

Patchwork Capitalism (Remarks on the Sidelines of the Concept put forward by Juliusz Gardawski and Ryszard Rapacki)

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Abstract

This article presents a critical analysis of the concept of patchwork capitalism and the resulting methodological perspective created by Juliusz Gardawski and Ryszard Rapacki. The authors conducted extensive research, resulting in new theoretical and methodological tools that they used to study capitalism in Central and Eastern Europe. An important research result is the development of the ideal type of capitalism in the Weberian sense of the term. I think that at this stage of research, the authors have provided insufficient arguments to verify the hypothesis of the patchwork nature of Central European capitalism. However, there are also no grounds for rejecting it. This is a matter for further research. The concept of patchwork capitalism inspires academic debate. It is a very promising theoretical proposal that can be used both to verify and falsify hypotheses about the patchwork nature of institutional economic arrangements in various national economies.

Keywords: patchwork capitalism, ideal type, Central European capitalism

JEL Classification Codes: P16, Z13, P26

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1. Introduction

The inspiration for writing this essay was reading the extensive study *Patchwork Capitalism in Central and Eastern Europe – New Conceptualization*, authored by Juliusz Gardawski and Ryszard Rapacki. The authors set themselves an ambitious goal of creating a new, original conceptualization of the essence of post-communist capitalism in the countries of Central and Eastern Europe. The authors develop the thesis that these countries currently share various systemic similarities that allow them to be considered within the framework of a single ideal type in the Weberian understanding of this concept. In their opinion, the variant of capitalism popularized here has a unique and peculiar character that clearly distinguishes it from capitalism in several Western European versions. Right at the outset, they announce that they will prove that the CEE countries are characterized by the incoherence of “institutional architectures”, which consists in the lack of permanent institutional “matrices” that organize the fundamental socio-economic rules of the game in such a way that they are able to impose uniform principles of functioning on secondary institutions, or “threads”. They give this ideal type of capitalism the name “patchwork capitalism”.

2. Central European Ideal Type of Patchwork Capitalism

Let us begin by emphasizing that the authors focus in their analyses on the institutional aspect of the functioning of capitalism, that is – in other words – they operate within the normative culture. However, they omit symbolic culture, the interactive aspect of management, as well as the structure of interests arising from access to rare goods, and thus the other fundamental types of systemic bond of capitalism. It should be added here that they directly announce precisely such an approach to the analysis of capitalism in the countries of Central and Eastern Europe.

In their analyses, they are inspired by, among others, research on the new institutional economy, new economic sociology, economic anthropology, and comparative political economy. Using the Weberian method of the ideal type, they conclude that the countries of Central and Eastern Europe are characterized by a lack of permanent institutional economic frameworks that could determine the character of secondary institutional economic “players” in the long run. They show that the Central European patchwork is a consequence of the specific, centuries-long evolution

of “socio-economic orders” in the Central European countries, and especially of the weakness of their institutional architectures that has persisted for several centuries, as well as two institutional and class breakdowns in the development of capitalism in the years 1939–1949 and 1989–1991. An important factor that has weighed on the current shape of the capitalist system is, among other things, the much greater role of politicians than capitalists in the transformation of the economy in the 1990s. In their opinion, patchwork capitalism has poorly developed and incoherent, especially basic formal institutions, including state and law institutions. This results in its increased instability, susceptibility to subsequent changes and “sliding towards hybrid forms.” In explaining this increased susceptibility to exogenous changes, they also refer to the physical laws of thermodynamics.

They write: “At the same time, the patchwork order is relatively open to adding new elements (organizations, institutions), which results from low barriers and entry costs, which in turn are the result of the weakness or lack of «fabric» institutions and social classes ready to defend them. As a result, new organizations and institutions can relatively easily introduce their own institutional logics into this order. This causes – on the one hand – the entropic «developmental drift» of patchwork capitalism, but on the other hand this openness increases the potential for adaptation to radical changes in the external environment, as well as to the emergence of possible internal innovations” [Gardawski, Rapacki 2021].

