...). Thus, it can help to shed some light on the formal institutional diversity of capitalist systems. Furthermore, its theoretical insights can be used to test the relationship between institutional complementarity and economic performance' [Mendelski 2010]. Regarding the last postulate, Mendelski made a reservation that the VoC approach reveals significant limitations in the case of CEE countries due to low institutional efficiency in these countries (non-compliance with institutional rules) and the lack of institutional complementarity.

In turn, Myant and Drahokoupil [2010, 2011] pointed out that Hall and Soskice's original typology refers to relatively consistent and stable institutional structures inherent in developed market economies, and hence is not suitable for a straightforward application in post-communist countries with volatile institutional architectures (dubbed by the authors 'transition economies'). This stems from several reasons. First, the VoC typology places more emphasis on safeguarding the stability of institutional structures than on changing those structures. Second, it assumes that firms operating within a particular variety of capitalism – liberal or coordinated market economy – gain competitive advantages ('global leadership') in some areas. These comparative advantages give identity to a particular type of capitalism. In some respects, firms operating within the institutional environment of the liberal market economy outperform those operating within the coordinated market economy, while in other respects the opposite is true. The starting point, the independent variable in the VoC approach is thus the institutional comparative advantage being enjoyed by firms operating under a given type of capitalism, while the dependent variable becomes the international competitive position of these firms.

According to these two authors, the situation of transition economies is diametrically opposed, which dictates the need to apply a different theoretical framework. Without going into details, we will point here to the key factors, as seen from our perspective, that make Myant and Drahokoupil's approach quite distinct from the VoC concept. The first such factor concerns the limitations of a research conducted solely from the institutional angle. The authors stress that the focus on institutional cohesion as a crucial feature of the socio-economic orders prevailing in CEE countries results in only a few of them meeting the criteria of the VoC typology. When studying international integration, for example, it is necessary to take account of 'other factors, beyond institutional frameworks (that) influence the relevant forms of international integration. These include the structure of the inherited (from

the centrally planned economy – *J.G. and R.R.*) industrial bases, natural-resource endowments, and also geography. Institutions thus appear as one element that interacts with these other factors, but it is not sufficient alone to explain economic performance' [Myant and Drahokoupil 2010: 5]. The second factor deals with the category of competitive advantages as a criterion for discriminating between various types of capitalism. Maintaining competitiveness in international relations does not necessarily imply advantage or enjoying the status of a 'world leader', it suffices to keep a balance with the international environment, which can be achieved in many ways: through exports of industrial products, exports of natural resources, inflow of private financial resources, including remittances and foreign aid. As a derivative, the position of a country in international competition is not an independent variable; rather, it becomes a dependent variable. The foregoing factors prompt the conclusion that the institutional architecture of 'transition economies', in contrast to advanced, stable market economies, should be generally seen as a dependent variable, constantly adapting to external, but also internal challenges. This is supported, in our view, by the results of in-depth empirical studies of the multidimensional differentiation of transition economies involved.

As a starting point, Myant and Drahokoupil singled out five groups of post-communist countries. These comprised: (1) Central Eastern European Countries; (2) South-Eastern European & Baltic States; (3) Former Yugoslavia; (4) Fuel and Commodity Exporters; (5) Low Income Countries. Next, they carried out a detailed examination of the differentiation of the economies concerned across five dimensions of institutional development, which were then juxtaposed with various forms of international integration. These dimensions included: (1) the relations between politics and business; (2) the rule of law and the nature of property rights; (3) the economic role of the state; (4) the structure of business; (5) financial systems. In the subsequent step, Myant and Drahokoupil distinguished five forms of post-communist capitalism through empirical generalization. As they put it, these forms: '[n]ot provide (...) "pure" varieties of capitalism, partly because each country combines more than one form of international integration and partly because different institutional forms have often been compatible with the same type of international integration' [Myant and Drahokoupil 2010: 14].

The five forms of post-communist capitalism singled out in Myant and Drahokoupil's typology encompassed: (1) FDI-based (second rank) market economies; (2) Peripheral market economies; (3) Oligarchic or clientelistic capitalism; (4) Order states; (5) Remittance- and aid-based economies.

It seems appropriate to emphasize here that Myant and Drahokoupil's analyses were an important intellectual inspiration in our conceptualization of an ideal type of patchwork capitalism as a socio-economic order deprived of its institutional fabric.

Parallel to Hall and Soskice's approach, researchers of comparative capitalism in CEE countries have also referred quite often to the conceptual framework of comparative political economy, introduced into the scholarly circulation by Bruno Amable and labeled by the acronym DoC (Diversity of Capitalism). As a side remark, it should be noted that there are other theoretical concepts too, providing analytical tools potentially useful for the study of capitalism emerging in post-communist countries [discussed, inter alia, in the aforementioned article by Jackson and Deeg 2006]. Sticking to the *lex parsimoniae* principle, however, we will not refer to them in this article.

Unlike the VoC approach, focused on firms and their competitive advantages, Amable was centered on the institutional architecture of the whole economy and developed more elaborate and empirically grounded typology. He singled out five key dimensions (areas) or pillars of the institutional architecture and applied a vast set of variables corresponding to these areas. By means of statistical analysis (i.e., principal components and cluster analyses), he identified five clusters comprising developed capitalist countries which he dubbed respectively: the Anglo-Saxon, Continental European, Nordic, Mediterranean, and Asian models of capitalism. This method was directly applied by, among others, Beata Farkas, who identified an additional cluster corresponding to the CEE countries. As a matter of recognition, Amable's approach intellectually inspired our team too [Rapacki et al. 2019], though with significant amendments and extensions.

Apart from the mimetic methodologies being employed in comparative studies on contemporary capitalism, there are also methodological currents, designed specifically for the research of socio-economic orders in the CEE countries. In the first place, we should list here the approach of Dorothee Bohle and Bela Greskovits, referring to the work of Karl Polanyi [Bohle and Greskovits 2012]. In the same line of research, worth emphasizing is the study by Lane [2010], mentioned earlier in the text, who amended Immanuel Wallerstein's conceptual scheme adding the categories of 'counterpoint' and 'in-between' capitalism, and the conceptualization put forward by Hilary Appel and Mitchell Orenstein [2016] who emphasized institutional inconsistencies inherent to former socialist countries. In the latter conceptualization lie the seeds of our idea of patchwork capitalism.

As can be inferred from the above brief discussion, as well as from a more in-depth insight into other concepts which we discussed elsewhere (see e.g., Rapacki and Gardawski [2019], Gardawski and Rapacki [2019], Rapacki et al. 2019a), the picture of the emerging post-communist capitalism tends to be differentiated at the regional and national levels, changes over time being also ambiguous. Table 1 summarizes the main theoretical findings on the emerging types of post-communist capitalism. We also included less-known concepts that we referred to earlier in the article. The table is divided into three parts. The first part lists studies that directly applied the theoretical VoC and DoC frameworks to interpret post-communist capitalism, the second one contains VoC and DoC schemes, which were subject to (substantial) amendments or extensions, whereas the third part comprises original conceptualizations of the models of capitalism existing in post-communist countries.

Table 1. Comparative picture of most representative research on post-communist capitalism

| Author(s)/year | Research sample | Theoretical benchmark | Key results/labels | Distinct cluster(s) [model(s) of capitalism] in CEEII |
|---|---|-----------------------|---|---|
| Direct applications of standard frameworks | | | | |
| Buchen (2004) | Estonia and Slovenia | VoC | Estonia: LME, Slovenia: CME | No |
| Knell and Srholec (2005) | 15 'old' EU countries + 27 transition economies | VoC | Hybrid capitalism | No |
| Hanson (2007) | As above | VoC | Hybrid capitalism | No |
| Hancké, Rhodes and Thatcher (2007) | Visegrad countries | VoC | Post-communist capitalisms as emerging market economies (EMEs) | No |
| Lane and Myant (2007) | Czech Republic, Poland, Estonia and Slovenia | VoC | Consolidated market economies | No |
| Mykhnenko (2005) | Poland and Ukraine | DoC | Institutional ambiguity; polycentric pattern of institutional convergence | No |
| Mykhnenko (2007) | Poland | VoC | Mixed market economy | No |
| Mendelski (2010) | Post-communist countries | VoC | Transition Market Economies | No |

| Author(s)/year | Research sample | Theoretical benchmark | Key results/labels | Distinct cluster(s) [model(s) of capitalism] in CEE11 |
|--|--|--|---|---|
| Application, with some changes or extensions, of standard frameworks | | | | |
| Nölke and Vliegenthart (2009) | Visegrad countries | VoC | Dependent Market Economy | Yes (1) |
| Baboš (2010) | CEE8 | VoC | Hybrid capitalism | No |
| Cerami and Stubbs (2011) | CEE | VoC | Post-communist welfare capitalism | No |
| Kuokstis (2011) | Baltic countries | VoC | Flexible market economies (FME) | No |
| Edquist and Zabala (2012) | Eastern and Central Europe | VoC | Transition economies | No |
| Huettinger and Zirculis (2013) | Baltic countries | VoC | Aspiring liberal market economies with a high level of nepotism, corruption and concentration of ownership | No |
| Ahrens, Ahlborn and Schweickert (2016) | EU member states including CEE11 + selected OECD countries | VoC | Hybrid capitalism (CEEC LME or CEEC CME) | No |
| Ferge (2001) | Czechoslovakia, Hungary and Poland | Welfare regime (social protection perspective) and VoC | Poland: post-communist conservative corporatist welfare state; Czechoslovakia: social-democratic model; Hungary: liberal welfare regime | No |
| Szikra (2004), Tomka (2004), Haggard and Kaufman (2008), Inglot (2008), Bakken (2008), Sirovátka and Saxonberg (2008), Cerami and Vanhuyse (2009), Hacker (2009) | Central and Eastern Europe | Welfare regime and VoC | Hybrid regimes | No |

| Author(s)/year | Research sample | Theoretical benchmark | Key results/labels | Distinct cluster(s) [model(s) of capitalism] in CEE11 |
|--|---|---|---|---|
| Szalai (2005), Gans-Morse and Orenstein (2006), Fenger (2007), Fuchs and Offe (2009) | Central and Eastern Europe | Welfare regime and VoC | Hybrid regimes: a mixture of corporatism and liberalism or of corporatism and social democracy | No |
| Aidukaite (2006, 2009, 2010), Cerami (2006), Żukowski (2009) | Central and Eastern Europe | Welfare regime and VoC | Unique post-communist welfare regime | Yes (1)* |
| Cernat (2006) | Romania | DoC | Coctail capitalism | ? (1) |
| Farkas (2011, 2013) | EU member states including 8 new CEE members | DoC | Central and Eastern European model of capitalism in the EU | Yes (1) |
| Non-standard approaches | | | | |
| King and Szelenyi (2005) | Transition economies | Own methodology and classification criteria | Bottom-up vs. top-down capitalism; capitalism from within vs. capitalism from without | Yes |
| Myant and Drahokoupil (2011) | 27 transition economies | VoC | FDI-based (second rank) market economies, peripheral market economies, oligarchic capitalism, order states, remittance- and aid-based economies | Yes |
| Bohle and Greskovits (2012) | CEE11 countries | Polanyi | Pure neoliberal, embedded liberal, neocorporatist-capitalism | Yes (3) |
| Magyar and Madlovics (2022) | Hungary, Bulgaria, Romania, Russia, Ukraine, Azerbaijan, Kazakhstan | Own methodology and classification criteria | Patronal capitalism | Yes |

* In terms of social protection system only.

Source: authors' elaboration.

A closer examination of the content of Table 1 prompts a number of insights.

First, it may be argued that direct applications of standard frameworks have been conducive as a rule to confusing and/or inconclusive results⁶. Simultaneously, due to their calibration the standard frameworks proved incapable of capturing the peculiar features of institutional architectures in former socialist countries, compared to their Western European counterparts. As a result, while using the same broad classification criteria for both developed and emerging market economies they also failed in identifying distinct model(s) of post-communist capitalism either in the whole group of transition countries or in the CEE region alone.

Second, the major finding in most studies based on the application of standard frameworks subject to (essential) extensions and amendments often boiled down to detecting a hybrid or mixed nature of the emerging capitalism in Central and Eastern Europe. Hybrid and mixed capitalism in the CEE countries have been perceived as institutional architectures that reconcile – in varying proportions – components and parts transplanted from different types of contemporary Western capitalism. According to this narrative, the former – being the outcome of imitation [Krastev and Holmes 2020] – tend to represent inferior copies of the latter or their Western counterparts. Furthermore, with only a few exceptions in this line of research (including studies confined to the welfare regime alone) no distinct model of capitalism in the CEE countries, as a new research category on its own has been identified. The two most remarkable exceptions, namely the concepts of a Dependent Market Economy [Nölke and Vliegenthart 2009] and Central and Eastern European model of capitalism [Farkas 2011, 2013] have been developed as a result of a substantial fine-tuning of standard frameworks and adding essentially new dimensions (e.g., the role of TNCs in the CEE countries and the status of the latter as periphery), and by the same token – new sets of institutional indicators and/or new classification criteria not accounted for in the original methodologies of Hall and Soskice, Amable or the authors of other typologies. Myant and Drahoukoupil's [2010/2011] conception started

⁶ As a matter of illustration, in the studies by Knell and Srholec [2005] and similarly Hanson [2007] Russia was found to embody the ideal-typical model of a liberal market economy in the highest extent among all 27 transition countries and with quantitative characteristics comparable to those prevalent in the USA and the UK. For more details, see Rapacki et al. [2020].

from a critique of the VoC scheme, which enabled the construction of an original typology of post-communist capitalism.

Third, notwithstanding clear differences regarding details of their design and coverage most of the comparative studies on post-communist capitalism shown in Table 1 under two first headings exhibit some common core properties, namely: (i) they involve broad research samples encompassing both Western and post-communist countries, (ii) they use very general labels to describe the essence of the emerging capitalism in the latter as inferior copies of the former being an outcome of emulation, (iii) with only a few exceptions, they do not identify distinct model(s) of post-communist capitalism, (iv) they mostly fail to dig deeper and to uncover those layers of these countries' history that would shed a new light on the role of path dependence and long duration [Braudel 1995], including their proto-capitalist and socialist legacies as key co-determinants of the very nature of the evolving capitalism in the CEE region, and would open the way to delve into the intricacies of their peculiar institutional endowment.

Fourth, when it comes to non-standard approaches [e.g., King and Szelenyi 2005; Myant and Drahokoupil 2011; Bohle and Greskovits 2012; Magyar and Madlovics 2022], they distinguish specific types of post-communist capitalism by definition, at least in respect to some of former socialist countries. As a consequence, these new types of capitalism are implicitly assumed to be distinct from the patterns established in the process of examining Western European capitalism. Inevitably, this line of research does not offer any comprehensive typology encompassing both Western and East Central Europe that could provide a common denominator for comparative analyzes of capitalism in both regions.

As a wrap up of this part of the text, it should be emphasized that the survey of most representative studies on comparative capitalism in former socialist countries, with special regard to Central and Eastern Europe, revealed important gaps in our understanding of the status of post-communist capitalism. These include, *inter alia*, the role of social institutions, with a separate focus on the cultural roots and their internalization without which they become an illusory, façade being. As a derivative, they lose the character of a 'social fact' in the sense ascribed to this notion by Durkheim. In general, previous studies have neglected some of the key dimensions of emerging capitalism in Central and Eastern European countries, that would better capture its unique nature and peculiar institutional features.

Against this background, we ask a more in-depth question – do institutional architectures in Central and Eastern European countries exhibit any peculiar traits

that make their socio-economic orders susceptible to hybridization and that have prompted many researchers in the field of comparative capitalism to abandon their earlier interpretations of post-communist capitalism through the lens of consistent Western-type models and to subsequently switch to the 'hybrid hypothesis'? It was one of the main questions that led us to come up with the 'patchwork capitalism' conceptualization that will be developed in the next section and which we believe will contribute to a deeper understanding of the phenomenon of heterogeneity of socio-economic orders.

2. The Origins of Patchwork Capitalism in the Countries of Central and Eastern Europe. A Contribution to Ideal-Type Analysis

In this section we will take up a problem that is pivotal for understanding capitalism born in most countries of the CEE region, which is not only incoherent and hybrid, but also – most importantly – exhibits a patchwork nature. Explaining this phenomenon requires, in addition to an economic approach (especially the one of new institutional economics), adopting the perspective of economic sociology and that inherent to other social sciences. While designing our conceptualization, we have used the ideal-type method realizing that, in the case of such a complex research problem as the origins and nature of capitalism in Central and Eastern Europe, many competing ideal types can be constructed. We will begin with a brief discussion of the ideal-type method that we apply in our study, followed by a presentation of the research problem that encapsulates the difficulties of constructing unambiguous (homogeneous) typologies of capitalism in CEE countries. In the following parts of this section, we will discuss the origins and the formation process of heterogeneous and patchwork capitalism.

2.1. The Ideal-Type Method

In our earlier studies we referred both to generalizations relating to specific socio-economic orders (political economies), that is to 'average types' or 'statistical types', and to the construction of 'ideal types' in the sense given to these notions by Max Weber. Before presenting our ideal-typical conceptualization of patchwork capitalism, we will dwell on selected ways of interpreting the very notion of an ideal type.

The ideal typology is used not only by sociologists and economists, but also by historians and philosophers of history. The complexity of Weber's work allows for diverse interpretations of this category, yet it is a common practice to refer to the interpretation found in his methodological manifesto of 1904, published in the 'Archiv für Sozialwissenschaft und Sozialpolitik' [Weber 1949].

The contemporary researcher of Weber's work, Dirk Käsler, wrote: 'The main task of the ideal type (...) is (...) the hypothetical ascribing of the chaotic diversity of individual phenomena to the »ideal«, that is, to the imaginary course of events. Weber's ideal types are »ideal« in two respects: first, they are always the product of a purely logical perfection of thoughts, they engage in the process of creating them and reflecting on the imaginary extreme; second, they also refer to »ideas«, i.e., they are »mental pictures« and thought projects. (...). (Weber) repeatedly warned against the hypostasis of ideal types as the true driving forces of history' [Käsler 2010: 241–242]. Witold Kula, relating the concept of the ideal type to economic history, argued that the ideal types are not average phenomena, average in a statistical sense, nor the most common ones, 'they are scientific constructs, standards built on the basis of a theoretically justified selection of phenomena and features' [Kula 1963: 36]. Jerzy Topolski pointed out that ideal types are 'a kind of measures to which we compare reality. They are created as a function of our knowledge of reality (...). The task of a historian is to compare reality to ideal types as a form of its structural perception' [Topolski 1973: 124–125]. Stanisław Kozyr-Kowalski assigned them a modest role as 'heuristic fiction', serving to organize and describe selected empirical material, which 'cannot serve as a causal explanation' [Kozyr-Kowalski 1967: 476]. We would add that we have written extensively on ideal types in the context of patchwork capitalism [Gardawski and Rapacki 2019].

