

# Extended Conceptualization of “Patchwork Capitalism”. In response to the discussants

The article was prepared in collaboration  
with Ryszard Rapacki

Juliusz Gardawski<sup>\*</sup>

## Abstract

*This article is devoted to the “Extended Conceptualization” of patchwork capitalism (hereinafter also referred to as PC). It constitutes the third step in work on the methodological aspect of PC. The first step was the development of a conceptualization, which served as the basis for the research published in the books edited by Ryszard Rapacki [Rapacki (ed.) 2019a and 2019b]. This conceptualization is referred to as “Conceptualization I.” A qualitatively new step was the development of a second conceptualization by Juliusz Gardawski and Ryszard Rapacki [2021], which we will refer to as “Conceptualization II.” While “Conceptualization I” was primarily grounded in New Institutional Economics, comparative political economy, and related disciplines, Conceptualization II, while still incorporating economic and institutional perspectives, was partially grounded in the achievements of New Economic Sociology and approaches related to the culturological trend in the social sciences. Conceptualization II was evaluated by economists and sociologists. Their comments influenced the development of the next conceptualization, as did the results of new analyses by Juliusz Gardawski, conducted in collaboration with Ryszard Rapacki. This work formed the basis for the third version of the conceptualization, which we refer to as the “Extended*

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<sup>\*</sup> SGH Warsaw School of Economics (professor emeritus), e-mail: [jgarda@sgh.waw.pl](mailto:jgarda@sgh.waw.pl), <https://orcid.org/0000-0001-9252-0756>

*Conceptualization.” It should be emphasized that it is not qualitatively new compared to Conceptualization II, but it does extend upon it significantly.*

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## 1. Introduction

The present article is devoted to an “Extended Conceptualization” of *patchwork capitalism* (hereinafter we will also use the acronym PC). While developing the extended concept of PC we found the comments of Krzysztof Jasiecki [2022], Wiesław Gumuła [2022], and Jacek Sroka [2022] largely helpful as well as those contributed by Marek Garbicz, Adam Czerniak, and Piotr Maszczyk. Simultaneously, we capitalized on the results of own new research in this field.

The subject of the comments by Jasiecki, Gumuła, and Sroka was the “new conceptualization” of PC, put forward in the 2021 issue of the “Warsaw Forum of Economic Sociology” [Gardawski, Rapacki 2021]. This conceptualization was qualitatively new compared to the original idea of PC outlined earlier in the works by Rapacki [(ed.) 2019a] and Rapacki [(ed.) 2019b], as well as Gardawski and Towalski [2019]. In this article, this original conceptualization of 2019 will be referred to as “Conceptualization I”, while the conceptualization elaborated in 2021, discussed by Jasiecki, Gumuła, Sroka and the above mentioned commentators, will be labeled “Conceptualization II.” In turn, the latter that will be further developed in this article by Juliusz Gardawski in collaboration with Ryszard Rapacki, in reaction to the remarks of the discussants, will be termed “Extended Conceptualization.” The article is structured as follows. Besides this introduction, it consists of four chapters. Chapter I addresses the aforementioned commentaries, particularly those by Krzysztof Jasiecki, Wiesław Gumuła, and Jacek Sroka. It considers the discontinuity between Conceptualization I and Conceptualization II. The chapter begins with a discussion of Conceptualization I, including the qualitative difference between Conceptualizations I and II. It then characterizes the specificity of Conceptualization II, details the differences between Conceptualizations I and II, and offers some comments on the ideal type method in Marxist economics and history. Chapter II is devoted to the rationale for developing the Extended Conceptualization and the theoretical inspirations influencing this extension. Chapter III discusses the Extended Conceptualization: its historical legacy, the specific sequence of two successive ruling elites of the

PC (the breakthrough elite and the adaptation elite), and the role of foreign capital. Chapter IV presents the ideal type of the Extended Conceptualization. Chapter V, the last one, discusses the competitive advantages of the PC on the one hand and its deficits and the prospect of the PC turning into authoritarian capitalism on the other.

## 2. The Problem of Discontinuity in the Conceptualizations of Patchwork Capitalism (PC) I and II

In the introductory part of his article Krzysztof Jasiecki [2022] discussed the advantages and limitations of our conceptualization in a comparative perspective, juxtaposing the conceptualization of PC brought out in the 2021 article [Gardawski, Rapacki 2021] (Conceptualization II), with the “earlier publications of the authors”, i.e. with the conceptualization put forward in 2019 [Rapacki (ed.) 2019a and 2019b] (Conceptualization I).