In their research, they use four models of Western European capitalism. These are: (a) the continental model, empirically embodied in Germany; (b) the Anglo-Saxon model, represented by Great Britain; (c) the Scandinavian model, implemented in Sweden; and (d) the Mediterranean model, which characterizes Spain and Italy. In their comparative analysis of EU countries, they use 132 institutional indicators. Using the grouping method, they identify various “clusters of EU member states” with similar sets of institutions, and above all, they reveal the key features of the matrix, i.e. the features of the dominant institutional architecture in these clusters. Taking into account the types of Western capitalism thus identified – and the institutional areas and aspects that are key to them – they check whether (and to what extent) individual CEE countries underwent institutional convergence (or divergence) in relation to any of the Western European clusters. They analyze the identified similarities and differences between the national clusters of the EU and the CEE countries using six “pillars” of the institutional architecture, which concern: (1) competition in the product market; (2) the labor market and industrial relations; (3) financial intermediation; (4) the social security system; (5) the knowledge and education system; (6) the housing market. To measure the institutional features of

each of the above-mentioned areas, they use a set of six indicators characterizing the economic results achieved in the key components of the institutional architecture. As a result, they describe the institutional architecture of the CEE countries, taking into account 36 indicators, to which they assign appropriate coefficients of their similarity to individual clusters characterizing the EU countries. For individual economic institutional areas of the CEE countries, they construct “similarity hexagons” to illustrate the level and structure of similarity of a given area in each CEE country to individual models of Western European capitalism.

As they write, the Central European countries studied “...revealed simultaneous institutional proximity to more than one Western European model of capitalism, with differences in the corresponding similarity coefficients being quite small. At the level of institutional areas, this polycentric pattern of similarity can be seen in particular in the case of the labor market and industrial relations, financial intermediation, the social security system and the housing market, where the institutional features of the sample countries made them almost equally similar to the Mediterranean countries and to the Continental and Anglo-Saxon models of capitalism (labor market), with similarity coefficients exceeding 60 in most cases (on a scale from 0 to 100 – W.G.). These results seem to confirm our initial hypothesis regarding the patchwork nature of capitalism emerging in Central and Eastern Europe in terms of its heterogeneity and the institutional diversity of its components” [Gardawski, Rapacki 2021].

The authors, using precise and multi-threaded research tools, have thus demonstrated that the Central European countries have fundamental institutional solutions that simultaneously refer to some institutions that characterize all types of Western European capitalism. And this is a fact well documented by them. However, I do not think that this is sufficient to verify the hypothesis that Central European capitalism has a patchwork character (from the point of view of the definition of patchwork developed by the authors), as well as the hypothesis that it is a peculiarity from the point of view of the economies of the old EU countries. First, it would be necessary to demonstrate more strongly that the frameworks of Central European capitalism do not really fit together. What is the nature of these significant “divergences” between institutional frameworks, as well as between formal and informal institutions? The mere occurrence of institutions in combinations not encountered in Western European clusters (and therefore their assumed apparent or actual foreignness) does not necessarily have to indicate the dysfunctional nature of the national economies of CEE as a whole. This requires in-depth research, the results of which would document the dysfunctionality of the institutional systems they identified. In this case, comparing the efficiency of the economic institutions of the old EU countries with

the CEE countries is an insufficient criterion. The lower current productivity of the CEE economies may result from many factors other than institutional patchwork, including the different starting points of the CEE countries after the systemic transformation at the turn of the 1980s and 1990s. This concerns, among others, the lower potential of productive forces and lower civilizational competences. In addition, it should be taken into account that most Central European countries are characterized by a significantly higher dynamics of productivity growth in the 21st century than the dynamics of productivity growth of Western economic organizations. This also applies to the dynamics of productivity growth of entire national economies.

The authors state that most of the CEE national economies refer to the continental model in terms of institutional solutions, while to the Mediterranean model of capitalism in terms of economic results. Therefore, they do not meet the exemplary standards of economic efficiency implemented in the continental model. They write that “even proven and otherwise efficient institutions do not automatically guarantee equally good economic results if they are transferred to a different socio-cultural, political and economic context.” This observation accurately characterizes the relations that may occur between the institutional dimension of the economy and other dimensions, but it goes beyond the cognitive field in which the authors intend to operate. Let me remind you that for them, patchworkness is located only in the institutional plane. In this way, they themselves see the inefficiency of the economy outside the patchwork system of institutions - in the broadly understood culture, interaction structures and the structure of social distances - which they do not directly articulate. Another criterion of patchworkness may also be unreliable, which - according to the authors - is supposed to consist in a greater susceptibility of the national economies of CEE to the absorption of subsequent external institutional solutions than is the case in the West. Openness to new institutions - combined with a reduced ability or readiness of the frameworks to impose national formal straitjacket on these innovations - may also be an expression of the high flexibility of the economic frameworks of the CEE countries (or, to use Taleb's concept - a consequence of increased antifragility). And this could indicate something quite the opposite, i.e. a special kind of high coherence of fundamental institutional solutions, especially if the system's assimilation of new organizations is not accompanied by institutional confusion.