Social science methodologists using formal tools treat the category of 'ideal type' as an empty set that does not relate to reality [e.g., Pawłowski 1977]. In turn, methodologists with a humanistic orientation accept Weber's interpretation, treating

ideal types as a key tool for rational understanding of socio-cultural phenomena, but they emphasize the problem of measuring the relationship between ideal types and reality: 'Weber did suggest that major discrepancies between reality and ideal type would lead to the type being redefined, but he also argued that ideal types are not models to be tested. (...) Further confusion may arise since Weber himself often implicitly used ideal types as testable models' [Abercrombie, Hill and Turner 2000].

Weber himself, in the core part of 'Economics and Society' [1922], described the relationship between ideal types and empirical generalizations ('average types', 'empirical-statistical' types) as follows: 'it is necessary for the sociologist to formulate pure ideal types of the corresponding forms of action which in each case involve the highest possible degree of logical integration by virtue of their complete adequacy on the level of meaning. But precisely for this reason, in this absolutely perfect, pure form, appearing in fact as rare as some physical reaction calculated on the assumption of absolute vacuum, it seems unlikely that a real-life phenomenon can be found that would correspond exactly to one of these ideal types. (...) It goes without saying that in addition it is convenient for the sociologist from time to time to employ average types of an empirical statistical character, concept which do not require methodological discussion' [Weber 1978: 20].

In his famous 1904 text on 'objectivity' in social sciences, Weber explained the ideal type of a commodity market as follows: '[w]e have in abstract economic theory an illustration of those synthetic constructs which have been designated as »ideas« of historical phenomena. It offers us an ideal picture of events on the commodity market under conditions of a society organized on the principles of an exchange economy, free competition and rigorously rational conduct. This conceptual pattern brings together certain relationships and events of historical life into a complex, which is conceived as an internally consistent system. Substantively, this construct in itself is like a *utopia* which has been arrived at by the analytical accentuation of certain elements of reality. Its relationship to the empirical data consists solely in the fact that where market-conditioned relationships of the type referred to by the abstract construct are discovered or suspected to exist in reality to some extent, we can make the *characteristic features* of this relationship pragmatically *clear* and *understandable* by reference to an *ideal-type*' [Weber 1949: 89–90].

Let us quote another excerpt from the 1904 manifesto, in which Weber points to the versatility of the ideal-type method – depending on the frame of reference, different ideal types can be constructed concerning the same object: '[o]ne can further delineate a society in which all branches of economic and even intellectual activity

are governed by maxims which appear to be applications of the same principle which characterizes the ideal-typical »handicraft« system. Furthermore, one can juxtapose alongside the ideal typical »handicraft« system the antithesis of a correspondingly ideal-typical capitalistic productive system, which has been abstracted out of certain features of modern large-scale industry. On the basis of this, one can delineate the Utopia of a »capitalistic« culture, i.e., one in which the governing principle is the investment of private capital' [Weber 1949: 91].

Regardless of the fact that the construction of the ideal type imposes a rational and, to some extent, utopian order, it contains references to real phenomena. Ideal types in comparative political economy and comparative economics are usually built through more or less direct references to particular countries. This is for example how the Hall and Soskice's VoC typology was built – they modeled it on the case of Germany and the United States. In our construction, we refer mainly to the evolution of the Polish socio-economic order, as well as to those existing in the Visegrad countries.

Concluding the remarks on the method applied, we will refer to the problem of the relation between the ideal type and the empirical reality, which has been solved in many ways, despite the above-mentioned ambiguity of Weber's own proposal. Referring to these solutions, Uta Gerhardt has reconstructed the procedure used by Weber in creating ideal types. It consists of three steps: 1) converting the heterogeneous infinity of social life into focused concepts useful for scientific understanding; 2) converting concepts into ideal types (this stage can be further subdivided into: i) comprehensiveness of knowledge grounds, (ii) identifying indispensable elements and eliminating others, (iii) verification in social-historical reality); 3) confronting an ideal type with observed individual culture events' [Gerhardt 1994]. In this article, we will not be able to implement the entire procedure, and hence we will confine ourselves to an abridged version of the ideal-typical analysis.

2.2. Characteristic Features of Capitalism in CEE Countries

While discussing the first problem, we will refer to the empirical generalization regarding systemic transformation of CEE countries (we can also call it a reconstruction of the 'average type' in Weber's sense) by Claus Offe, and then to the analyses of Martin Myant and Jan Drahekoupil.

Offe distinguishes ten 'construction sites' of system transformation and the accompanying unresolved problems in his transition studies: 1) the transformation of state-socialist economic system into private-capitalist one. It raises 'a question of how and to whose benefit state-owned productive capital is to be privatized (...)' (29); 2) '(...) It is necessary to establish and staff political institutions' (constitutions, political parties, parliaments, etc.). Offe stressed that 'this usually is to be performed by people who have gained their professional experience and skills under the old regimes'; 3) the problem of administering 'transitional justice' to the old regime's elites and victims of these regimes; 4) the problem of minorities and the attitude towards them of 'culture nations' in many countries during the transition; 5) the problem of 'external players', who play a greater role in CEE countries than, for example, in Latin America: 'it is no exaggeration to speak of an attempt of Western 'conquest' or 'land grab', though partly also driven by arguably noble intention'; 6) in many countries, social policy (health care, housing problem, education system, etc.) is a serious problem; 7) the problem of differences in national income between the transition countries and the old European countries; 8) the problem of rule of law, social pathologies and corruption; 9) specific problems connected with the former GDR, and 10) the problem of the existence in transition societies of a 'long arm of their state-socialist past', which 'still has a rather strong grip on the present day'. This legacy varies profoundly from one CEE country to another and influences, among other things, political preferences that affect the emergence of populist movements in Poland and Hungary, which shape the institutional structure of these countries more strongly than is the case in Western Europe (site 10) [Offe 2020: 29–34]. Let us add that some of Offe's generalizations – particularly the first, second, fifth and tenth will later serve us to construct the ideal type of patchwork capitalism.

In turn, in Myant and Drahoukoupil's view, the pre-condition for a coherent design of typologies of mature socio-economic orders is the presence of relatively stable institutions that constitute their 'fabric' (we refer here to the concept to be discussed in the next section of the article). Within the VoC framework, it is assumed that there are relatively stable and predictable labor relations, lasting channels of cooperation between firms, well-grounded forms of corporate governance, established patterns in the sources of funding, and the presence of institutions that allow to solve basic coordination problems at the firm level. In the case of other theoretical approaches offering typologies of Western-type capitalism, comparatively durable ways of government intervention in the economy, persistent forms of welfare state, etc. are also assumed. If these stable and long-lasting institutional fabrics exist, and in most

advanced Western countries they do, then typologies of capitalism can be built assuming their relative permanence (homogeneity).

The problem with the socio-economic orders in post-communist countries is that formal rules of the game or formal institutions that govern mature Western market economies, which have been admittedly adopted in many of these countries, lack stability and predictability (except in certain countries and in certain aspects of their socio-economic orders). The rules in question operate selectively, tend to be distorted by corruption or by uncontrolled and invisible ties between business and politics. As a result, the formal rules are far from being always sufficient to ensure the smooth operation of complex economic systems, and above all, they are volatile, as shown by empirical studies conducted in the first decade of 2000s [Gardawski ed. 2009; Myant and Drahoukoupil 2011] and in the 2010s [Rapacki ed. 2019]. The research on such socio-economic systems necessitates the use of tools that are absent in most theoretical frameworks of mainstream economics but are also missing in the toolkit of new institutional economics; they both presume – according to the logic of rational reconstruction – that rules are generally followed, debts are paid back, depositors can trust the banking system and government policy is stable and predictable over relatively long periods [Myant and Drahoukoupil 2011: 301]. Obviously, rules do not work without exception in the countries of developed capitalism too, but in their case, it can be safely assumed that they will tend to work rather than not work. In contrast, the study of many CEE economies should be based on the assumption that informal institutions or rules of the game may be just as important as formal ones. As a result, formal institutions, that appear to be stable, can easily discontinue or destabilize, which makes the level of uncertainty there incomparably higher than in mature Western economies. Applying the conceptual grids – drawn from theories originated with a view to interpreting Western-type capitalism – with regard to CEE countries, may give rise to serious flaws and misperceptions: even if they allow an accurate picture of a particular institution at a given point in time, they fail in depicting the entirety of the institutional architecture concerned as it often reveals incoherence and lack of complementarity. Similarly, the existing knowledge of the current state of an institution can become outdated relatively quickly. This state of volatility is not exclusively a feature of the CEE countries, however, compared to their Western peers, it occurs with much higher incidence, as it is an effect of history, which used to perpetuate – in a centuries-long process – low institutionalization of the socio-economic orders in the countries being part of the periphery (semi-periphery)

of Europe and especially in the meanders of recent history, which we discuss later in this article.

The next research problem, being of key importance for our patchwork concept, relates to the peculiar sort of openness, or more precisely, to the low cost and low barriers of entry for new organizations and institutions into most of the national socio-economic orders in CEE countries. In this case, factors such as the class structure inherited from authoritarian socialism, the social composition of the reformist elite and the adoption of the terms of the Washington Consensus and, consequently, the development through foreign direct investment, played a role in the first instance. This influenced the weakness of the domestic institutional 'fabric', the most visible indicator of which was the plurality of rules in the area of corporate governance and, more broadly, labor relations. To put this complex problem in a nutshell, we found a high level of autonomy of transnational corporations (TNCs) in the field of labor relations as a result of research, conducted in employers' organizations, among trade union representations, and in the course of observations carried out by one of us in the International Labor Organization. We came across a statement by one Polish specialist in human resource management, employed by TNCs, that, unlike investing in mature Western economies, in CEE countries the corporations involved operate largely independent of national regulations, or else – of the domestic institutional 'fabric' [Gardawski 1999, Gardawski 2007, Gardawski and Surdykowska (eds.) 2019: 66–71].

Based on the foregoing discussion, as well as capitalizing on our research conducted at the Warsaw School of Economics, which we will present in the last section of the article, we will now distinguish three key characteristics of the socio-economic order prevalent in the CEE countries. In the following part of this section, we will reconstruct the emergence and gradual formation process of patchwork capitalism, using a simplified version of the ideal-type method.

The first two characteristics deal with the instability of institutional architecture concerned – whereas the first of them indicates the volatility of socio-economic orders in Central and Eastern Europe at the level of countries, the second one refers to the differentiation of institutional 'logics' at the level of individual organizations. These two characteristics combined result in a state of multidimensional incoherence and lack of complementarity of the socio-economic orders existing in these countries. The weakness of the institutional architectures involved entails high transaction costs of functioning within those orders.

The third key characteristic deals with the peculiar openness of these orders to the entry of new actors (institutions, organizations) with their own operational logics. This feature in turn implies low transaction costs and low barriers to entry to those orders.

2.3. Sources of Heterogeneity of Political Economies of CEE Countries in the Perspective of 'Long Duration'

The sources of the heterogeneous nature of contemporary socio-economic orders or the emerging capitalism in most CEE countries should be traced in the first place in their path-dependent pattern of development. The path dependence factor may be broadly broken down into three key components or temporal layers. The first one implies long duration, along the lines put forward by Fernand Braudel [1999], and involves a very long period, dating back to the end of Middle Ages and the beginning of the modern era, and then the 18th and 19th centuries, when there were still remnants of feudalism in Central and Eastern Europe and the seeds of capitalism took the shape labeled in the literature as 'proto-capitalism'. Modern industrial capitalism, slowly developing from the mid-19th century on, firstly in textiles, materialized in the form of a scattered archipelago.

The second temporal layer, strongly influencing today's institutional architecture of the CEE countries, is the period elapsing since the outbreak of World War II which witnessed the process of two critical junctures or U-turns on the turbulent development trajectories of the socio-economic orders in CEE countries. Finally, the third component of the 'path dependence factor' is the time of systemic transformation, following the second critical juncture in 1989/1991. It was then that a peculiar blend of social, economic and political factors gave the heterogeneity a patchwork character.

For a complete reconstruction of the historical heritage in these countries, it is therefore necessary to start with an analysis of the first component of the heritage concerned that consists of elements of culture of long duration that last for many generations. Central and Eastern Europe has been the periphery or semi-periphery of Europe for most of the last millennium, where the residues of counter-reformation, peasant culture and gentry culture, 'serfdom farm' culture and bourgeois culture, the distant history of statehood and recent statehood are preserved. As noted by Braudel: '[m]entality collectively defining attitudes, dictating choices, reinforcing

prejudices and guiding social movements is a fact of civilization. (...) [I]t is the fruit of a distant heritage, of beliefs, fears and long since unconscious anxieties. It is the fruit of contamination, the ingredients of which flow towards us from the depths of the distant past, carried by the generations (...). These basic values, these psychological structures (...) are extremely resistant to the effects of time' [Braudel 2006: 56]. In our study, however, we will not be able to dig deeply enough to reach this dimension, although its significance has made itself known on many occasions. As far as Poland is concerned, the studies conducted by Tomasz Zarycki [ed. 2016] are of particular importance in this regard.

The second component of the historical legacy embraces all those CEE countries that were made part of the Eastern bloc by the USSR at the end of the Second World War, as well as the countries of Yugoslavia that followed a similar path and is related to the imposition of Soviet-type totalitarianism and its subsequent transformation into authoritarian socialism. In the countries of the CEE region that were occupied during the war by Germany, the prelude to institutional change already occurred at the time of the Nazi invasion. This legacy extends to also comprise most republics of Yugoslavia. The period involved fundamentally affected the institutional structure of the national political economies, the social structure, the culture, overlapping with the heritage of the first temporal layer.

The third component of historical heritage, closest to us, is the anti-communist breakthrough of 1989–1991 onwards and the rejection of institutions that lasted for some 45 years in Central and Eastern Europe. The breakthrough and the subsequent attempts to replace the institutions inherited from communism with new ('model') institutions took place in specific class conditions (the subject of the revolution in most countries was not the class of beneficiaries of system change). For this temporal layer of the heritage concerned, two stages can be identified, and two kinds of elites involved in the institutional transformation: an elite of breakthrough and an elite of adaptation. Again, the caveat should be made that the process in question did not take place in all countries of the region. It materialized in the Balkan countries and Croatia only at the end of the 1990s. Anticipating our argument developed later in the text, we will note already at this point that this two-stages construction is ideal-typical in nature.

It ought to be emphasized that in the case of patchwork capitalism the significance of historical upheavals in the institutional architecture is fundamental rather than incidental. The interpretation of the process of patchwork formation and examination of the content of patchwork itself necessitate an evolutionary approach and sensitivity

to path dependencies. We should add already at this point that the institutional and mental legacy of authoritarian socialism, being an essential determinant of a patchwork nature of the emerging institutional architecture of post-communist capitalism, turned out to be relatively deeply rooted in the multidimensional remnants of the preceding, proto-capitalist order. The legacy in question was studied particularly meticulously by Hausner, who drew attention in 2007 to 'the difficulties of establishing a new order', as 'entrenched pathologies are difficult to uproot, they will multiply in new conditions, weakening the dynamics of social change' [Hausner 2009: 125]. Edmund Mokrzycki wrote in 1995 about the long duration: 'real socialism« became real also in terms of its macro-social consequences, for it produced, mainly through its economic system, its own mechanisms of social differentiation and thus, as a result, its own mechanisms of production and reproduction of the social fabric and its own mechanisms aimed to defend the social status quo' [Mokrzycki 2001: 107].

Below we briefly expand on the foregoing components of path dependence and major determinants of patchwork formation in CEE countries.

A. Distant Historical Heritage

We will apply here the institutional-historical approach, with special reference to the path dependence category. Seen from this perspective, the key determinant of the development trajectory leading eventually to patchwork capitalism are the institutional effects of a long process, lasting for centuries, of Central and Eastern European countries remaining on the semi-periphery of Europe [Braudel 2006; Szücs 1983, 1988]. This period, dating back to the late Middle Ages and embracing the modern era, saw the dramatic divergence of the development paths of Western Europe and East Central Europe. The former experienced a progressive strengthening of the central government, confining the domination of aristocracy, supporting the autonomy of towns and enhancing the role of bourgeoisie, coupled with increased institutionalization and rationalization of the socio-economic order. In contrast, the East of Europe witnessed a declining central power, increased domination of the aristocracy and the nobility, low level of institutionalization of the socio-economic order, restraining the development of towns and a gradual social degradation of peasants ('serfdom farm economy').

In the modern era and during the industrial revolution (18th–19th centuries), a blend of remnants of feudalism and proto-capitalist economic mechanisms, accompanied by the emergence of a few islands of a modern capitalist economy (e.g., the districts of modern textile industry in Poland with the city of Łódź – the Polish Manchester)

developed in the CEE region. In this context, a unique position of Bohemia – the most industrially advanced part of Austria-Hungary – should be underlined.

An important factor influencing the fate of most CEE countries in this era was the lack of political independence and its consequences for the socio-economic order and national culture [Kłoskowska 1996].

The legacy of this distant historical past boiled down – *inter alia* – to a shallow embeddedness of formal institutions in social practice and in social consciousness, strong bonds at the level of social microstructures, weak ties at the level of large groups (large stock of 'bonding' social capital, small stocks of 'bridging' and 'linking' social capital [Putnam 2000; Woolcock 2001]), combined with the remnants of the 'serfdom farm culture' in social relations of several CEE countries (especially in Poland, but also in Hungary) lasting until the Second World War.

The foregoing heritage of a long duration has proved relatively lasting and has had a significant impact on the formation of today's patchwork capitalism.

B. Two Political and Socio-Economic Breakthroughs (1945–1989)

As a starting point in our discussion of the heritage of today's capitalism in the CEE countries, we will refer to two critical junctures [Thelen 1999] that occurred since the World War II, which consisted in the destruction of the existing institutional architecture and its replacement by a new one. The two-time destruction of institutional foundations, preceded by World War II, as well as the long period of missing social legitimization of power accompanying this destruction, combined *i.a.* to explain the emergence of overwhelming social attitudes of disrespect towards formal institutions, including the institutions of law and the state. Referring to the concepts taken from the theory of conformism: in the times of totalitarianism and authoritarian socialism, the bulk of society succumbed to official institutions out of necessity, but neither identified with them, nor were they internalized [Aronson 1972].

This process, however, took different forms depending on the country-specific traits of national cultures with a long, multi-generational duration, the importance of which was highlighted by Braudel (we deem it essential to draw attention to the difference between the attitudes prevalent in two neighboring and linguistically related societies representing polar cases in this respect: the Polish and the Czech ones).

The period of World War II triggered profound changes in both institutions and attitudes in the CEE countries occupied by Germany. The occupiers turned upside down the pre-war property rights by taking over on a massive scale domestic

private businesses and completely dispossessing the Jewish population, which laid the ground for post-war nationalization.