With regard to Conceptualization II, Jasiecki assumed that it was “a modification of the interpretation of the category of «patchwork capitalism» (i.e. Conceptualization I – J.G.)”. We wish to clearly emphasize, that our intention in developing Conceptualization II was to create a conceptual framework significantly *extended* in comparison to Conceptualization I. Conceptualization I has mainly drawn from the New Institutional Economics and rational choice theory, and it was based on the analysis of “average or empirical-statistical” types according to Max Weber’s methodology [Weber 2002: 16], making it close to empirical generalization, while Conceptualization II referred to Weber’s ideal type method. In the work on Conceptualization II, we continued to draw from the scholarship of New Institutional Economics, adding though as major sources of inspiration – unlike in Conceptualization I – Comparative Political Economy and its typologies of capitalism [Pontusson, Baccaro 2020], Economic Sociology (both classical and “New”), and Historical Institutionalism. Conceptualization I was mostly geared towards describing the existing socio-economic order, whereas Conceptualization II was mainly aimed at understanding it. Conceptualization I referred to Bruno Amable’s concept of Diversity of Capitalism, while the key benchmark for Conceptualization II was Peter Hall and David Soskice’s theory of Varieties of Capitalism. Hence, our goal in devising Conceptualization II, was not to continue the previously used method but to *extend* it qualitatively, although we did draw on some of the empirical results of the research

conducted in line with Conceptualization I. In turn, the Extended Conceptualization, which will be discussed later in this article, was in some respects an upgrade of Conceptualization II, with important ameliorations though, concerning *inter alia* the punctuated equilibrium method and the role of power and institution of the state. It needs to be underlined that in this case no qualitative change occurred.

Below, we will highlight the difference between Conceptualizations I and II by referring to the classification criteria applied by Anna Grosman, Piotr Kozarzewski, and Ilya Okhmatovskiy. They pointed out that “it is important to distinguish between employing a qualitative (holistic, descriptive) approach versus a quantitative approach (with numeric economic indicators used for each country to calculate a score that determines the category to which this country is assigned).” According to the three authors: “[s]tudies that focus exclusively on the CEE countries usually rely on a holistic qualitative description of these economies to categorize them as representing a particular type of capitalism (...). Studies that attempt to categorize capitalist economic systems not only in the CEE region but around the world usually adopt a quantitative approach (...).” The same authors also name the differences between the static and dynamic approaches: “[s]tudies that take the static approach either ignore the possible evolution of economic systems over time or explicitly state that they are taking snapshots of the situation at specific points in time” [Grosman et al. 2023: 3]. In the case of the dynamic approach, the research of the above-mentioned authors described changes in the categorization of some Central and Eastern European economies, which reflect how the political orientation and organization of these economies have evolved.

Seen from this angle, while our studies consistent with Conceptualization I were quantitative in nature, development of the ideal type of patchwork capitalism inherent to Conceptualization II and Extended Conceptualization requires a qualitative approach.

Krzysztof Jasiecki, emphasizing the value of our references to current research in the literature (“the presented text contains a very good review of theoretical and empirical literature on post-communist capitalism, along with an extensive, competently selected bibliography”), draws attention to the “original allocation of the concepts surveyed into three groups”: the first, using standard frames of reference, mainly Varieties of Capitalism – VoC [Hall, Soskice 2001] (we will add that it is also true of the Diversity of Capitalism – DoC [Amable 2003]), the second, applying the VoC approach, with some modifications and amendments, and the third, employing original (non-standard) approaches. Jasiecki notes the remarks made by the present authors concerning the “definition and application of the Weberian ideal-type

method in relation to selected key features of capitalism in the CEE countries”, but he leaves these remarks without comment, even though it was the application of the Weberian method that gave rise to the fundamental methodological difference between the holistic Conceptualization II and the quantitative Conceptualization I.