The same can be said about increased entropy. Entropy of social wholes (both positive and negative) was already analyzed by classic sociologists using other conceptual models, including the categories of evolution, progress, regression, and anomie. Both directions of change (either the complication of structures and the growth of

tensions on the one hand, or their impoverishment and the disappearance of potential on the other) could be the result of various factors, and not just the degree of system coherence. Secondly, the hypothesis that patchworkness is a peculiarity of the CEE countries is at an initial stage of verification. In order to confirm it satisfactorily, it would be necessary to demonstrate in the second step (after establishing that patchwork characterizes the CEE countries) that the four models of Western European capitalism analyzed by the authors are not patchworks. Or maybe they are? It would therefore be necessary to analyze, using the same tool, which is the ideal type of patchwork, also the institutional framework of each of these four models against the others. It is not yet known whether any of these types does not contain key institutions in their framework, which I refer to in terms of shape to the other three types. An important research result is the discovery that the patterns of the institutional architecture of the CEE economies are characterized by significant homogeneity and stability over time. In addition, the national CEE economies are heading "towards the same model of capitalism." The authors interpret this fact as "evidence of the continuity of the very essence of patchwork capitalism in the studied group of countries" and at the same time "evidence of the occurrence of patchwork features with a high intensity in all or almost all the studied countries." However, I do not think that this result is sufficient to formulate the above conclusions. The arguments justifying my opinion are similar to those in the previous paragraphs, so I will not repeat them. However, I would treat this research result as evidence that most Central European countries represent a certain ideal type, different from the four ideal types popularized in Western countries. I emphasize – different, but not unique. I did not find sufficient arguments in the study to state that Central European capitalism is patchwork, while Western European capitalism is not.

Another important research achievement is the demonstration that this Central European ideal type of capitalism occurs in several evolving variants. The CEE countries differ in terms of institutional distance from individual models of Western European capitalism, as well as in terms of processes consisting in either shortening or lengthening it. In connection with this, they conclude: "This finding supports our initial hypothesis in the part referring to another important feature distinguishing the patchwork order in our conceptualization, i.e. its instability and low predictability of the survival and continuation of specific institutions." At this stage of the research, I subscribe to this conclusion – except that for now I would suspend the use of the adjective "patchwork" until the results of further research dispel doubts regarding the hypothesis of the patchwork character of institutional frameworks. Equally cognitively attractive is the hypothesis of the incongruence of the institutional sub-

system with the other subsystems, which may result in instability and low predictability of the survival of the economy in its current form. This first subsystem may be characterized by greater coherence than the economy as a whole, and protect it from excessive variability.

3. Conclusion

The authors of the patchwork study together with their team carried out a huge amount of research work, which resulted in a refined and precise theoretical tool that can be used to study various versions of capitalism in its institutional aspect.

An important research result is – firstly – the development of a new type of ideal capitalism (in the Weberian sense of the word) and the analysis of the economies of Central and Eastern European countries using it.

Secondly, the authors showed that the Central European variant of capitalism is fundamentally different from several of its Western European varieties.

Thirdly, in their research they used the rich theoretical instruments of the ideal type they created, and especially institutional indicators that characterize the content of the warps and threads of the institutional economic system, as well as the connections between them.

Fourthly, I believe that at the current stage of research the authors have taken too few arguments to sufficiently verify the hypothesis about the patchwork nature of Central European capitalism. But there is also no basis for rejecting it. This is a matter for further research.

Fifth, the authors positively verified the “initial hypothesis regarding the status of the CEE countries as a new research category representing a separate type of capitalism.” And this is an important research effect, because they also showed that the ideal type of patchwork capitalism developed by them “allows for an understandable presentation of the multi-aspect nature of empirical and statistical phenomena” [Gardawski, Rapacki 2021]. This tool sensitizes researchers (directs their attention) to important aspects of the functioning of capitalism not only in the Central European variant, but also in other varieties popularized in the world.

Sixth, the concept of patchwork capitalism provokes scientific debate and inspires. The results obtained with its application raise new questions, encourage continued research (and constitute the basis for applying for further grants). This is a very promising tool that can be used both to verify and falsify hypotheses about the patchwork nature of institutional solutions in various national economies. And regardless of the

results that the research will bring from the point of view of a potential patchwork, it allows for the unveiling of important features of individual national economies in the institutional dimension.

References

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