* * *

The first fundamental destruction occurred as a result of the Soviet conquest of the CEE countries after World War II. Over several years, the communists gradually eliminated the market and proto-market systems [Mokrzycki 2001] and carried out a fundamental deconstruction of the class-strata structure. Before the war, in the case of most CEE countries, there was a market system with some remnants of feudalism. Destruction was additionally facilitated in those countries where the foundations of the pre-war institutional order were shaken already during the Nazi occupation. The preceding socio-economic orders were replaced in the second half of the 1940s by the introduction of the communist system in its totalitarian version with its rigid, coherent and complementary institutions, mass-scale nationalization and centralization of almost all forms of collective life, starting with a monocentric pattern of economic management. In doing so, the Communists took no account either of the specific features of the economies of individual countries or of social attitudes. Attempts were made to bring up a 'new man with a new consciousness', while the real man was to be rooted out from his/her previous culture. Simultaneously, the gentry and the bourgeoisie were liquidated as social classes, which was paralleled by the social and political degradation of the pre-war intelligentsia, and an accelerated social advancement of the working class and the poorer layers of the peasantry. It must be borne in mind that in those societies that had retained the residues of feudalism before the war, the communist revolution brought social modernization and enjoyed the support of some parts of the lower strata [Nowak 1983]. From selected representatives of these strata, the communists formed a new ruling class, which with the passage of time assumed the form of 'nomenklatura'. As noted by Tony Judt: 'Stalin (...) attached great importance to the creation of power structures and social structures identical to those prevailing in the Soviet Union in the areas he took over. (...) recreated Soviet history, institutions and practices in each of the small states that he now ruled with the help of the Communist Party' [Judt 2005/2011: 204]. Kenn Jowitt pointedly described the depth of the first destruction: 'Institutionally, a feature of the Stalinist breakthroughs (...) was the liquidation of quasi-public domains in these countries and the castration of the state as the official place of political life. The party destroyed, absorbed and replaced both the state and society:

cadres ruled, subjects obeyed, citizens disappeared' [Jowitt 2009: 20]. Following the Soviet Union, these states implemented a peculiar model of a very costly and selective modernization. Jadwiga Staniszkis interpreted this process as the first phase of the domination of the Soviet Union over the countries belonging to the Soviet 'imperial cluster' [Staniszkis 1989].

According to many analysts of social life in Central and Eastern Europe, a telling symptom of the impact of the totalitarian, Stalinist system on social bonds was the disappearance of social trust. The communist party sought to destroy family and friendship ties and endeavored to replace all types of social capital with just one, i.e., linking capital [Woolcock 2001] – between the individual and the authority. The endeavors to make the social life subject to totalitarian control in its extreme form, corresponding to the definition coined by Carl Friedrich and Zbigniew Brzeziński [1956], were partially successful in Russia, while they failed in most CEE countries being part of the Soviet bloc. Moreover, as shown by the Polish experience, it was the proletariat, rather than the new intelligentsia that proved resistant to the destruction of social bonds [Świda-Ziemia 1991]. Instead, in the working-class milieu a low level of legitimacy of the system and a lack of respect for the official institutions of power prevailed.

Research on the Polish society conducted during the period of authoritarian socialism, i.e., after the anti-Stalinist backlash (1955–1956), showed the relativization of moral norms, which entailed *inter alia* the ease of 'individual privatization' (stealing) of various material resources of the state. These phenomena unfolded in a climate of a growing consent to breaking the norms regulating the economic life [Nowak 1983]. The term 'anti-legal culture' can be found in the literature, while Grażyna Skąpska [2017] introduced the notion of 'legal-axiological nihilism'. Particularly important from the angle of our research problem were the attitudes of the representatives of the ruling stratum (nomenklatura, communist party members) due to their low identification with communist ideology [Gieorgica 1989].

The CEE countries, despite having the communist regime as a common denominator, were differentiated economically, politically and culturally, not to mention the civilizational dimension of their 'long duration'. Moreover, these differences were reinforced by the geopolitical factor, i.e., the division into countries that were part of the Soviet Union, countries dependent on the Soviet Union and those that were part of Yugoslavia. The differences concerned exerted a sizeable impact on the scope and directions of reforms of the command economy and on the subsequent systemic transformation processes.

After Stalin's death in 1953 the process of a faster or slower loosening of the rigors of Stalinist totalitarianism began, and efforts were made to replace it in some countries by a system which we define as 'authoritarian socialism'. This process 'was characterized by increasingly heterogeneous relations within the Comecon and by a series of bold but ultimately unsuccessful attempts at economic reform (...). Although the »communist« countries began to reform certain aspects of their political and economic systems from 1953 onwards, Khrushchev's »secret speech« served as the catalyst for a »second wave« of reforms that began in 1956 and continued, in various forms and with considerable national differences, more or less until 1968' [Louw 1997: 78].

It is not our aim to discuss here the complex reform process of authoritarian socialism, as it is well described in the literature, but it is important to highlight the progressive institutional entropy of the socio-economic order in CEE countries between 1956 and 1989.

C. The process of Emergence of Patchwork Capitalism

With this in mind, we will confine ourselves to the Polish experience. We begin by quoting the words of one of Poland's leading economists, Zdzisław Sadowski, who wrote in 2004 that Poland, 'a country that embarked on the path of systemic transformation in 1989, had not been totalitarian for a long time and its economy was not centrally planned' [Sadowski 2004: 109]. Earlier, a book authored by Włodzimierz Brus [1962] played an important role in Polish social sciences and in the attempts to reform communism in Poland, and the 1970s saw publications on the organizational pathologies of the socialist economy by Staniszkis [1972] and Janusz Beksiak [1972]. In the 1980s, still under authoritarian socialism, studies on the dysfunctions of the command economy were published by Witold Morawski, Jerzy Hausner, Wiesława Kozek, Ewa Błaszczyk, Lena Kolarska-Bobińska, Leszek Balcerowicz's team and others.

In the late 1980s and early 1990s, Hausner was the leading researcher on the breakdown of basic bonds in the economy and society under authoritarian socialism. He pointed out that the collapse of socialism was the outcome of a long-term agony [Hausner and Klementowicz 1991; Hausner 1992]. This process led to a state of 'systemic vacuum'. Hausner contended that this notion does not mean 'the destruction of all the elements that constituted the hitherto system. Many of them still exist (...). New structures are also gradually emerging. However, they do not constitute a system, since there are no interrelationships between them, which – out of the economy,

politics and culture – form the subsystems of the whole we define as a social system (...). Without these interrelationships, the individual segments of social life function according to their own rules, subject to a separate logic. This results in numerous horizontal and vertical inconsistencies in the functioning of societies, reflected in social consciousness in the form of dissonances' [Hausner 1992: 12]. In the light of Hausner's insights, one can speak of such a deep deinstitutionalization of the social and economic order in the eclipse stage of authoritarian socialism that, as we will argue in the ensuing parts of the text, paved the road to patchwork capitalism.

Andrzej Rychard offered a similar diagnosis in 1998, emphasizing the deeper nature and identity of the 'real socialism' system and pointing to the ineffectiveness of centralization and 'spontaneous institutional dispersion', or 'organized disorder'. Referring to the views of economists, he underlined the inner contradiction of real socialism, leading to spontaneous decentralization and entropic processes. Rychard rejected the stereotype according to which real socialism was 'inefficient and unpleasant', yet 'providing certainty' – on the contrary, in his view this system 'generated uncertainty' and 'dispersion at the level of social roles' [Rychard 1998: 56–57]. Also, the results of Rychard's analyses allow, we believe, for a patchwork interpretation of the reality he investigated.

The situation of authoritarian socialism changed by leaps and bounds when the reforms, initiated in 1985 by Mikhail Gorbachev, undermined the key political institutions underpinning the communist system or its fabric. They led to the demise of the communist order in the Soviet Union and the subsequent breakdown of that state, triggered centrifugal processes in the satellite states and the revolt of their societies against authoritarianism [Autumn of Nations 1989]. We will refer here, following Wolfgang Streeck, to Georgie Derluguian's observation. He argued that the loss of state integrity in the Soviet Union 'undermined all (...) institutions and thus made collective action on virtually any level beyond family and crony networks impossible. This condition became entrenched' [Streeck 2016: 12]. Ruling bureaucracies in communist countries reacted, according to Derluguian, more with panic than outright violence in the face of mass civic mobilization such as the Prague Spring of 1968 and the Soviet perestroika at its height in 1989.

The processes of systemic decay sketched above, preceded by the "gentle agony" of authoritarian socialism, became another critical juncture or U-turn in the development trajectories of the post-World War II CEE countries. These processes led to the ultimate eradication of the main political building blocks of the communist

model and unleashed the process of emergence of a peculiar variety of capitalism, displaying patchwork characteristics in most of these countries.

* * *

Along with the political breakthrough, most CEE countries witnessed a fast turn to a liberal market economy. The trailblazer in the transition to a market economy was Hungary with its prior experience of 'goulash socialism' since 1968 but it was Poland where this process assumed the most radical and consistent form ('big-bang' or 'shock therapy'). This was partly due to a huge scope and depth of macroeconomic imbalances [see e.g., Blazyca and Rapacki 1991], compounded by the fact that the country was in practice insolvent and could not do without immediate international aid (even though the level of foreign indebtedness in per capita terms was not the highest in the CEE region). Obtaining this help was impossible without building a fully-fledged market economy and adopting the rules of the Washington consensus. In terms of the scope and pace of market reforms, Poland exceeded the IMF's expectations, for which Balcerowicz, the author of the reform program, was severely criticized' [Kowalik 2000]. Maria Lissowska described the process as follows: '[t]he transition to a market economy was an unprecedented venture on a historical scale, firstly because it was to be carried out and implemented by the state administration, rather than taking place through bottom-up evolution. Second, systemic transformation was taking place in the conditions of deep macroeconomic imbalances. Hence, the natural tendency was to focus on effective economic policies, primarily geared towards stabilization. The priorities of these policies, in turn, were strongly influenced by the recommendations of the »Washington Consensus« coming from the International Monetary Fund and the World Bank. 'As a result, institutional reforms were pushed to the background: '[i]n a sense, it was assumed that market institutions would emerge at the right time, in an unknown way, and that they would take effect immediately' [Lissowska 2004: 46, 47].

Trade unions fell victim to the liberal reforms, as their function was reduced to defending working conditions and wages, depriving them of other functions they had performed under socialism as well as in Western coordinated market economies. Apart from trade unions, another victim of the reforms was the institution of employee self-management, for which Solidarity had successfully striven in 1980–1981. Moreover, no institution of national social dialogue was established in Poland until 1994, which made it stand out from other CEE countries [Gardawski ed. 2009].

In Czechoslovakia, under the economic rule of Prime Minister Vaclav Klaus, a follower of Margaret Thatcher's socio-economic policies, an equally ambitious liberalization program was launched, coupled though with a simultaneous policy of dialogue with the trade unions (which, unlike their Polish counterparts, were not associated with the opposition under authoritarian socialism). Liberal reforms were also undertaken in the Baltic countries, with Estonia as a top reformer and being 'adopted by the Scandinavian countries', as commented by Judt. At the other end of the spectrum was Russia and the former Soviet Union republics (with the exception of the Baltic states), as well as the Balkan countries and Croatia.

In the first democratic elections in some of the former Eastern bloc countries in the CEE region, the victory went to liberal and liberal-right-wing reformist-oriented parties, although in only two countries the power was taken over by the elites made up of former members of the underground anti-communist opposition. As stressed by Offe, in most countries in the region, the transformation was to be carried out by 'people who had gained their professional experience and skills under the old regimes'. Quite soon however the countries involved experienced social disappointment with the first effects of reforms and the lack of expected changes for the better, which resulted in a wave of protests and 'countermovement', using the notion coined by Karl Polanyi. There were a few deviations from this general pattern including Czechia – the Czech society stood by Klaus throughout the whole 1990s, although he did not leave behind a good memory. This was not the case of Slovakia where Prime Minister Meciar manifested an anti-liberal stance, as did President Iliescu in Romania.

Capitalism Without Capitalists

Researchers of the elites making the systemic breakthrough in the post-communist countries (and the literature in this field abounds) drew attention primarily to the axiological rather than rational-economic approach of the reformers, who as a result were unable to carry out a systematic transformation from socialism to capitalism. As stated by Hausner, 'in the last phase (of socialism) the institutional mechanisms of coordination of various segments and spheres of public life fall apart (a systemic vacuum), but at the same time no entities emerge which have the identification and capacity for system-building activities (a strategic vacuum)' [Hausner 1992a: 113]. Krzysztof Jasiiecki pointed to 'the absence of social actors crucial for market economy – classes of private owners, interest groups, political parties and media expressing their interests' [Jasiiecki 2013: 156]. According to Eyal, Szelenyi and Townsley (1998), the essence of systemic transformation in East Central Europe boiled down to creating 'capitalism without capitalists', in contrast to the oligarchic

system of 'capitalists without capitalism' that sprang into existence in Russia as a consequence of 'plundering the empire' [Marciniak 2001]. Kowalik coined the term 'conservative bourgeois revolution' for the system being built since 1989, stressing that this revolution was carried out by an elite whose members were not themselves members of the bourgeois class; what is more, at the dawn of systemic breakthrough such a class did not exist. It was therefore a constructivism that anticipated the future emergence of the beneficiaries of the new system. The big loser of this revolution was the working class which, paradoxically, won a social system which would subsequently downgrade its status [Kowalik 2009].

The problem indicated above – of building capitalism without capitalists as a social class on behalf of whose interests the capitalist revolution took place, is a crucial premise on its own for the formation of patchwork capitalism.

Staniszki, in her book assessing the process of introducing the market system in the first year of transformation, took a closer look at the historical precedent of the 'top-down capitalist revolution' in the absence of a class benefiting from this revolution. She considered the class aspect of the transition from feudalism to capitalism, the class aspect of the French Revolution, the class aspect of democratization in Spain and Latin American countries in the 1960s and referred to the Russian Revolution of 1905. In each of these cases, the regime change served (more or less directly) the interests of the class gaining power and installing the new system, and thus had the character of a revolution from below. In contrast, 'in the case of Eastern Europe, it was (...) a stigma of systemic lack of the key economic interests that made »revolution from above« unavoidable' [1991: 244]. The most salient difference between Spain and Latin American countries, experiencing the process of democratization, and the countries of Central and Eastern Europe was described by Staniszki as follows: 'Spain was an underdeveloped yet capitalist society and from the beginning the political reforms (as well as the »opening« to Europe) had a strong underpinning in economic interests. The expanding industrial sector wanted to dismantle the fascist state in order to expand its economic ties with the world. In Eastern Europe instead, such economic actors do not exist, and economic opening, privatization and political reforms are carried out as a matter of a strong commitment to values rather than because of the economic interests of strictly defined social groups. This contributes to a greater ambiguity of the Eastern European transformation' [1991: 247].

Reform Elites: the Breakthrough Elite and the Adaptation Elite

In a 1991 book, Staniszkis quoted a statement of the candidate for the post of Minister of Industry, Tadeusz Syryjczyk, during a hearing in the Sejm in September 1989. He admitted that he represented entities that did not yet exist. Indeed, as Staniszkis pointed out, a peculiar feature of the breakthrough taking place under 'real socialism' was that the elite of the time appealed to 'theoretical interest'. It had a vision of a system that was coherent and 'rooted in science', but which was dangerously approaching ideology due to its lack of precision and its magical conception of, among other things, the institution of the 'market'. Moreover, this elite, according to Staniszkis, at the time of taking over the power did not exactly know which social groups would constitute its social base [Staniszkis 1991: 184].

Jacek Wasilewski [2004] is the author of a concept, later taken up by Krzysztof Jasiński [2013], which analytically distinguishes three stages in the evolution of reformist elites in Poland: *the breakthrough elite*, which made strategic choices, restored national sovereignty, democracy and capitalism; *the transformation elite*, which implemented reforms and built the institutions of the new socio-economic system; and *the consolidation elite*, which streamlined institutions, stabilized politics and state efficiency [Jasiński 2013: 160]. For the purpose of our conceptualization of patchwork capitalism and its formation, we will redefine the above three types of reform elites and reduce their number to two: the 'breakthrough' elite, which took up the work of dismantling institutions inherited from socialism and introducing a new institutional order, and the 'adaptation' elite. With this dichotomization, the proposed sequence of elite evolution will become closer to the experience of other countries in the region.

The breakthrough elite chose to embark on a strategy of replacing the major institutions of the communist system with the institutions of a fully-fledged liberal market economy, the pre-condition for which was downsizing government intervention in the economy and implementing privatization program. With regard to the second elite, we will not use the term 'consolidation', as this carries an implied value judgment as well as a suggestion of coherence; rather, we will apply the word 'adaptation', which only indicates that a particular socio-economic system achieved the state of adaptation to the environment.

We pay special attention to this aspect of the political breakthrough, since we deem it a very important premise for the concept of patchwork capitalism. The first elite had the driving force, and at the same time it did not pursue its own class interest (it did not strive to build the system being guided by the rational calculation

of its own class interest). Researchers of the field emphasized the uniqueness of this situation. As we indicated above, in the case of revolutionary processes taking place in other historical times and in other regions, it was possible to point to intra-system social classes or strata that had economic interest in changing the hitherto system and replacing it with a new one, more consistent with the interests of the classes or strata concerned. In contrast, in most CEE countries the transformation elite took up the challenge of changing the system on behalf of the entire, own society and its entry into the Western civilization. This was the case of Poland with Balcerowicz and his team, and similarly – of most CEE countries, unlike in the Eurasian East and the Balkan South: '[s]ome East European countries did not experiment with liberal democracy at all. Tuđman's Croatia or Milošević's Serbia, Bulgaria or Romania in the early 1990s were far from any conception of liberal democracy or even free market capitalism' [Csillag and Szelenyi 2015: 2].

Breakthrough Elite

In this part, we will focus on the breakthrough elite making the key institutional choices. In the CEE countries most advanced in the process of market reforms, this elite consisted in whole or in part of members of opposition circles during the period of authoritarian socialism. Of course, this could only happen in those countries where such circles had a chance to emerge. Hence, it should be borne in mind that in a number of CEE countries the most crucial decision-making regarding the course of systemic transformation and economic reforms remained in the hands of people associated with authoritarian socialism. Undertaking the work of systemic transformation was made easier at the initial moment because the ruling elite of the outgoing regime, members of the nomenklatura, especially of the economic nomenklatura, were in most part pragmatically minded opportunists, far from wishing to defend the system of authoritarian socialism, who were ready instead to cooperate in the process of building market institutions [Huntington 1991].

Similarly, the majority of the working class in Poland (and there are grounds for extending this conclusion at least to the Visegrad and Baltic countries) revealed pro-market preferences, although they contested 'real capitalism' many times at the later stages [Gardawski 1996]. In the studies conducted in Poland, this section of the working class was referred to as 'moderate modernization supporters', giving 'limited consent' to the introduction of market mechanisms and competition throughout the decade of the 1990s [Gardawski 1992, 1996]. Michał Federowicz in his research of the

early 2000s referred to them as 'critical market supporters' [Federowicz 2004]. Thus, the breakthrough elite enjoyed relative freedom to choose the path of reform.

Important observations and predictions were made by Staniszkis in a book written during the rise, growth and collapse of the breakthrough elite, when only in the future, albeit very near, was the second-generation (adaptation) elite to emerge. Here is how she characterized the attitudes of the members of the breakthrough elite: 'They did believe (as did most of the population) that the natural, »normal« economic order and the market logic will come, in an evolutionary way, out of the socialist reality when government withdraws from the economy. The amount of constructivist activity that is necessary before the economic tissue is ready for the market economy to operate has been underestimated. As a result, the creation of new economic institutions proceeds in a much slower pace than political reforms. This is going to change soon, with the new, second-generation political elites who will come to power'. Making these observations a year after the beginning of system transformation and at a time when the breakthrough elite was withdrawing from the political scene, Staniszkis predicted the character of the next elite as follows: 'They are younger, more pragmatic, and have less of an ideological vision of both the state and of themselves. What is more, they do not have the »revolutionary« past of the 1940s and 1950s and are much less afraid of the active state' [Staniszkis 1991: 245]. Let us add that the author's prediction of a second-generation elite as rationally pursuing the interests of society did not come true, however, as we will argue below.

International comparative studies of social attitudes, carried out in 1991 and 1994 in 8 CEE countries and the *Länder* of the former GDR, showed the prevalence of an idealized image of democracy and market economy and a negative image of socialism at that time. This was especially true for the societies of countries having limited contacts with the West: '[s]atisfaction with the way democracy functioned and dissatisfaction with the last governments preceding the change of the political system translated into a unique blend of social support for the new political and economic system, specific for post-communist countries' [Siemieńska 1996: 111]. These attitudes quickly eroded, on the one hand, as Siemieńska pointed out, due to the incompatibility of new experiences with expectations (pauperization, increased insecurity, corruption, unemployment), and on the other, due to the very nature of social memory – the increasingly milder reminiscences of negative phenomena from the past.

The erosion involved did not occur everywhere. In the Polish case, the social 'countermovement' did not direct its criticism at market mechanisms, but at the

actual performance of the market. This was conducive, in our view, to an easy shifting of the object of working-class anger, aptly described by David Ost in his book on "Solidarity" [2007], to non-economic planes, including nationalist ones.

Seen from the analytical perspective, after the easy removal of the 'eroded' and not defended by anyone (as stressed by Hausner) political and economic institutions of the previous regime, a state of relative systemic vacuum emerged: 'the communist system was not so much (...) overthrown or it transformed; rather, it broke up, leaving ruins, as well as increasingly helpless and confused inhabitants and elites who, having failed to develop their own systemic project, replace it with an idealized, academic model of an ideal market and democracy' [Hausner 1992a: 105–106]. Marek Ziółkowski corroborated Hausner's conclusions years later: 'This elite, together with the members of the democratic opposition (...) who fought against the communist dictatorship, built a vision of a new democratic society based on certain ideals that in reality were impossible to implement and that to a large extent turned out to be illusions' [Ziółkowski 2014: 265]. Judt described the alternative paths facing the breakthrough elites as follows: 'Post-communist governments faced a fundamental choice: either they would attempt an overnight transition from a subsidized socialist economy to free-market capitalism (...) or they would begin carefully dismantling or selling off the most inefficient sectors of the planned economy, while preserving as far as possible those elements that were most important to the local population (...). The first strategy was better suited to the free-market conditions loved by the emerging generation of post-communist economists and entrepreneurs, the second was more politically prudent' [Judt 2011/2005: 797]. The breakthrough elites were quite far from displaying such prudence; instead, they carried a radical vision of the system that was to emerge after the destruction of communism.

Referring to Jacques Rupnik's analyses, the illusions of the breakthrough elite can be summarized as follows: a belief that market mechanisms work automatically, a belief that political activity can be based on ethics, a belief that civil society arises spontaneously, and a belief that intellectuals can exercise power permanently [Rupnik 2008, quoted after Ziółkowski 2014].

Succumbing to the illusions of flexibility of the state of economy and social attitudes, the reformers were determined to bring into existence, in place of the removed institutional architecture of authoritarian socialism, a pure model of a radically market-driven, 'neoliberal' economy, which at the time of the anti-socialist turn, in the 1980s and early 1990s, was commonly recognized as the most efficient and non-alternative option. Simultaneously, other models of market economy or

models of capitalism, including the Scandinavian one, were considered by leading reformers (Balcerowicz, Klaus) as a losing proposition, and the voice of opponents of the radically liberal path (such as e.g., Kowalik or Ryszard Bugaj in Poland) tended to be neglected in social discourse [Konat 2021: 198–199].

Let us reiterate: the breakthrough elite was not subordinated to the economic interests of the classes wielding economic power in the country, as such classes did not yet exist. The elite concerned took up the bold challenge of replacing the institutions of authoritarian socialism with those of political democracy and the market economy, modeled on the Anglo-Saxon pattern of a liberal market economy, believed to be globally victorious. The successful implementation of such a model, if possible – in the situation of the CEE countries at that time – whatsoever, would have required a material infrastructure, a broad institutional base and a properly educated bureaucracy, preconditions not met in any country. In the actual conditions of post-communist countries, attempts to introduce fully-fledged liberal economic reforms resulted in high social costs and, moreover, unleashed fears among the majority of the population about future living conditions. In Poland, a spiral of indebtedness of state-owned enterprises was put in motion, which fed a feeling of insecurity among the staff of most of these enterprises.

A virulent observation regarding the attitudes of members of the Polish breakthrough elite was made by Ost: '[i]f the nation rejected the right policies, the liberals would demonstrate that they had their honor (...). The loss of support began to be treated not as cause for alarm, but as proof of authenticity. Following the example of the old Polish nobles, who considered it derogatory to engage in trade and craft, these intellectual heirs of theirs found politics a derogatory occupation. The exercise of power was, of course, fine (whereas – *J.G. and R.R.*) [in] such matters as winning the base and winning elections they kept the proper distance for gentlemen' [Ost 2007: 228–229].

Alongside this endeavor to establish rules for a coherent system of a radically market economy, the breakthrough elite created conditions for the development of the private sector in the economy, including the privatization of state-owned enterprises (SOEs). The process of ownership transformations in Poland took on an exponential pace. In the early 1990s various 'tracks' for ownership changes were designed. Initially, privatization was predominantly the preserve of SOE managers, taking over, in various forms, state-owned productive assets (top-down privatization), as well as of individuals ready to risk setting up their own small firms (bottom-up or grass root privatization, see Rapacki 1995). Foreign capital, if it appeared in this initial period,

was purely speculative. The privatization process of state assets was accompanied by greater or lesser corruption, the extent of which depended on the country and its institutional and cultural heritage [Kaufmann and Sigelbaum 1997].

Given the importance of privatization, the legal aspect of privatization was well developed. The problem, however, was the low stability of the law and the emergence of social conditions conducive to the infringement of economic law. Marek Garbicz [2012] points to two parallel phenomena – on the one hand, excessive regulation of economic activities, entailing high costs for companies from the SME sector, and on the other hand, the lack of regulations facilitating the operation of this sector. As a result, an order emerged characterized by a high degree of formal institutionalization and, at the same time, increasing social consent to breaking formal norms.

There was therefore an incentive for innovation in Merton's sense, i.e., actions institutionally forbidden but effective in terms of quick wealth accumulation. Such attitudes were likely to proliferate when there was an emphasis in society on economic success coupled with a loosening pressure to conform to norms [Merton 1982: 197 and 205]. Similarly, we can refer here to three types of entrepreneurs distinguished by William Baumol [1990]: productive, unproductive (rent seeking) and destructive (criminal) and emphasize the trend towards crowding out productive entrepreneurship by the remaining two types.

Adaptation Elite

The breakthrough elites were faced in a relatively short time with a countermovement, as we define opposition to the reform program after Polanyi. For Polanyi, countermovement was equivalent to a retreat to nationalism, fascism, populism with its anti-intellectual bias. Such a countermovement emerged in some CEE countries. Just described this process as follows: '[i]n the first elections in all former Eastern Bloc countries there was a favourable tendency towards liberal or right-of-centre alliances that led to the overthrow of former governments, but the wave of opposition caused by economic hardship and inevitable disillusionment often worked (in the second election cycle – *J.G. and R.R.*) in favour of the former communists, now presenting themselves in nationalist guise' [Judt 2011/2005: 804–805].

Successive government elites in CEE countries (adaptation elites) pursued various policies aimed at tackling the emerging tensions, ranging from minor *ad hoc* adjustments, through the introduction of significant easing of market mechanisms (most Visegrad countries) to a retreat towards authoritarian socialism (Slovakia) and 'crony capitalism' (South-Eastern European countries).

Notwithstanding the foregoing diversity of country-specific cases, we believe that an ideal type can be constructed, in the classical Weberian sense, describing adaptation as the emergence process of patchwork capitalism and the role played in this process by two successive elites: breakthrough and adaptation elites.

The adaptation elite shares social roots with the breakthrough elite – it is not a representation of the economically ruling class; instead, it strives to be its *accoucheur*⁷ and paves the way for it (we ignore here the phenomenon of the presence of yesterday's nomenklatura in the elite of adaptation in some countries and the conversion of its political capital into the economic capital).

As a result of adaptation, market mechanisms are constrained in many ways, ad hoc arrangements are introduced, and the adaptation elite acts as a fire brigade, extinguishing the fires of various conflicts. Under the conditions of adaptation, there is neither the feasibility nor the motivation to design and implement a coherent institutional system. Instead, a process of institutionalization of those ad hoc arrangements that allow to establish and maintain the equilibrium in national political economies begins. The emerging institutional arrangements hardly lend themselves to interpretation in the structural-systemic language. This was indicated by critical analysts of the newly born institutional architecture in Poland, to mention Witold Kieżun [2013], Morawski [1998, 2001] and Hausner [1991, 1992].

At the turn of 20th and 21st centuries, Morawski captured the process of Poland's transition from the initial pluralist (neo-liberal) order in 1990–1992, to 'the Polish variant of neo-corporatism (negotiated economy)' from 1992 on. This new order assumed the coordination of interests, social dialogue and workplace partnerships. At the same time, Morawski indicated that '[t]he neo-corporatist model, perhaps, has no future' and, as a result of a number of circumstances, could be a prelude to a pluralist order. In his view, this scenario was also favored by the fact that the trade unions were seriously weakened. Morawski concludes: '[s]ome hybrid is likely to spring into existence (...)' [Morawski 2001: 224]. Seen from our perspective, this conclusion can be interpreted as a prediction of the emergence of a patchwork-like order.

Jerzy Giedroyć, the editor in chief of the Paris-based 'Kultura' ('Culture'), a personality with an exceptionally comprehensive knowledge of Poland, gave an interview to 'Rzeczpospolita' daily in 1993 in which he said: 'In the economic domain it was not possible to come up with any concept of reform apart from the rigorous

⁷ For example, through launching mass privatization programs.

implementation of the recommendations of the International Monetary Fund' [quoted after Kieżun 2013: 195].

The thesis put forward by Otto Holman in the second half of the 1990s, may serve as a commentary on the situation of the adaptation elites in the CEE countries. Holman came up with the concept of a 'double transformation of the CEE countries' – the first boiled down to a radical rejection of the institutional infrastructure of the authoritarian socialist system and the command economy, whereas the second took place in the intermediate period, when the new order has not yet been consolidated. He characterized the attitudes of Western European societies and elites towards the CEE countries at that time as follows: 'EU decision makers seem to have exchanged the initial rhetoric of promises for a more realistic approach, more often than not out of enlightened self-interest. In official discourse, expressions like »challenges« and »windows of opportunity« have been replaced by »problems« and »threats« (...) [I]t is certainly not a daring statement to argue that virtually nobody in the European Union – that is, nobody at the level of decision making – at present enthusiastically applauds this incorporation of the CEE countries into the heartland of capitalist production' [1998: 12]. And he continued: '[i]nstead of developing a comprehensive strategy aimed at supporting the double transformation in CEE, the European Union seems more interested in enhancing and/or defending the opportunity of transnational business in the so-called emerging markets in CEE' [1998: 14]. Regardless of the extent to which the assessments issued in 1996 were confirmed, they accurately depicted the conditions in which the ruling elites of the CEE countries had to act.

As a wrap up of our discussion of the adaptation elite, let us return to the problem of the beneficiaries of systemic transformation. Eyal, Szelényi and Townsley asked the question whether capitalism without capitalists has a chance to settle in Central and Eastern Europe permanently and if not, who will become the beneficiaries of capitalism and who will be the capitalists here? The authors singled out three scenarios in a book written in the mid-1990s, the least likely of which was that private entrepreneurs inherited from socialism would become the main beneficiaries. Similarly, they discarded the second scenario that the new bourgeoisie would be born out of people in power in the days of authoritarian socialism, that is those who accumulated political and social capital prior to 1989, while the most likely scenario would be the technocratic-managerial elite, foreign investors with their comprador intellectual elites, and new entrepreneurs who started up their small businesses after the collapse of authoritarian socialism [Eyal, Szelényi and Townsley 1998: 15]. We

would add that the last scenario has been partly corroborated by the development of Polish capitalism [Gardawski et al. 2013].

Privatization and Foreign Capital

We will refer again to Hausner's analyzes, which are crucial particularly for our conceptualization of patchwork capitalism. While describing the emergence of new socio-economic orders in the early 1990s, based on the example of Poland, he pointed out that 'they do not constitute a system'. However, the postulate of ensuring a systemic character of the socio-economic order in a post-socialist country was hard to implement both during the rule of the breakthrough elite and the adaptation elite, especially in view of the fact that the starting point for economic transformation was the vision of a radical marketization of most segments of social life, ideologically reinforced by the 'Washington Consensus'.

The literature highlighted the failure of the reformers to prepare an adequate 'institutional safety net' for systemic transformation, in particular the legal one. As asserted by Judt: '[c]apitalism in the Atlantic world and in Western Europe has for four centuries been accompanied by laws, institutions, regulations and customs that underpin it. In many post-communist countries these were completely unknown and dangerously underestimated by the free market neophytes there' [Judt 2011/2005: 800]. Federowicz, discussing the activities of elites, emphasized the absence of a holistic, integrated vision of the target order (their strong bias towards the economic aspect, and low priority for the institutions of the state and law), which became one of the underlying reasons for the perpetuation of the state of 'harmful equilibrium' and for the phenomenon of 'interference of new institutions with the old ones'. Comparing the actions of the breakthrough elite in Poland with the reform activities carried out in the eastern German Länder, he underlined the differences between the approaches to the legislative environment of the transformation process. Polish reformers, unlike their German peers, used to underestimate or neglect the importance of institution-building and in particular – having in place an adequate legal framework as part of the process of systemic change [Federowicz 2004].

Privatization processes in Central and Eastern European economies have assumed a more balanced mode compared to other post-socialist countries. Maciej Bałtowski and Piotr Kozarzewski argued that in this region: 'the meanders (of privatization – *J.G. and R.R.*) were less intricate than in other countries. There was a consensus in societies as to the general direction of system transformation, there was also political will to introduce reforms, and decision-makers enjoyed a relatively

stable support among voters and interest groups (...). In general, the dynamics of privatization exhibited common features: first, there was the »heroic« period, with its high pace of transformation and large scale. Subsequently, the pace of privatization tended to decelerate, since enterprises that were difficult to privatize remained in the state domain (...) [Bałtowski and Kozarzewski 2014].

Despite the comparative advantages of the CEE region over the rest of transition countries, negative phenomena also appeared in this region. In a publication of 2006 (p. 222 onwards), while assessing the institutional and legal environment of privatization, Kozarzewski claimed that the legislation relating to corporate governance promoted the emergence of the Anglo-Saxon model, which contradicted the development logic of the entire industries and sectors subject to ownership reforms⁸. He drew attention in particular to the phenomenon that tended to trigger multiple tensions – including the institutional ones, namely a strong bias towards the interests of the largest companies and the negligence of the remaining actors, coupled with a low quality of law, contradictions between legal acts regulating various areas of economic life, and voluntarism of government officials.

The emergence of a new economic player in the region, i.e., foreign capital, which soon became instrumental in privatizing state economic assets and starting up new firms, coincided with the aforementioned institutional and legal unpreparedness of the host CEE countries. The foreign capital concerned gradually got more and more diversified in terms of its geographical composition. Subsidiaries of transnational corporations (TNCs) in CEE economies represented a large variety of internal institutional schemes and organizational cultures. The incoming TNCs put a pressure on host countries' governments to be granted special business preferences regarding their market position and labor relations which were aimed to monopolize partial markets, to introduce specific labor relations in their firms, constrain the freedom of trade unions, etc. Research conducted in 2005–2007 in Poland showed a very high autonomy of TNCs in shaping industrial relations at the enterprise level [Gardawski 2007]. The TNCs had an effective weapon at their disposal to protect their interests, which was, in the first place, the threat of moving production to another country.

⁸ In Poland, this was also the case of the mass privatization program, labeled the National Investment Funds (NIF) Scheme, launched in 1994. In its very design it was supposed to reconcile two distinct logics of corporate governance regimes: the Anglo-Saxon and the Continental institutional arrangements. For a more comprehensive discussion, see Rapacki 2000.

In the CEE countries, the process of introducing market mechanisms was focused on selling out the state assets, which Judt described as a historic precedent, taking place, as one might say after Hausner, in an 'institutional vacuum': 'the Western cult of privatization was the model for a large-scale retreat from state property in the East; but otherwise these processes (privatization in the West and privatization in the CEE countries – *J.G. and R.R.*) had little in common' [Judt 2011/2005: 800].

The complex process of privatization and the fall of the state-owned enterprise sector has been described in detail in the literature [for example, Rapacki and Linz 1992; Rapacki 1995; Szałaj 1998; Kozarzewski 2005; Bałtowski and Kozarzewski 2014; Wedel 2007; Karpiński et al. 2013; Dunn 2008]. It is important to note the unprecedented nature of this operation and its enormous scope. In the 1980s, Western market economies embarked on privatization programs of large enterprises, and even entire industries (especially in Great Britain), but this was performed in a well (or relatively well) prepared institutional environment, encompassing key segments of the socio-economic system. On the other hand, in the case of the largest privatization testing ground in the CEE countries, i.e., in Poland, the adaptation elite, designing and managing the privatization process, focused predominantly on the economic efficiency of the process itself; the effects on other segments of the institutional architecture tended to be overlooked or neglected. Even though the second-generation reformers were aware of some of the adverse consequences of privatization (which is not proven), the constraints under which they acted favored a narrow technocratic approach, which was exacerbated by the effect of the disappearance of systemic features of the socio-economic order described by Hausner. This was the case even in the Czech Republic, the country seemingly best prepared for privatization in the first stage of system transformation [Szałaj 1998].

The Paradox of Transaction Costs

The TNCs entering the CEE countries incurred socio-economic transaction costs, which we will dub 'entry costs'. These were the result of the workers' resistance rather than the well-designed and deliberate policies of the host countries. In the case of Poland, the rebellion of trade unions in 1991–1992 made it necessary to offer a part of ownership shares to the employees of privatized SOEs and to provide them with the so-called social packages (mainly employment guarantees for a certain period after privatization). The transaction costs for TNCs, however, did not include a requirement to introduce institutional arrangements that would affect their internal system of corporate governance (the institution of the 'employee director', adopted

in the provisions of the Polish 'Pact on state-owned enterprises' of 1993, was not implemented). These relatively low entry costs, however, were accompanied by pretty high transaction costs associated with operating in a domestic institutional environment with low levels of coherence and complementarity (operational costs). Lissowska claims that foreign corporations used to create 'partial enclaves' and tended to import productive inputs within their own international network of companies, and otherwise – from foreign rather than domestic partners. The main rationale behind these policies includes a higher quality of goods and the endeavor to avoid transaction costs, but according to Lissowska, the important motive is also 'the use of transfer prices and the possibility of escaping high taxation in Poland (as evidenced by the surprisingly low profitability of these companies)' [Lissowska 2004: 123]. And further this author continues: 'large foreign investors (...) use international strategy for negative reasons (difficulties of cooperation with local companies) rather than with a view to build competitive advantages. (...) The basic problem is the position of the Polish subsidiary in the international value chain. (...) [I]nvestments by foreign companies in Poland are attracted primarily by low labor costs. They do not seek local technology (rather, they shut down domestic research units) and only moderately contribute to generate technology transfer' [ibidem: 124]. A more critical assessment of the role of foreign capital was voiced by Georgica: 'The price of opening up the Polish market (...) was to allow foreign capital to take over the most valuable enterprises and reap long-term profits stemming from market liberalization in a country that was just in the process of transformation. Initially, this boiled down to the acquisition of most valuable assets which was then conducive to undermining the process of building the competitiveness of Polish companies. This outcome was made possible chiefly through providing the in-bound capital with various privileges and guarantees of a stable business framework that allowed to maximize its profits and avoid taxation in Poland' [Georgica 2022: 211].

An important issue was raised by Judt when he discussed the external determinants of systemic transformation in the CEE countries, namely the lack of interest in the West in modernizing their economies: '(...) it is difficult to talk about some well-thought-out involvement of Western governments, some Marshall plan or something even in the least similar to it. (...) Foreign investment did not resemble (...) the long-term effort undertaken after the Second World War that helped rebuild Western Europe, but rather the gradual involvement of the private sector (...). So, as in the past, Eastern European countries had to compete with the West on a decidedly unequal basis' [Judt 2011/2005: 802]. Judt, like Polish scholars of the field, treated with

reserve the foreign expert assistance in working out the blueprints of privatization strategies. Maria Jarosz, a competent researcher of industrial relations in the period of the political breakthrough, referred to these experts as 'Mariott's brigades' (after the then most expensive hotel in Warsaw), conceiving their activities as a vehicle of screening the economy with an end to find 'the crown jewels' or SOEs most worth privatization [Jarosz 2003].

The activities of foreign corporations led to the emergence of a 'dependent market economy' model in CEE countries, in particular in the Visegrad countries, where mass production of modern but not necessarily innovative commodities based on imported know-how was launched [Nölke and Vliegthart 2009]. This was one of the reasons why the CEE economies were put into the so-called 'development drift', which is discussed later in the text.

Significant involvement of foreign capital in CEE countries, with special emphasis on the large enterprise sector, resulted in – on the one hand – the institutional weakening of their socio-economic systems, which had already been weak in the past, their further hybridization, in particular in the field of capital-labor relations and that of labor relations [Gardawski 2001]. On the other hand, however, the FDI inflow to the region considerably contributed to inhibiting the development of the domestic class of big bourgeoisie (oligarchy), which dominated the economies of Russia and some members of the Commonwealth of Independent States, as well as those with developed 'crony capitalism'. One of the analysts of the Polish economy claimed that the TNCs left to the domestic oligarchs 'only scraps'. In the view of the above-cited Eyal, Szelényi and Townsley, the social structure of the CEE countries did not evolve either, contrary to expectations, towards the emergence of a strong domestic middle capitalist class, which would have an impact on the formation of a coherent and complementary system of basic socio-economic institutions. The middle class of domestic private entrepreneurs, which sprang into existence over time, did not play a significant system-building role, yet it contributed to the institutional differentiation of the emerging socio-economic order [Gardawski 2013].

The problem, which can be described as the inability of entrepreneurs to become a 'class for itself', is linked to the low rate of membership of civic organizations, low levels of social trust and, more broadly, the low stock of social capital in post-communist countries. We have discussed the issue of social capital earlier in the article in the context of historical heritage. This is also true for small and medium-sized business owners – a potential political class. It is most often pointed out that under authoritarian socialism strong family and friendship ties developed ('bonding

social capital'), while 'bridging social capital', denoting ties with other social groups and 'linking social capital', i.e., the bonds between groups located lower and higher on the ladder of social inequality (e.g., between the rulers and the ruled) was weak. This type of social ties has been perpetuated and reproduced in subsequent generations of the societies in the CEE countries. In this context, frustration due to disappointed hopes related to system change has been indicated [Garbicz 2012; Gardawski 2013 and 2021]. As Marc M. Howard believes, the institutional arrangements prevailing in these countries during the transition period did not offer incentives to participate in organizations [Howard 2003]. The problem of social capital goes far beyond the scope of our article, it only remains to strongly emphasize that the deficit of this sort of capital still projects the difficulty of transforming the class of domestic private entrepreneurs from a class in itself to a class for itself. The social weakness of this class (the so-called old middle class) is a phenomenon also present in Western Europe, but it is particularly pronounced in the post-communist countries.

Institution of the State

At the time of the 1989 political breakthrough, market orientation and the postulate of downsizing government intervention in the economy (despite a persistently significant role of the state in many Western countries, including liberal market economies) were the winning proposition on a global scale. Among the supporters of liberalism in the CEE region, coming both from the breakthrough elite and the adaptation elite, there was a widespread conviction that hierarchical regulations should be radically limited and as much space as possible was to be left to the market. The normative frame of reference was Thatcher's principle that free markets are always better than government intervention in the economy. It was believed that if the state could not be replaced by markets in some of its social functions (i.e., these functions could not be privatized), then state agencies will inevitably perform them with insufficient efficiency.

The breakthrough elites in Central and Eastern Europe have undertaken programs of rapid and far-reaching downsizing of the role of the state, especially in the economy, disregarding the prevailing practices in Western countries. Kowalik [2000] pointed in this context to the Polish reform of 1990 as going much further not only in relation to the arrangements adopted in Western liberal market economies, but also exceeding the expectations of international financial organizations representing Poland's creditors.

Jacek Raciborski indicated that the state is 'a superstructure, encompassing a countless number of different entities and interrelations between them. Various spheres reveal (...) different styles (of management and coordination – *J.G. and R.R.*) as a function of the diversity of relatively permanent ways of operation of state agencies inherent in these spheres' [Raciborski ed. 2017: 10]. Such a complex mechanism, even though being subject to a substantial institutional weakening in the last years of authoritarian socialism, was taken over by the breakthrough elite. The government started the program of marketization of the socialist 'state fordism' and began to dismantle the existing basic institutions carried forward from the old regime. In a short time, the formal institutional architecture inherited from the command economy collapsed. However, one should keep in mind the insight formulated by Mokrzycki, which we quoted earlier, that the outgoing system still lasted, *inter alia*, in a latent form in terms of its macrosocial consequences concerning the economic order; at the same time, the hitherto industry segments of the economy did not disappear, and they undertook defense strategies. These processes unfolded relatively independently of the official activities of government administration and fueled mobilization of the social countermovement, which forced the government to undertake adaptation measures that were inconsistent with the initial blueprints of radical market reforms. The varying styles of state agencies' operation, emphasized by Raciborski, entailed their increasing autonomy from a comparatively 'soft' central government; moreover, such trend involved as well various departments of government administration.

The pervasive weakness of the state as an institution in Poland has been repeatedly highlighted in the social sciences literature. By the end of the second decade of systemic transformation Wilkin noted 'the conceptual helplessness of political elites and the lack of strategic thought in the actions of state authorities' [2009: 73]. Staniszkis, too, underscored the mounting symptoms of government failures, which she associated with privatization processes, carried out mainly by foreign corporations, then with globalization and regional integration. She provided an accurate diagnosis of the process unfolding in the period of early transformation, which she called 'the unique dying out of the state'. This process did not consist, as she wrote, in the disappearance of the institution itself, on the contrary, the state experienced expansion in some areas, yet its functions changed significantly, coupled with a 'radical change of rationality', and a simultaneous change in the form of exercising power and exercising control. By the change of rationality, Staniszkis understood 'the end of the state as a hierarchically organized structure of procedures

geared to the interest of the whole and based on the standards of formal rationality that are uniform in their logic' [Staniszki 1991: 206].

The area of decision-making abandoned by the state was subject to marketization, which, however, did not mean the emergence of a single market institutional logic; on the contrary, not only did state-owned enterprises adopt diverse but ad hoc effective defensive strategies in the market game and in the game with the government [Gardawski 2001a], but entire industries also defended themselves in a differentiated manner, as shown by Hausner [1994]. New institutional arrangements emerged, being an offspring of the activities of local governments, escaping to some extent state formal regulations. As a derivative, the institutional 'fabric' of the entire socio-economic order took on an increasingly incoherent form.

Staniszki stressed that the institution of the state, led by the elites of the 1990s (i.e., the breakthrough and adaptation elites in our ideal-typical approach), despite losing the ability to articulate the interests of the society as a whole and ceasing to be the main center of exercising power, blocked nevertheless the possible emergence of an alternative center of power, which would pursue the interests of the whole of society.

We could formulate this insight as follows: the state brought about a breakup of the inherited institutional architecture into autonomous segments, and then into autonomous parts (patchwork). At the same time, the state remained the defender of such a socio-economic order, which was increasingly losing its systemic nature. Contrary to Staniszki, we believe that the disappearance of the hierarchical role of state power and its inability to articulate the interest of the whole society, in the first years of systemic transformation, was not necessarily socially harmful in all CEE countries, as it was harmful in the Balkan countries (crony capitalism). This is, however, a distinct issue which is beyond our focus in this article.

Nevertheless, government policy resulted in high social costs, coupled with high levels of insecurity among the labor force, especially in the industrial working class as well as high transaction costs of operating in the system, borne by companies. This led to a backlash or countermovement, and then forced the state to adjust to the resulting challenges of the backlash. These activities, in turn, were conducive to institutional hybridization of the socio-economic order. When confronted with international capital, the state had also to accept partial monopolies and financial privileges that some TNCs were demanding. More than once, the state had to choose between supporting the interests of the nascent domestic private entrepreneurship

and the interests of large foreign capital; facing such a dilemma, it tended to choose the latter, giving rise to frustration of the domestic middle class [Gardawski 2013].

It is worth adding that Staniszkis, while considering a possible alternative to a weak state in the CEE countries at the end of the 1990s, pointed to an autocratic state, but regarded it then to be unrealistic scenario [2001].

2.4. The Ideal Type of Patchwork

We assume that the key characteristic features of the socio-economic order in CEE countries outlined earlier in this section (the weakness of formal institutions and their incoherence allowing easy entry of organizations and institutions with their own logic of operation and exacerbating the patchwork effect) can be reasonably interpreted by referring to the five elements discussed in the section, expressed in the language of the ideal type. Concluding this part of the article, we will now review them briefly.

The first element laying the foundations for the prospective patchwork are the value patterns carried forward from a distant cultural heritage, which is revealed in today's social attitudes toward formal institutions. The relevant phenomena have been described within the framework of organizational sociology by Hryniewicz as the aforementioned 'manor culture' [Hryniewicz 2004] and within economic sociology, as the 'culture of power and authority' [Gardawski 2020].

The second element of the ideal type of patchwork are the consequences of the 'two-time breakdown' of the institutional architecture involved, which comprise inter alia the volatility of formal institutions, the absence of a clear-cut 'fabric' as well as a perpetuation of the social inclination to disregard formal norms. The first breakdown occurred in the second half of the 1940s, in the aftermath of WWII, during the initial period of the communist order installation, when the pre-war market order with its feudal residues was rejected and a totalitarian institutional architecture was imposed by force. A complex mix of internal and external factors combined to extort some softening of the communist regime and the replacement of totalitarianism with authoritarian socialism. This change breached to some extent the totalitarian institutional architecture, but the authoritarian foundation of the regime remained intact. Simultaneously, the disregard for formal norms ('legal-axiological nihilism'), already embedded in social attitudes, was reinforced. The

second breakdown of the institutional architecture took place during the 'Spring and Autumn of peoples', in 1989, when authoritarian socialism was rejected, and market order was restored. As originally intended by the 'breakthrough elite' who took power in 1989–1991 – the new market order was to be consistent with a theoretically pure ('neoliberal') model. Endeavors aimed to implement this order did not take into account the prevailing economic, social and cultural constraints. The working class initially acquiesced to marketization including the abolition of some of its own privileges that were earned prior to 1989 as a derivative of earlier social pressure on the communist authorities (Poland). However, the acquiescence did not last long: the decline in the living standards of the working class as a result of the introduction of market mechanisms triggered a 'countermovement'. The revolt of the working class prevented the implementation of the original blueprint to introduce a new, coherent market order.

The adaptation elite started to introduce ad hoc measures and special arrangements, thus exacerbating the institutional chaos, which was due to the coexistence of old institutions inherited from the previous regime, newly built market institutions and most recent 'ad hoc' institutions, being the vehicle of adaptation to the crisis unleashed by the 'countermovement'.

The third element of the ideal-type, playing a crucial role in the initial period of system transformation, takes a negative form – the breakthrough elite embarked on a plan to marketize the economy in the absence of socioeconomic classes ('classes for themselves') interested in the market revolution and in building coherent economic institutions consistent with their interests. At the same time, a complex process of denationalization of state assets began, and a problem appeared that – according to Offe, in his scheme quoted earlier – should be conceived as the most important one. It boiled down to the question: who would benefit and in what manner from privatization of state productive assets? Notwithstanding attempts of mass privatization, it was the working class that turned out the big loser of systemic transformation and ownership changes. The same was true of the sector of small and medium-sized enterprises (the so-called 'old middle class') – their owners were unable to take on a dominant role in the economy, as they did not become a 'class for themselves'. The emerging beneficiaries of privatization did not constitute an economic class on its own. As a result, the processes of institutional disorder in the economy unfolded leading to its increased 'patchworkization'.

The last two elements of the ideal type discussed above co-determined its **fourth element**, i.e., the institution of the state. The state was neither an instrument of

domination of the economic class (which has not yet been formed) nor of society as a whole (no civil society yet). Moreover, the actions of state authorities revealed a clear lack of strategic thought. The erosion of state institutions did not consist in the disappearance of this institution, but in a shift of its rationality from exercising power and control to creating space for the expansion of the multidimensional private sector.

The fifth element, which we consider to be crucial for the idea of patchwork capitalism, is the emergence of a new exogenous and at the same time dominant economic player in the CEE region – foreign capital in the form of transnational corporations (TNCs), taking an active part in privatization of state economic assets in the spirit of the Washington consensus. We emphasize the key role of this element for patchwork formation due to its heterogeneity, pluralism, and differentiation in terms of the country of origin. On the one hand, TNCs limited the freedom of action of domestic capital, and on the other hand, inhibited the development of the domestic layer of the great bourgeoisie ('oligarchy') in many CEE countries. TNCs appropriated the most valuable state assets in the environment of a very weak institutional shield. Western analysts (including Judt) stressed the lack of institutional and legal support for the CEE countries by Western states: the West has left the region for a free expansion of its own corporations. Despite the negative consequences of this process, we believe that more detrimental than the Western expansion is the internal oligarchization in CEE countries (in this context, we are not persuaded by Åslund's arguments [2010]). This does not change the fact that competing TNCs have benefited more than they have lost due to the patchwork nature of the socio-economic orders concerned.

The foregoing five elements, which we deem to be the most important, created a blend of conditions enabling the emergence and consolidation of a socioeconomic order displaying a patchwork nature. Such an order implies not only the incoherence of its constituent parts, but mainly the lack (weakness) of institutions that are the guardians of its internal integrity and the center of pattern cultivation. As a consequence, there are low institutional barriers and low transaction costs of entering an order of this kind. The term 'patchwork' refers to the fact that new organizations or institutions have relatively open access to the socio-economic order concerned. In the ideal-typical approach, the only criterion for staying in such an order is withstanding market competition in a low-regulation environment ('institutional anomie', which we characterize in the next section). While this raises the transaction costs of functioning in that order, on the other hand, it gives an excuse to transfer

profits outside the system, as pointed out by Lissowska. The patchwork order created in this way becomes open to new elements (organizations, institutions) that can be freely 'sewn' or 'glued' to it, regardless of what internal rules and operational logic they are subject to.

As we made it explicit in the Introduction, our intention is not to completely replace the existing typologies of capitalism in the CEE11 countries with a new typology, but to complement them with a new peculiar dimension of capitalism that has been missing in research on comparative capitalism so far. The peculiarity of this dimension lies in its two-form nature: either (i) it gives certain types of capitalism a patchwork feature, indicative of the relative weakness of their institutional foundations (institutional 'fabric'), or (ii) it denotes a separate socio-economic order, i.e., it implies the existence of a self-contained type of capitalism, labeled patchwork capitalism, with no such institutional fabric. In the former case, this entails a bias in the existing qualifications in the literature of the socio-economic orders prevalent in the CEE11 countries – these used to be 'allocated' to any of the types of Western capitalism or a new, tailor-made typology was designed (see Table 1).

The patchwork socio-economic orders in the CEE countries have periodically assumed relatively stable forms, which made it possible to describe them in terms of Western typologies of capitalism (e.g., 'neocorporatism' or 'liberal welfare regime'). On the other hand, however, the aforementioned openness, combined with immanent institutional weakness, made the orders concerned easily losing stability. This in turn necessitated changes in the interpretation of their essence and most salient features, which not infrequently was conducive to a cognitive chaos, resulting in researchers using the terms 'heterogeneous' or 'hybrid' for their description.

In the 1990s, Hausner, followed by Michał Boni, coined the term 'developmental drift' (taken from biology) to describe the Polish socio-economic order, which, in our view, is a good characterization of patchwork capitalism not only in Poland, but also in other Central and Eastern European countries. According to the authors of the concept, the 'drift' was caused, among other things, by the exogenous determination of the course and directions of economic development, which was largely due to the changing influence of foreign capital. Returning to Hausner's metaphor of the development paths followed by the socio-economic orders in the CEE countries, we can also depict them metaphorically as ship cruises where new 'stowaways' or free riders are welcome on board. The captains of the cruisers abstain from performing their duties and are eager to hand over the steering wheels to free riders. However, the

latter do not share a common itinerary and destination which makes the erratically steered cruisers falling into drift.

2.5. The Prospects of Patchwork Capitalism

Concluding this list of the most essential properties of socio-economic orders in CEE countries, we shall add a contemporary commentary. It will be broken down into ideological-political and economic-structural aspects.

Ideological-political aspect. The persisting patchwork order, after two decades of political (parliamentary democracy) and market reforms in the societies of Central and Eastern Europe, paved the way to those ideological and political orientations, which, in a sense, waited for updating, since they were embedded in the culture of most social classes in these societies (following Bourdieu, one can use in this context the term 'habitus'). These encompassed traditionalism and national conservatism which provided the fertile soil for political authoritarianism. It was the volatility of the institutional architecture in CEE countries that may explain why the level of democratic and civic competences in their societies was insufficient. Ivan Szelenyi described this phenomenon as a 'virus' (with no value judgement of the term itself) that was enhanced by an attempt to embark on radical marketization [Szelenyi 2016]. In this regard, and making use of Szelenyi's idea, we put forward the thesis that it was the patchwork nature of capitalism in the CEE region, including the lack of consolidation and complementarity of its institutional 'fabric' that favored the emergence of 'illiberal democracy' in Hungary and Poland, as well as the revival of this ideology in most CEE countries. It is worth emphasizing that such ideological tendencies appeared in Western democracies too, and yet it was Hungary and Poland that actually fell ill with 'illiberal democracy'.

Economic and structural aspect. With the passage of time, various formation paths of the dominant classes in the economy have appeared and petrified. We shall arrange them in a triad: (1) the dominance of foreign corporations and a strong influence of the comprador elites associated with them, (2) the dominance of state capitalism and the associated class of owners of state productive assets, benefiting from the profits of state-owned enterprises (the so-called prebendalist class, as labeled by Szelenyi after Weber), (3) the dominance of the private oligarch class. The above classification is ideal-typical, in particular socio-economic orders all three paths

occur together, although in different proportions. In this context we argue that none of these paths entails the disappearance of the patchwork order and its replacement by a stable Western-type institutional architecture; rather, they all lead to an increase in the above-mentioned 'transaction costs of entering the orders involved'.

3. The Concept of Patchwork Capitalism

In this section, we bring out the key concepts related to the theory of patchwork capitalism.

In our research, we make use of various theoretical and methodological orientations. As we noted at the beginning of the article, we adopt the perspectives of both new institutional economics and economic sociology and related disciplines⁹. We wish to also emphasize that both in the first and especially in the second perspective, we refer to the ideas developed by Max Weber and Karl Polanyi. In our earlier publications [see, in particular Gardawski and Rapacki 2019] we pointed to the relevance of the Weberian notion of 'ideal type' in the context of the 'average type' and 'statistical type', as well as to the Polanyian concept of 'countermovement'.

The perspectives of the new institutional economics and comparative political economy focus on the subject of research, which some scholars refer to using the general terms of 'political economy' or 'domestic political economies' and 'global political economy' [see e.g., Uwe Becker 2009]. In the present article, however, we more often apply a wording that is closer to the sociological tradition, namely 'socio-economic order'. We decided to use the term 'order' rather than a 'system' to avoid misperception that might imply 'systemic' nature of the emerging capitalism in the CEE region. This derives from the fact that the ideal type of patchwork capitalism, discussed in Section 2, presupposes an order that, even though it can be singled out from other types of capitalism, is incoherent and its elements are not complementary to each other, being an area to which more developed countries export entropy (we will devote the last part of Section III to the issue of inspiration

⁹ We strive to draw on the works of Ronald Coase, Douglass North, Mancur Olson and Oliver Williamson as well as those of Amitai Etzioni, Mark Granovetter or Kethleen Thelen. In Polish social sciences, we refer both to the studies of Jerzy Wilkin and Andrzej Wojtyna as well as Piotr Chmielewski and Witold Morawski (to mention only the most significant inspirations). Moreover, we also draw on the ideas of Zygmunt Bauman and Niklas Luhmann.

from thermodynamics). Moreover, the notion of 'socio-economic order', as opposed to 'political economy', assumes a study of the sociological problem of social stratification and the anthropological problem of cultural patterns and cognitive models.

In our approach, although the starting point of analysis are national societies and the corresponding socio-economic orders or political economies, the key subject studied are separable entities with relative development autonomy, arranged hierarchically. From a sociological perspective, the hierarchy ends with Wallerstein's "world-system", divided into three groups: core states, semi-periphery states, and periphery states. On the comparative side of political economy, the category with the highest level of generality is 'global political economy', which in turn is divided into groups, types or clusters of domestic cases, well described by the theories of the diversity of capitalism (seen from our perspective, in particular those developed by Amable and Hall and Soskice).

Institutions

In our approach, institutions are a core element or a building block of socio-economic orders. Below, we set forth three definitions of institutions highlighting those aspects that are most relevant for the purpose of this study. First, we will refer to the well-known definition of Douglass North, often used in socio-economic literature, focusing on rules and sanctions: 'institutions are the rules of the game – both formal rules, informal norms and the means of their enforcement. Together they define the way of the game. Organizations are players. They are made up of groups of units linked by common goals' [North 2005: 22]. Such an understanding of institutions as rules of structuring have been shared by many researchers, including Anthony Giddens. In his other work, North pointed to the structuring function of institutions: 'institutions are the product of deliberate human efforts to structure an insecure world and are consistent with the dominant social belief system of how the world works' [North 2004].

Looking from the angle of uncertainty reduction, we will also mention the definition of institutions, combining the economic, political and social dimensions, put forward by Claude Ménard and Mary Shirley [2005]: 'Institutions are written and unwritten rules, norms and restrictions that people develop to reduce uncertainty and control their environment. They include: (i) written rules and agreements governing contractual relations and corporate governance, (ii) constitutions, laws and rules governing politics, government, finance and society more broadly, and (iii) unwritten codes of conduct, norms of behavior and beliefs' [Ménard and Shirley 2005].

Finally, we will quote the definition of institutions proposed by Piotr Chmielewski, which emphasizes the significance of the category of social needs and of the two faces of an institution - functional and dysfunctional: 'Institutions, in most general terms, refer to relatively permanent principles and rules of responding to problems appearing in human societies (...). By responding to them, members of these societies create new and make use of existing institutions, i.e., relatively permanent rules, norms, procedures, routines, conventions, etc., which in a shorter or longer duration take part – i.e., facilitate or hinder – in tackling more or less pressing problems encountered and/or created by people. In this way, institutions, which are an important factor and, at the same time, the outcome of adaptation processes, determine the specificity of changes in human societies' [Chmielewski 2011: 200–201].

As part of the patchwork concept, we do not confine ourselves to institutions as regulatory norms. At this point of our analysis, we refer to the theory of anomie developed by Robert K. Merton. He presents a scale of patterns of behavior spanning from institutionalized to uncontrolled by institutions: (i) prescription patterns, (II) preference patterns, (iii) permission patterns and (iv) proscription patterns. In the last case, Merton noted that '[a]ny and all procedures which promised attainment of the more important goal would be permitted in this hypothetical polar case' [Merton 1968 (1982): 187]. He emphasized that '[n]o society lacks norms governing conduct. But societies do differ in the degree to which the folkways, mores and institutional control are effectively integrated with the goals which stand high in the hierarchy of cultural values' [ibidem 188]. Following Durkheim, Merton described behavior controlled not by norms but by criteria of effectiveness as 'anomic'. Inspired by Merton's theory, the theory of 'institutional anomie' was created. The latter can be interpreted as a correlate of the theory of patchwork capitalism in terms of control of societal behavior, and in particular – the impact of radical marketization of social attitudes on the weakening of institutions, the emergence of institutional anomie and the rise in the incidence of crime [Messner and Rosenfeld 1993].

The Stratification of Institutions

Seen from the angle of our conceptualization of patchwork capitalism, of key importance is the way institutions are stratified. In terms of the synchronic approach, we refer to the concept developed by Morawski [2010], who set forth a four-level hierarchy of institutions. The hierarchy involved starts with institutions regulating the level of operation of individuals and small family groups, social groups and local associations (the 'micro' level), which overlap with second level ('mezo') institutions,

encompassing organizations, associations, firms, etc., which in turn overlap with third level ('macro') institutions, including primarily national state institutions and state clusters. The hierarchy ends with the fourth level ('mega'), which deals with globalization processes, and concerns the regulation of the activities of international organizations, multinational corporations, etc.

In the diachronic, evolutionary perspective, we refer to the concept of four-level layering, proposed by Oliver Williamson [1998] [see Gardawski and Rapacki 2019]. The first level comprises informal institutions that make up the underpinnings of societies. Here lie the deepest roots of the life of societies, to mention customs, traditions, norms and religions. They used to arise spontaneously in a long historical process. The period of their formation covers hundreds or even thousands of years, and they are of interest to sociology. The sphere of informal institutions imposes constraints on the behavior of individuals, contributing to the reduction of uncertainty and decline in transaction costs. Economists have become more and more aware of the importance of the relationships between informal constraints and the economic processes [Hockuba 2001: 45].

The second level, which is of interest to the economics of property rights and positive economic theory, involves the 'institutional environment proper', being shaped partly spontaneously and partly intentionally. This level consists of formal rules of the game, laws, constitutions, property rights, and it is the domain of politics and bureaucracy. The duration of this institutional environment usually ranges from 10 to 100 years.

At the third level, there are 'managing, directing and regulating' institutions: the subject of the analysis is '[r]egulation of contracting relations', with the overriding objective of transaction costs minimization. The duration of pertinent institutions regulating transactions takes from 1 to 10 years, and they focus on choices between the hierarchy and the market (to put it simply, choices between allocation regulated by structures governing economic entities and allocation regulated by markets).

The fourth level is the domain of study of mainstream (neoclassical) economics and agency theory. This level applies, to put it simply, to decision making at the enterprise level. Here, changes occur continuously and are governed by prices and production decisions.

Williamson's concept implies the necessity to use both the methods derived from economic sciences (evolutionary and neoclassical) and sociological ones. This holds true in particular when studying economic mentality – researchers must then take into account the extremely long duration of certain archetypal cognitive models

and refer to cultural anthropology. In this context, we will mention, as a matter of example, the works of Edward Banfield [1958], Antonina Kłoskowska [1996], Pierre Bourdieu [Bourdieu and Passeron 2006], Samuel Huntington [1996], Lawrence Harrison and Samuel Huntington [2000], Robert Putnam [1993, 2000], Francis Fukuyama [1995], Manuel Castells [1998], and Janusz Hryniewicz [2004].

Dualist Layering: 'Fabric' and 'Thread'

In our conceptualization we refer to the leading idea in the social sciences, that is the dualism of structures, derived from the structural linguistics of Ferdinand de Saussure, continued in the anthropological structuralism of Claude Levi-Strauss, the psycho-culturalism of Ruth Benedict and Abram Kardiner, in the structuration theory of Anthony Giddens, and in the economic institutionalism of Douglas North, to name a few.

It is not our goal to discuss the types of dualism pertaining to the concepts of the above-mentioned authors, nor the various distinctions between basic and derivative institutions or primary and secondary institutions. We shall confine ourselves to a cursory reminder of the core ideas of structural linguistics. Structuralism gave rise to 'an enormous breakthrough, unprecedented in history, in the ways of perceiving reality and in scholarly thinking. It introduced the notion of system and structure, replacing the positivist concept of a collection of elements. Language was conceived as a synchronic system, i.e., a closed system of elements, mutually conditioning each other, linked by a network of oppositions' [Heinz 1978: 231]. The theory of de Saussure makes a (not fully defined) distinction between 'language' (*langue*), a social phenomenon containing rules, like a score in music, and 'speech' (*parole*), that is a concrete and individual phenomenon, implementing the language rules in everyday communication, which can be compared to an individual interpretation of a score. For the followers of the structuralist idea, deep structures of various kind shape (or structure) the corresponding social phenomena. In this context, of particular importance for our conceptualization is North's approach discussed above and his distinction between rules and players of a game.

William Sewell Jr. translated the issue of dualism into the reality of state's institution, and political and economic structures as follows. He pointed out that although they are located relatively close to the surface of social life, express group interests and political struggle, are consciously built and reproduced, yet underneath this layer there are deep, long-lasting structures that constitute the 'second nature' of

societies. These structures are socially highly valued, are accepted by all (or almost all) political actors and are 'taken for granted as means to political ends' [Sewell Jr. 2006: 719]. This author in his earlier, 1992 book referred to the US constitutional system and the French state bureaucracy as examples of relatively deep political structures. We could add to this list the Russian value patterns that make up political autocracy. Sewell Jr. applied the same method to the analysis of capitalism: capitalism, in spite of the extraordinary variability of its forms, which may cast doubts on its identity, conceals in fact a deep structure that provides it with its true identity. It is the dominant logic of the commodity form of exchange (each act of exchange is a potential source of profit) that is characteristic of the entire capitalist era.

We draw on these inspirations and single out within socio-economic orders a base layer, which we dub the 'institutional fabric', and a surface layer, structured by the 'fabric' which we label the 'thread'. We took the terms 'fabric' and 'thread' from the vocabulary of textile industry¹⁰.

Thus, the 'fabric' of a socio-economic order or a particular political economy is the level at which 'deep structures' of a long duration are situated. For some structures, the decades-long time frame identified by Williamson is appropriate; for others, Arnold Toynbee's historic-philosophical approach and the centuries-long life cycles of civilizations would be more adequate.

For the purpose of our conceptualization, we analytically divide the fabric into three aspects (formal institutions, culture, social stratification). The first are the 'fundamental formal institutions', the basic rules of the game, or, following Searle [1987: 71, 72] and Chmielewski [2011: 333], 'constitutive rules', governing the whole of socio-economic life. Let us add that 'constitutive rules' in Searle's terms allow for the construction of 'types and categories' being used to interpret the surrounding world, and by the same token they enable the typology of capitalism, too.

In the cultural aspect, the above-mentioned fundamental formal institutions are accompanied by values and cognitive patterns, as well as by informal institutions (customs, attitudes, norms) that legitimize formal institutions of the fabric.

In the structural (stratification) aspect, collective social actors are distinguished who support fabric institutions, who identify themselves with institutional values and whose interests are related to those institutions.

¹⁰ It is important to note that the word 'fabric' as a term used to describe the institutional architecture appears in the English-language literature ('institutional fabric') as well as in its French counterpart ('tissue institutionnel').

In the excerpt from Sewell Jr.'s work cited above, an example is given of societies where most members become identified with fabric values. Such societies can be defined as being predominantly conformist, in the sense that Merton [1982] gave to this concept in his theory of anomie.

The coherence of the fabric can be analytically linked to both the coherence and complementarity of the basic formal institutions, as well as to the coherence within and between each of the three aspects of the fabric.

We assume that the coherence involved is a scalable feature, spanning between two extremes: on the one hand, a fabric that is coherent both in terms of fundamental formal institutions and of its 'intra- and inter-aspect' dimensions, and on the other hand, a fabric that is completely or partially incoherent. In the latter case, various possible forms of incoherence are feasible including the lack of any fabric. However, at this level of our conceptualization of patchwork capitalism it suffices to stay with the generalized category of incoherence without going into its detailed forms.

Having said that, we should clearly underline that this is the major focus of our conceptualization – in our ideal-typical construction, we lay the emphasis not so much on the stability and complementarity of the fabric, but most of all on different degrees of its incoherence (and lack of complementarity).

Based on the foundations or the fabric of a socio-economic system there lies a 'thread' which comprises organizations and secondary institutions. Referring to North's definition, the elements of the thread are the players whose ongoing activities are structured (regulated and controlled) by the rules of the game inherent to the institutions and other aspects of the fabric. In Williamson's stratification, the 'thread' so understood is situated at level four. Players' activities at this level exhibit various mismatches, gaps and breakdowns, which are controlled to varying degree, depending on the coherence of the fabric. In this context we will adopt a key category for the new economic sociology, taken from Polanyi – that is *embeddedness*. Decisions and practical actions taken by players, including the case of collective players, reflect their deeper or shallower embeddedness in fundamental formal institutions, as well as their subjection to axiological and socio-structural constraints of the fabric. 'Embeddedness' in the case of thread elements is scalable. At one end of the scale, we have therefore deep embeddedness, which implies a high degree of control of thread elements by institutions of the fabric. For new entrants, joining a stable and complementary system entails high transaction costs (seen from an economic perspective) and high cultural and socio-structural entry barriers erected by the fundamental institutions of the fabric. On the opposite side of the scale comes the

lack of embeddedness. This is equivalent to saying that any new entrant (element of the thread) can easily join the system and circumvent most of the conditions imposed by the fabric.

Here we come to the fundamental problem of 'structure and agency'. To what extent do social actors influence structure in the case of our research problem? Referring to classical structural linguistics: to what extent does the speaker introduce a modification into the rules of language, and similarly the performer of a musical piece exerts a modifying effect on the score itself? How the process of creating new languages and new scores takes place? We will approach the problem from two angles: the individual and the institutional ones. Without going into the general theoretical issue at the moment, we can assume that in the first case, patchwork involves a wide margin for bypassing formal rules, creates a disposition towards 'legal-axiological nihilism', but does it provide creative, innovative motivations? At the individual level, it seems that rational adaptation will not give rise to an inclination to innovate; rather, it will induce the individual to withdraw from the realm of formal institutions, from the official sphere. Economic organizations, on the other hand (we will confine the institutional level to them only), will tend to invest in the short term and obtain a quick return on capital. So, there will be no motivation either to modify the scores or, even less, to create new scores. A simplified diagram of the fabric and thread interrelationships is presented in Table 2.

Table 2. Types of capitalism

| Thread | Fabric | |
|----------------------------|--|---------------------------------|
| | Coherent | Incoherent |
| Embedded in the fabric | Coherent type | Mixed /hybrid type |
| Not embedded in the fabric | Type in the process of destruction (rising incidence of 'patchwork' traits) | Patchwork (open access type) |

Source: authors' elaboration.

Towards an Open and Entropic Capitalism

In this article, we put forward a proposal of a new conceptualization of post-communist capitalism, with special regard to Central and Eastern Europe, which we dubbed 'patchwork capitalism'. To this end, we employed the ideal-type method, which was to enhance the understanding of the origins of patchwork and the process of its formation. In fact, the actual course of this process was not – by definition – as orderly and rational as we have described while using the 'ideal-typical' approach. In

addition, it should be kept in mind that the ideal type of patchwork capitalism was built mainly (but not exclusively) based on the reference to the countries of Central and Eastern Europe, with particular emphasis on Poland and Hungary (and other Visegrad Group countries) and the first decades of their transition to a fully-fledged market economy system.

It is worth adding that in our previous publications, we described patchwork applying the empirical generalization or 'average types' method rather than the ideal-typical approach [Gardawski and Rapacki 2019, Rapacki and Gardawski 2019]. Seen from the perspective of empirical generalization, the patchwork nature of a socio-economic order is revealed when we find divergent institutional 'logics' and various mechanisms of coordination within a particular national order (lack of correlation between input and output measures of institutional architecture or else – institutions and economic performance, mismatch between formal and informal institutions, etc.). This theme will be also discussed in some detail in the next section below.

The foregoing empirical patterns can be best depicted by referring to a scale whose edges stretch between two polar cases: a fully coordinated institutional order in which the fabric completely determines the thread of organizations and secondary institutions (domination of structure), and on the other hand – an institutional patchwork, that is, an order which is not coordinated whatsoever by fundamental formal institutions, values and socio-structural factors (domination of agency). The scale may include two intermediate cases: first, mixed or hybrid types, gravitating towards the coordinated pole, in which there are a small number of fabrics and related thread elements, and second, mixed types gravitating towards patchwork, where the elements of the thread predominate, not embedded in any fabrics. This has been shown in Table 3.

In the next, empirical part of the article (Section IV), we will show that in the social practice of CEE countries there are more frequent cases of orders gravitating toward patchwork (C), while those gravitating towards a small number of stable fabrics (B) are less frequent.

Table 3. Typology of capitalism in the patchwork perspective

| Typology | | | |
|---|--|---|---|
| A | B | C | D |
| Coherent type: one fabric (orders close to VoC ideal types) | Mixed type, gravitating towards the coherent type: 2–3 fabrics | Mixed type, gravitating towards patchwork: fragmented fabric (autonomous thread elements) | Patchwork type: no fabric (failed states) |

Source: authors' elaboration.

Entropy

In the concluding part of this section, we will seek to present yet another interpretation of patchwork capitalism, namely one that refers to the thermodynamic concept of entropy. It allows, inter alia, to capture the phenomenon of high rates of economic growth in some CEE countries embodying patchwork capitalism.

Beginning in the mid-1960s, 'there has been widespread talk of a global environmental crisis as an umbrella term for all unfavorable human threats and environmental devastation. (...) For the first time in history, an environmental catastrophe of a global nature is beginning to threaten mankind' [Kośmicki 1984: 143].

Nature, having been treated so far as a practically inexhaustible reservoir of resources and an equally inexhaustible recipient of the pollutants produced by humanity, has revealed, almost by leaps and bounds, its limits, including energy constraints¹¹. It has become a practical challenge and has been conducive to attempts – still not very successful – aimed at maintaining balance of the biosphere, which has begun to be defined as the anthroposphere. Michał Krzykowski argued in a December 2021 blog that 'we have entered the realm of dystopia, especially the technological one. (...) [D]igital dystopia is the systemic consequence of beliefs that may have justified the systematic expansion of the field of what can be calculated, formalized, and exploited' [2021: 5]. These processes challenged the principal paradigm of the economic theory developed since the beginning of the industrial age. The economy began to be perceived as a game with Nature, in which a new branch of physics, that is thermodynamics, proved helpful. Its proponents believed that it provided universal

¹¹ We conjecture the jump character of this phenomenon, since even in the early twentieth century, ideas were developed in which nature was sharply set against culture, and the former was still treated as an object of conquest.

scientific knowledge of energy flows. The formal inclusion of thermodynamics as a discipline of science, 'led us', claims John D. Barrow (cited in Dobija and Renkas 2021), 'to the discovery of the mysterious numbers that determine the structure of everything that exists. The Constants of Nature provide a bulwark protecting science from unbridled relativism'¹². We are not competent to decide whether the optimism of physicists working in the field of thermodynamics is justified, but the methods and tools developed within this field have proved useful for describing socio-economic phenomena, including patchwork, as we will show below.

The first study introducing the new paradigm to economic sciences was a famous book published in 1971, *The Entropy Law and the Economic Process* by Nicolas Georgescu-Roegen. He made subject of a sharp criticism the entire tradition of classical and neoclassical economic theory, which treated the economic process analogously to a mechanism that is reversible and neither causes any qualitative change in the environment nor is influenced by any qualitative change in the environment in which it is anchored. The economy in this research tradition was conceived as an isolated, self-contained and ahistorical process – a circular flow between production and consumption. The theoretical edifice of the economy was built to the exclusion of the environment (economists rarely included the category of 'natural resources' as a significant variable in their models). Georgescu-Roegen pointed out that whereas in the works of Ricardo some references to nature (space) could be found, already with Marx the dogma appeared that you get for free everything which is offered by nature [Georgescu-Roegen 1971: Introduction].

Seen from our perspective, the transplantation of the ideas of thermodynamics, with special regard to the category of entropy, into the field of economic sciences¹³ turned out to be important for our conceptualization of patchwork capitalism.

In the 1970s, thanks to the development of thermodynamics, a new inspiration also emerged in the social sciences, including economics and political economy, which can be compared, in some respects, to the idea of positivist universalism. Leszek Kołakowski characterized this methodological universalism of positivist

¹² 'The economic constant determines the quantitative impact of Nature on economic performance or the results of sensible management. (...) [T]he constant indicates that this added value constitutes 8% of the initial capital, which is equivalent to saying that you can achieve the level of capital accumulation at an average rate of 0.08 [1/year]' [Dobija and Renkas 2016: 43].

¹³ Among the advocates of applying the concepts taken from thermodynamics in the study of sociological and economic issues, we will mention especially the discussion group organized by Jerzy Hausner within the framework of 'Open Eyes Economy' (OEE) and 'Świeradów Seminars' [2019].

philosophy as follows in a 1966 study – according to the positivists, 'the ways of acquiring valuable knowledge are essentially the same in all fields of experience, and the stages of processing experience by theoretical reflection are also the same. There is therefore no reason to suppose that the qualitative distinctions of the individual sciences are anything other than a symptom of a certain historical stage of science, while it is to be expected that further progress will lead to the gradual abolition of differences, or even, as many believed, to the reduction of all fields of knowledge to a single one; in doing so, it was sometimes imagined that it is physics that would become this single science in the proper sense of the word' [Kolakowski 1966]

Thermodynamics, developed since the mid-19th century, is regarded by its present-day proponents as fulfilling positivist expectations for the unity of the methods of all sciences, without making a return to the phenomenism and nominalism typical of positivism, as Kolakowski pointed out. Thermodynamics is holistic in nature, inspires to transcend the division into isolated systems and their environment (which does not mean that such isolated systems are not taken into account). If the complex problems of theoretical physics are to be simplified with a view to fit our object of study, the thermodynamic axiom of a directed flow of energy from ordered to disordered areas, from 'hot' to 'cold' ones, and the key concepts of 'entropy' and 'negentropy' in this respect will be the distinguished assumptions. The Second Law of Thermodynamics in its most general formulation refers to the concept of entropy, which measures the state of orderliness of a system. A system featuring higher entropy exhibits a lower degree of orderliness, whereas for a system with lower entropy the opposite is true. Looking at the problem of entropy from the communication perspective, the state of low entropy is characterized by high predictability due to the high level of regulation and organization, which narrows down the potential directions of further development of a message and makes it relatively easy to predict the next variants of the message concerned. A high level of entropy means that the message contains only a simple output signal, which can be developed in very many ways. Moving on to economics and referring to a popular lecture from Wikipedia, the concept of entropy can be used as a synonym for the disorder that characterizes an economic system with unregulated or residual regulation, which – referring to our topic – implies precisely patchwork capitalism.

We will also refer here to Włodzimierz Szkutnik's definition of the concepts of 'entropy' and 'negentropy'. He saw entropy, at the level of some simplification (as he wrote himself), as a negative frame of reference relative to 'self-organization'. The latter is an intrinsic process in which a more complex product emerges out of a simple

idea or matter. Entropy, in this context, is equivalent to systems 'in which the stock of energy shrinks due to its outward dissipation or conversion to other forms of energy, e.g., heat energy or nuclear energy as a result of the radioactive nature of heavy atoms. (...). Similarly, negentropy is pondered in systems theory and cybernetics when there is a negative entropy, treated as a measure of the degree of organization. In this respect, it is the difference between the maximum possible value of entropy at which complete disorganization of the system occurs and its current value. When a system is disorganized, negentropy decreases while entropy increases – and vice versa – a rise in the level of organization always corresponds to an increase in negentropy. When studying the behavior of living organisms, the concept of negentropy was used to describe the phenomenon of 'exporting' entropy externally by living organisms and complex technical devices (systems) with the end to maintain a low level of their own internal entropy' [Szkutnik 2016: 71–72]. Krzykowski interprets the concept of negentropy more comprehensively. He contends that negentropy is not just the opposite of entropy. There is no 'good' negentropy and 'bad' entropy. Entropy, along with evolution, is an aspect of time and the qualitative transformation of nature: qualitative change requires the disorganization of what is already there (hence the references to Hegel and his dialectics of Reason, and to Teilhard de Chardin's theory of evolution). This is why we cannot eliminate entropy from life without eliminating life itself. By living, however, we can diminish entropy in the process of producing differences and novelties. To produce negentropy is to cultivate diversity – biological, social, cultural, technological and linguistic, and to care for the niches in which this diversity can grow, taking new forms that escape calculation' [Krzykowski 2021: 7]. The qualitative change that accompanies innovation implies creative destruction, and by the same token – the appearance of spot entropy.

A tool of fundamental significance in the conceptual framework of thermodynamics is the aforementioned Second Law of Thermodynamics, which states that energy will flow from a low entropy system (with a high level of energy organization) to a high entropy system (with a low level of energy organization). We will refer again to Georgescu-Roegen. He inferred that the mechanistic epistemology towards which analytical economics tends to gravitate is responsible for the conception of the economy isolated from the natural environment; the same is true of sociological theories opposing culture to nature. However, even when considering the economy in terms of its physical facet, the process is not circular but unidirectional and boils down to a constant transformation from a low entropy state to a high entropy state, that is 'into irreversible waste or, with the topical term, into pollution'. Referring to

Marshall, Georgescu-Roegen argued that economics should be treated as a broadly interpreted branch of biology [1973: 281], while from a purely physical point of view, the economic process is entropic: 'it neither creates nor consumes matter or energy, but only transforms low into high entropy' [ibidem]. The biological analogy allows to reveal the 'enjoyment of life' effect behind the pure transformation of energy.

Moving on to the question of legitimacy of our appeal to the notion of entropy and accompanying concepts, we will refer again to the seminar of Świeradów OeS. In May 2022, the seminar was held under the title *Economics and Entropy*. It was devoted to many issues, one of the leading topics being productivity (not equated with efficiency) in a world subject to thermodynamic principles. The key challenge in such a world becomes one of lowering the level of entropy and fostering counter-entropy processes, given a dialectical view of entropy (as we have already pointed out, entropy is not always 'bad', just as negentropy is not always 'good'). Against the background of broad debates, our problem referred to the economy of a country which, due to its higher level of entropy relative to most Western European countries, is becoming an importer of entropy in its various forms. The most remarkable fact, established in direct observation, is the import of garbage, which, in the case of a system displaying low level of organization, takes place both formally and informally. This is compounded by a chaotic locational policy of polluting production by TNCs, which raises the level of entropy. This last factor is the most prominent manifestation of the import of economic entropy that takes place due to the implementation of the Dependent Market Economy model of capitalism by Poland and other Visegrad countries. This reveals another pitfall inherent to patchwork capitalism which is due to its openness to the inflow of entropy, i.e., to receiving further portions of entropy from economies featuring lower entropy and higher negentropy, that pushes up even higher its already relatively high proportion of energy mess. Fortunately, within the framework of a socio-economic order, actions can be taken to slow down the migration of entropy and to inhibit the accumulation of various forms of entropy, e.g., by building an economic closed circuit which would prevent the externalization of pollution.

4. Empirical Exemplification of Patchwork Capitalism

Given the unique characteristics of patchwork capitalism, a multidisciplinary approach becomes necessary, using both qualitative tools inherent to evolutionary economics, comparative political economy, new economic sociology, economic anthropology and related disciplines as well as quantitative methods, associated with mainstream economics, new institutional economics, and allied fields inspired by rational choice theory and game theory. The latter are best fit to measure, in the first place, institutional heterogeneity, inconsistencies and multiple mismatches among the main building blocks of the institutional architecture of patchwork capitalism. In turn, qualitative research allows to explain the patchwork source of these inconsistencies. For the purpose of our study, these two methodological perspectives cannot be separated, even though being employed in different proportions. Thus, in sections 2 and 3 the qualitative perspective is prevalent, while in the present section the quantitative approach dominates, allowing to highlight the institutional heterogeneity of the socio-economic orders of the CEE countries. Here, we show and discuss the findings of empirical studies coming from the borderline of quantitative research and research embedded in the tradition corresponding to comparative political economy.

In this section we briefly summarize the results of own studies that come from an interdisciplinary research project, carried out in 2015–2019, embedded in the scholarly tradition of comparative capitalism and combining the paradigms of new institutional economics and new economic sociology¹⁴. The full account of the empirical results involved can be found in two recent books co-authored by the present authors [Rapacki et al. 2019; Rapacki et al. 2019a]. Simultaneously, two chapters of these books draft the very concept of patchwork capitalism [Rapacki and Czerniak 2019; Rapacki and Gardawski 2019, respectively].

The starting conjecture in the project was that the emerging post-communist capitalism in the CEE11 countries represents a new research category on its own,

¹⁴ For project's details, see Footnote 1. The research team was led by Ryszard Rapacki and its members included Juliusz Gardawski, Adam Czerniak, Bożena Horbaczewska, Adam Karbowski, Piotr Maszczyk, Mariusz Próchniak and Rafał Towalski.

distinct from the established models of Western European capitalism co-existing in the European Union.

The unique nature of this type of socioeconomic order, labeled *patchwork capitalism* by the research team (we have devoted Sections II and III to its description) is mainly due to the lack of a clear-cut fabric of basic formal institutions, including in particular weakness of the very institutions of state and law, as well as to a shallow socio-structural (class) and cultural embeddedness of the fabric concerned. The existing institutional architecture of patchwork capitalism exhibits incoherence and numerous mismatches between its main components inherited from earlier socio-economic regimes (path dependence) and/or transplanted from various contemporary models of Western capitalism and originally constructed by reformist elites, especially in the process of reducing tensions and responding to crises. At the same time, the patchwork order is quite open to absorbing new elements (organizations, institutions), which is due to low entry barriers and low transaction costs which are in turn a result of the weakness or absence of the 'fabric' institutions and the social classes interested in defending it. As a result, new organizations and institutions can impose their own institutional logics onto the host system with relative ease. On the one hand, this entails an entropic 'development drift' of patchwork capitalism, but on the other, the openness concerned raises the potential for adaptation to radical changes in the external environment, as well as to the emergence of possible internal innovations.

The research sample comprised eleven CEE new member countries of the European Union, against the backdrop of 'old' EU members. The pertinent comparative analyses involved two snap shots made in 2005 and 2014 respectively.

The approach adopted in the research project concerned capitalized on the conceptual framework and typology put forward by Amable [2003], as well as on selected elements of the trailblazing methodology developed by Hall and Soskice [2001]. With a view to account for transition-specific characteristics of the evolving institutional setups in CEE11 countries and the peculiarities rooted in their socialist and proto-capitalist legacies, the research team substantially extended and modified the original Amablean framework. Simultaneously, it designed and applied own analytical tools (coefficients and hexagons of similarity) as well as advanced

statistical methods, i.e., the subspace clustering machine learning method enabling quantification of the results of our exercise¹⁵.

The first stage of the study was focused on a comparative analysis of institutional similarity between the CEE11 countries and four Western European models of capitalism co-existing in the European Union, represented by their most typical empirical embodiments among 'old' EU members that is Germany (Continental European model), UK (Anglo-Saxon model), Sweden (Nordic model), and Spain or Italy (Mediterranean capitalism). This part of the research was based on the application of the coefficients and hexagons of similarity¹⁶.

In the second stage the initial assumption on the a priori existence of any models of capitalism in the EU was repealed. The comparative analysis encompassing 25 EU countries¹⁷, and based on the set of 132 institutional indicators was aimed to show whether in the research sample involved distinct clusters of countries displaying similar institutional characteristics or models of capitalism can be still identified.

To this end, the research team employed a novel method of the subspace clustering (ORCLUS algorithm). By means of this tool it was possible not only to identify various clusters of EU member states that shared similar sets of institutions but also – equally importantly – to capture the key features of the prevalent institutional order in particular clusters that made them distinct from their peers or other models of capitalism co-existing in the European Union.

Furthermore, comparing the results for the initial and final years of the study (2005 and 2014) it became feasible to determine the vector of institutional transformation of every CEE11 country. In other words, we could check if a CEE country was subject to institutional convergence or divergence to each of the empirical models (clusters of countries) of Western European capitalism identified in the EU.

In the ensuing parts of this section, we present the main empirical findings of the research project involved.

¹⁵ A more comprehensive discussion of the amendments concerned, and research tools and methods applied may be found in Próchniak et al. [2016], Maszczyk and Próchniak [2019], Rapacki and Czerniak [2018], and Czerniak and Maszczyk [2019].

¹⁶ For full description of technical details, see Próchniak et al. [2016], and Maszczyk and Próchniak [2019].

¹⁷ All EU members as of 2014 excluding Cyprus, Malta and Luxembourg.

4.1. The Empirical Check of Institutional Similarity

This part of the research, aimed to quantitatively check the similarity of the institutional architecture in CEE11 economies to selected reference countries representing four Western European models of capitalism, covered six institutional areas or pillars of the architecture concerned: (1) product market competition, (2) labor market and industrial relations, (3) financial intermediation, (4) social protection, (5) knowledge and education system, and (6) housing market. The institutional characteristics of each of the six areas were measured by a set of six indicators. Three of them (input variables) represented key features/components or a design of a pertinent institutional architecture, whereas three other – outcomes or performance of a given institutional area (output variables)¹⁸. Altogether, the institutional architecture of each CEE11 country (as well as the reference countries) was described by 36 indicators. Next, for each of those indicators the respective coefficients of similarity for every CEE country vs. each reference country were computed, in line with the procedure explained by Maszczyk and Próchniak in the chapter on 'Methodological framework' of the work edited by Rapacki [2019]. The coefficients of similarity range from 0 to 100. In the next step, for each institutional area in a CEE11 economy – both for the initial and final year of the study – the hexagons of similarity were built to illustrate the level and structure of pertinent similarity of a particular area in each CEE11 country to four reference countries.

As the final step in the research procedure, the coefficients of similarity were aggregated for each of the six institutional areas and subsequently the average indicators for individual CEE11 countries with respect to four benchmarks were computed.

The empirical exercise carried out in this part of the comparative study yielded a number of interesting results. They are summarized below.

In most aggregate terms, i.e., the averages for the entire sample analyzed and for six institutional areas involved, the CEE11 countries revealed a simultaneous institutional proximity to more than one model of capitalism, with the differentials in the respective coefficients of similarity being quite small. At the level of institutional areas this *polycentric pattern of similarity* can be traced in particular in the labor

¹⁸ The complete list of these indicators for all six areas is provided in Maszczyk and Próchniak [2019].

market and industrial relations, financial intermediation, social protection system and the housing market where the institutional features of the sample countries made them almost equally akin to the Mediterranean and the Continental models of capitalism as well as to the Anglo-Saxon model (labor market), with the similarity coefficients exceeding in most cases 60. This outcome seems to support our claim (substantiated in the starting hypothesis) regarding the patchwork essence of CEE capitalism in terms of its heterogeneity and institutional diversity of its constituent parts.

In turn, with respect to particular benchmarks, the CEE11 countries exhibited the greatest relative resemblance to the Mediterranean model of capitalism, represented by Spain/Italy. Simultaneously, in terms of average indicators the CEE11 economies displayed quite a strong similarity to the Continental European model of capitalism, represented by Germany, too. With the mean coefficient of similarity close to 60 in 2014, this country was ranked 1st as the closest benchmark in the social protection area and 2nd in financial intermediation and the housing market.

On the other hand, the sample countries were the least similar to the Nordic model of capitalism, the only exceptions being product market competition and the housing market where Sweden was ranked higher than the UK embodying the Anglo-Saxon model of capitalism.

The comparison of the results of two snap shots made for 2014 and 2005 shows that the patterns of institutional architecture – in terms of the order of their similarity or dissimilarity to four models of Western European capitalism – established for the whole group of CEE11 economies exhibited a considerable stability over time. This finding may be interpreted as a proof of continuity of the very essence of patchwork capitalism in the sample countries.

The distribution pattern of the pertinent coefficients of similarity across the CEE11 countries and institutional areas involved points to quite a considerable level of homogeneity and stability over time. In both 2014 and 2005, in all areas a vast majority of CEE11 countries tended to gravitate – in relative terms – towards the same model of capitalism while also demonstrating a bi- or polycentric pattern of similarity discussed in point 1 above. This result in turn should be seen as evidence of the prevalence of patchwork features among all or almost all CEE11 countries under scrutiny.

However, the averages for the whole group may to some extent blur the picture of the evolution of institutional architecture in individual CEE countries and particular institutional areas. In fact, between 2005 and 2014 the sample countries experienced

quite sizeable (at the order of 7 points) changes in the levels of similarity coefficients vis-à-vis the reference countries, often going in the opposite directions. While in some countries (notably, Estonia, Hungary, Poland and Slovenia) the relative institutional distance towards the Continental European model has been shortened, some other countries (Croatia, Latvia, Romania and Slovakia) have displayed a trend to get even closer to the Mediterranean model of capitalism. Similar patterns can be found across the six institutional areas involved. The respective incremental coefficients of similarity ranged between -8.4 and 10.4 points (i.e., within a band of almost 19 points). Yet, both findings do not contradict the general picture just described as the changes concerned tended to go in the opposite directions and mostly cancelled out. This finding seems to be consistent with another salient feature of patchwork capitalism emphasized in our conceptualization which is its volatility and low predictability with regard to the very continuity of particular institutions.

Moreover, if disaggregated, the picture obtained reveals huge discrepancies between particular input and output variables in individual countries and even more so – between the average values for the input and output sides of institutional architectures concerned. In the light of this finding supported by a more in-depth qualitative analysis of pertinent institutional measures across six areas concerned it may be argued that the sample countries witnessed a remarkable misfit between formal and informal institutions [Próchniak et al. 2023] which may be interpreted as one more – particularly important – dimension of a mismatch between various building blocks of the institutional matrix inherent to patchwork capitalism, explicitly hypothesized in the starting conjecture.

One more interesting finding comes from a separate scrutiny of input and output variables. The results show that while most CEE11 countries were the closest to the Mediterranean model of capitalism in terms of output variables (or performance) they were much more akin to the Continental model when it comes to inputs (institutional arrangements). If contrasted with the finding discussed in point 2 above, this is equivalent to saying that the effect of output variables on the overall value of the coefficient of similarity outweighed that of input indicators both at the level of the CEE11 group and most of its individual members making them gravitate – in average – toward the Mediterranean model of capitalism. As a general insight in this context, it may be asserted that even well-tested and otherwise efficient institutions do not automatically guarantee equally good outcomes if transplanted to a different socio-cultural, political and economic context. Having developed institutions that in many respects resemble the institutional architecture prevailing

in the Continental European model of capitalism many CEE11 countries have fallen short of the economic performance standards established in benchmark countries embodying this model. As a result, in terms of output variables applied in this study they were much closer to the Mediterranean model of capitalism.¹⁹ This result is also consistent with our initial hypothesis regarding the most salient features of patchwork capitalism. First, it may be interpreted as a proof of another remarkable misfit between the constituent parts of the institutional matrices in the CEE countries. Second, unlike in the Mediterranean model of capitalism however, the misfit concerns the parts carried forward or transplanted from different socioeconomic orders which represent diverging inner logics and give rise to incoherence and inefficiencies.

4.2. The Results of Subspace Clustering

Similar to the first part of our research, the analysis based on the application of subspace clustering method, conducted in the second stage covered the same six institutional areas and involved the same time frame (2005 and 2014). Unlike the former however the research sample comprised all EU countries except Cyprus, Malta, and Luxembourg.

The empirical results of subspace clustering exercise allow a number of interesting observations²⁰. They may be synthesized under the following headings:

1. The number of clusters identified across the six institutional areas ranges between two and four, including the new EU CEE11 members. This result may be interpreted in the first place as a corroboration – in most general terms – of the conclusion made by Amable 15 years earlier, i.e., the co-existence of diverse models of capitalism in the European Union. Simultaneously, it also corroborates our starting conjecture regarding the status of CEE11 countries as a new research category representing a distinct type of capitalism compared to its Western European peers.

2. A 'novel fact' [Lakatos 1978], compared to the original Amablean typology, is the emergence of a new model of capitalism in the European Union, due to the

¹⁹ It is worth mentioning that most of the foregoing results were corroborated in a recent study by Próchniak et al. [2021] co-authored by the present authors.

²⁰ The full account of the results in question may be found in: Rapacki and Czerniak [2018]; Rapacki [2019].

accession of CEE11 new member countries. In four out of six institutional areas most of these countries were found in a distinct, unique cluster which in terms of institutional traits clearly differs from its Western European counterparts. The only areas in which the CEE11 economies do not significantly differ from their Western European peers are those that are highly unified across the EU – the product market competition and financial intermediation. This finding strengthens and makes more explicit the result discussed in point 1 above and by the same token is also consistent with the starting hypothesis.

3. Interestingly, the results of subspace clustering have also confirmed the findings from stage one of the research, namely that post-communist EU member states exhibit many similarities to Mediterranean countries. In all institutional areas, there is at least one cluster made up of several CEE countries and one or more Mediterranean economies. As a comment to this outcome, the conclusions drawn in the bottom of point 8 in sub-section 4.1, highlighting the differences between patchwork capitalism and Mediterranean model of capitalism, can be reiterated.

4. Notwithstanding the fact that the research identified one single model of post-communist capitalism prevalent in the CEE region, its results have also shown that the CEE group displays a considerable differentiation of institutional characteristics across the countries concerned. Moreover, in all but two institutional areas (product market competition and financial intermediation) some CEE11 economies were found to be outliers from the Central and Eastern European cluster. Simultaneously, between 2005 and 2014 the CEE11 countries experienced both convergence and divergence trends of the institutional architectures vis-à-vis their Western European peers, with each of these countries following its own distinct vector of institutional changes. Hence, it may be inferred that the CEE region hosts a diversity of patchwork capitalism. Yet, the institutional variance within the CEE11 group is smaller than the differences between those countries and other clusters or models of capitalism identified among the 'old' EU members.

As a general insight, which summarizes the empirical results of the comparative study concerned based on the application of two different research methods, it may be argued that the model of post-communist capitalism identified in CEE11 countries exhibits clear symptoms of heterogeneity and institutional misfits inherent to its design and operation. They can be found in particular at three different levels of the institutional architecture in these countries, that is:

The country level. The mean coefficients of similarity in many individual CEE11 countries tended to exhibit a bi-polar or a polycentric pattern (e.g., Estonia), i.e., they

pointed to a simultaneous institutional resemblance to two or even three different models of Western European capitalism.

The institutional area level. Two cases may be distinguished under this heading: (i) intra-area ambiguity and (ii) inter-area ambiguity. In the former the same, polycentric pattern held as at the country level, i.e., a simultaneous similarity of most institutional areas to more than one model of Western European capitalism. In the latter case, whereas some areas in a CEE11 country (even if they displayed a monocentric pattern of similarity) showed the highest institutional proximity to a particular benchmark (e.g., Spain/Italy), some other areas tended to gravitate toward another reference country representing a distinct model of Western European capitalism (e.g., Germany) and still other seemed to converge toward the institutional arrangements prevailing in the UK or Sweden. This frequently made individual institutional areas incompatible as they represented divergent inner logic, which hampered economic development and triggered social tensions [Hall and Gingerich 2009; Rapacki and Czerniak 2018; Gardawski, Gąciarz, Mokrzyzewski and Pańków 1999].

The level of institutional indicators. The institutional architectures in CEE11 countries tended to also display strong symptoms of systemic mismatch between their input and output measures. A closer look at the average values of input and output variables in these countries reveals again a clearly ambiguous picture of similarity of the former and the latter to two or more Western European models of capitalism.

The foregoing findings provide new empirical evidence that seem to corroborate our starting conjecture regarding a unique nature of the newly born socio-economic order in Central and Eastern Europe which justifies dubbing it with the term 'patchwork capitalism'.

Concluding Remarks

The question which we ask in the concluding part of the article deals with the persistence of patchwork capitalism, whose essence has been encapsulated in our conceptualization of its ideal type. As we stressed in Section 2, it is crucial to distinguish, following Weber, types that describe the average values, of the empirical-statistical genre which do not require theoretical-methodological justifications, from

ideal types, in the design of which there is an element of utopian rationalization, a rational 'closing' of the picture, being in reality always fluid. As a matter of fact, no type, including the statistical one, is a full reflection of reality as such, nevertheless there is a qualitative peculiarity of the ideal type. Stefan Nowak emphasized that in the case of this type, events occur by virtue of theory 'according to a certain described mechanism in an undisturbed manner (...) according to a uniform, theoretically justified principle. The fact that in reality such »ideal« courses of events do not happen at all is not an obstacle to the application of the concept to the analysis of actual events' [Nowak 2008: 163]. We will add here that an ideal type is useful as long as it allows to portray the multifaceted nature of empirical-statistical phenomena in a comprehensible way.

In Section 1, we surveyed a number of typologies, only some of which meeting the 'ideal-typical' criteria. They referred to the socio-economic orders (political economies) of the CEE countries, while their authors often pointed to their incoherence and institutional heterogeneity. We explained this phenomenon by means of the ideal type of 'patchwork capitalism'.

This gives rise to the question: is this tool still useful in explaining empirical phenomena taking place today? We relate this question to the situation prevalent in autumn 2022, a time witnessing multiple overlapping crises. Since the beginning of the 21st century, the world has experienced an ever-growing state of 'poly-crisis', which – in Europe – included the financial crisis shaking up the monetary union, the crisis due to the helplessness in the face of an influx of migrants and refugees, and similarly in the face of the frailties of transatlantic partnership and transatlantic trade, towards Brexit, rising populism and euroscepticism [Nižnik 2020]. These crises were compounded by the Covid-19 pandemic, which made even more acute most of the crises already present, while the pandemic crisis in turn was somehow overshadowed by yet another crisis caused by the war in Europe ignited by Russia's invasion on Ukraine in February 2022. The war dramatically aggravated the emigration crisis and triggered a huge energy crisis.

In 2020, Nižnik concluded his description of the crises involved by stating that fortunately they did not lead to the collapse of the European integration project ('on the contrary, the non-participating states demonstrated their pro-European aspirations and popular support for the European Union'). From today's perspective, however, we know that 'participating in the program' comes at a cost in terms of the need to respect the principle of the tripartite division of power, now being contested by some governments of the EU member states.

Returning to the question of sustainability of the patchwork nature of the socio-economic orders in CEE countries under the new circumstances imposed by the multi-crisis, let us recall the main constituent elements of the ideal type of patchwork capitalism. These comprise in the first place, pluralism of economic players – owners of productive factors, each of whom operates according to his/her own rules and does not have sufficient power to impose these rules on other players. Second, pluralism also concerns the differences in the inner logics of foreign direct investors or TNCs: even if they become major players in a host economy, they adversely contribute to the integrity and coherence of the institutional architecture of the economy involved. Third, closely related to this is the institutional weakness of the state and political players, who do not have the capacity to impose a reasonably stable institutional architecture framework. Fourth, as a result, national socio-economic orders offer easy access to outsiders or external players, which in turn can reinforce the patchwork nature of these orders. With low barriers to entry, the condition for new players to stay is only to withstand market competition.

As a matter of fact, the actual socio-economic orders of the CEE countries used to be much more complex, being deeply rooted in the past, and determined to a large extent by their own culture, especially the political and economic ones. Nevertheless, as we endeavored to show in the article, the most salient characteristics of the ideal type outlined above were a useful tool for understanding the situation in the case of those CEE countries that had dismantled in a 'leapfrogged' manner (according to the theory of punctuated equilibrium) their institutional fabric inherited from authoritarian socialism, were led by idealistically-minded, pro-liberal reformist elites, were deprived of a class of native capitalists and lacked genuine support from the old democratic states, but on the other hand were open, without restriction (by virtue of the tacit 'Washington Consensus') to the inflow of foreign capital. It is worth emphasizing in this context that, while big foreign business had many adverse effects in the CEE countries, well described in the pertinent literature, it did not however, unlike e.g., the 'state capture' by American TNCs in Latin America, exerted a 'toxic effect' on the political life of these countries.

Now that more than three decades have passed since the outset of systemic transformation the CEE countries, including the 11 new EU members in the region, we therefore ask whether the ideal type of 'patchwork capitalism' outlined in the article can be still applied to understand the behavior of their national socio-economic orders, and if so, is this the case of all countries concerned? The search for an answer should start with a reconstruction of these orders in the language of average

or statistical types, and only on this basis should an attempt be made to provide a methodologically satisfactory answer to the question. For obvious reasons, we will not carry out such analyses in this article, but we can draw attention instead to a number of most salient phenomena occurring in Central and Eastern Europe. The first such phenomenon boils down to the perpetuation of the status of most CEE countries in the entropic niche at the semi-periphery and periphery of Europe coupled with the consolidation of differences between individual countries and their groups, found in the first period of transition which may be seen as a proof of the long duration of their institutional architectures. Secondly, parallel to the institutional permanence, the persistence of cultural patterns and their multi-generational reproduction can be found. Thirdly, the durability of the class structure and the relations between the elements of this structure should also be indicated. Fourthly, in addition to this static dimension of the situation prevailing in the CEE countries, the modernization processes need to be emphasized, especially in the economy, which involved most countries of the region and allowed some of them to radically move upwards in the respective international rankings (the case of Poland).

The aspect of state power and economic power deserves separate attention. In many CEE countries, the state apparatus and the political class serving it began to increase their influence in the economy, which was coupled with a rising scope of state ownership. These actions were motivated by the need to centralize power in the face of the challenges unleashed by the multi-crisis (or rather, the multi-crisis provided a good pretext for centralization). The process has varied from one country to another, but according to our initial observations, governments did not focus on creating a specific, 'crises-oriented' institutional architecture for the economy as a whole which would meet the criteria of coherence and complementarity. Taking Poland, as well as Hungary, as a frame of reference, it may be safely concluded that while government administration in a number of CEE11 countries served the party (political coalition) in power as a vehicle of strengthening and consolidating its political dominance (subordination of the media and the judiciary), coupled with 'cutting the cake' in the economy (increasing the share of state ownership in the financial sector, creating state-owned economic corporations), the economic order as a whole continued to embody an ideal type of patchwork capitalism.

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ANEKS

Od Redakcji

Niniejsze wydanie WFES jest w całości poświęcone problematyce „kapitalizmu patchworkowego” i jego konceptualizacji. W latach 2015–2019 zespół ekonomistów i socjologów z SGH, kierowany przez ekonomistę Ryszarda Rapackiego, realizował projekt badawczy finansowany z grantu NCN pt. „Powstanie i ewolucja odmian kapitalizmu w Polsce i nowych krajach członkowskich UE z Europy Środkowo-Wschodniej – próba instytucjonalnej analizy porównawczej”. Do zespołu zostali zaproszeni socjologowie ekonomiczni, w tym Juliusz Gardawski. W trakcie prac zespołu pojawiła się idea „kapitalizmu patchworkowego” (sam termin został zaproponowany przez Rapackiego). Była to próba dobrania odpowiedniego aparatu pojęciowego i terminologicznego, który w sposób najbardziej trafny oddawałoby istotę i cechy szczególne wykrytego w badaniach, specyficznego typu kapitalizmu, powstałego w krajach EŚW.

W ówczesnej fazie prac nad specyfiką kapitalizmu polskiego i krajów Europy Środkowo-Wschodniej wyodrębniono następujące główne zjawiska, uzasadniające przyjęcie nowego pojęcia i zastosowanie terminu „patchwork”: (i) brak całościowej wizji docelowego, budowanego w Polsce i innych krajach EŚW modelu kapitalizmu, z czym wiązały się przypadkowo dokonywane zmiany instytucjonalne; (ii) brak dominującego typu kapitału, który narzucałby własne preferencje w zakresie „osnowy”: było to m.in. konsekwencją szerokiego dostępu kapitału zagranicznego, pochodzącego z różnych krajów oraz współistnienia różnych form własności krajowej, z których żadna nie zdobyła lub nie utrzymała na tyle silnej pozycji monopolistycznej, aby narzucić gospodarce własną architekturę instytucjonalną; (iii) połączenie w jednej konstrukcji składników egzogenicznych i endogenicznych; (iv) wyraźny deficyt komplementarności instytucjonalnej. Powstały w ten sposób w krajach EŚW kapitalizm przypominał raczej patchworkową derkę, zszytą z przypadkowo dobranych elementów niż spójną konstrukcję o silnej osnowie instytucjonalnej, wykazującą znamiona systemowości.

Pod koniec prac we wspomnianym projekcie Gardawski i Rapacki podjęli próbę konceptualizacji kategorii kapitalizmu patchworkowego. Analizy prowadzone przez autorów wskazywały, że patchwork nie powinien być interpretowany jako wynik przypadkowego zbiegu wydarzeń, lecz jest efektem pewnej prawidłowości, immanentnej dla regionu Europy Środkowo-Wschodniej. Dalsze, bardziej pogłębione analizy tej prawidłowości, prowadzone w dużej części przez odwołanie się do Weberowskiej metody typu idealnego, pozwoliły na zarysowanie teorii średniego zasięgu. Analizy te były od pewnego czasu prowadzone w ramach grantu NCN, który dotyczył specyfiki „świadomości społeczno-ekonomicznej, doświadczeń pracy i strategii radzenia sobie Polaków w kontekście kryzysu post-pandemicznego” (grant o symbolu COV-WORK).

Zgodnie z nową konceptualizacją o właściwościach typowo-idealnych, kapitalizm patchworkowy można opisać jako wynik szeregu procesów i działań, cechujących się specyficzną logiką, które narzucały unikalną trajektorię rozwoju instytucjonalnego w krajach EŚW, prowadzącą do powstania porządku społeczno-gospodarczego nasyconego cechami patchworku. Na potrzeby swej analizy autorzy opracowali oryginalny schemat pojęciowy wsparty odpowiednimi narzędziami pozwalającymi na jego operacjonalizację. Nowa konceptualizacja pozwala na bardziej pogłębioną interpretację wyników badań empirycznych, przeprowadzonych w ramach pierwszego grantu, a także umożliwia tworzenie hipotez odnoszących się do aktualnych procesów społecznych (w przyszłości autorzy planują analizę współcześnie występującego, nasilającego się zjawiska wielokryzysów przy wykorzystaniu teorii kapitalizmu patchworkowego).