In the next step of his reflections on Conceptualization II, Jasiński assumed in conditional mode that “perhaps this omission (abandoning the Amable’s concept as a frame of reference – J.G.) is motivated by the evolution of their theoretical identifications, articulated in the new conceptualization of «patchwork capitalism».” He also noted that the authors in the book edited by Rapacki in 2019 “attempted methodological emancipation and the application of their own approach and methods of analysis”. In this context, Jasiński made explicit the reasons why, in his view, we were looking for new tools, namely “high political volatility and institutional instability”, for the interpretation of which there is a lack of “appropriate tools in most theoretical schemes of mainstream economics, but also in the toolbox of the new institutional economics.” Agreeing with such a reading of our intentions, we will add that the reference to sociological inspirations and to the ideal type method was a derivative of, on the one hand, a large diversification of the evolutionary processes in the societies of Central and Eastern Europe (CEE) coupled with the simultaneous presence of important invariant threads, and on the other hand, of our quest to better understand the emergence process and the nature of PC, which eluded a purely quantitative conceptualization I (which we discuss in more detail later). Hence, the use of the ideal type method stemmed from our desire to capture certain invariant features of the process of shaping the capitalist order in some CEE countries, which we had already encountered in the course of empirical research based on Conceptualization I and discussed in Rapacki [(ed.) 2019a] and in Gardawski and Towalski [2019]. Anticipating further analysis, we will now emphasize the specificity of the Polish reform elites (especially the “breakthrough elite”), which strongly influenced the activities of reformers in other CEE countries [Petrescu 2014].

Embarking on another theme of his article, Krzysztof Jasiński asks a fundamental question: “whether entering new institutional areas and opening up to other research perspectives” are a harbinger of “a far-reaching revision or change of views”, and if this were to be the case, then “it is advisable to justify to what extent the new concept of «patchwork capitalism» provides a better toolkit for research on this issue and how this can be reflected.” If, however, the new conceptualization (Conceptualization II – J.G.) was not intended to be such a revision, then Jasiński puts forward three hypotheses: firstly, it may be a symptom of the “inconsistency of assumptions and methodologies between subsequent conceptualizations of «patchwork capitalism»”;

secondly, it may constitute “merely a supplement to the previous typologies of capitalism” (here Jasiecki applies a boxed design and asks in turn what “new dimension” would be extended if the second hypothesis were positively verified); and thirdly, the new conceptualization may be seen as a concept developing theoretical tools, which, however, the authors themselves “criticize as inadequate for studying capitalism in the CEE region.”

The foregoing extended question has been supplemented by another one, concerning “deeper theoretical relationships between the earlier and the new conceptualization of «patchwork capitalism»” (Conceptualization I and Conceptualization II – J.G.).

We answer the first question in the affirmative – we come up with a new conceptualization, which is based on theoretical and methodological assumptions other than those adopted previously, which involves posing a new research question. If so, it is unnecessary to refer to the detailed hypotheses listed by Jasiecki.

The response to the second question, regarding the rationale behind using the “new toolkit” and the derivative question of what it consists of and what its “deeper theoretical relationships with the previous conceptualization” are, must be extended as it requires a detailed discussion of Conceptualization I, which will allow to highlight the specificity of Conceptualization II. First, however, we will emphasize that the new research question guiding Conceptualization II significantly diverged from the question posed by Conceptualization I. This is equivalent to saying that the theoretical continuity between conceptualization I and II was broken; still, certain findings arrived at within the framework of Conceptualization I proved to be important.

## 2.1. Characteristics of Conceptualization I of patchwork capitalism

Our answer should begin with a brief discussion of Conceptualization I and its operationalization in our previous study of socio-economic orders prevalent in 11 countries of Central and Eastern Europe (CEE). Likewise, we will seek to explain the reasons for labeling these orders as “patchwork capitalism” which subsequently paved the way to Conceptualization II and Extended Conceptualization.

As we wrote above, Conceptualization I was embedded in the New Institutional Economics and “international comparative studies of capitalism” [Rapacki (ed.) 2019b: 89], which were part of Comparative Political Economy (CPE), and was in many respects inspired by the concept of Bruno Amable [2003]. In the framework

of CPE, the aim was to determine whether, in terms of the prevailing institutional endowment, the CEE11 countries under study exhibit group similarities or, on the contrary, are a collection of individual cases. As a rule, studies conducted within the CPE reveal group similarities, which allow distinguishing models or types of capitalism. It should be strongly stressed, however, that there are many arguments in favor of a particular approach and the need to focus on national cases, especially when the subject of analysis is the actions of countries in the international arena [Fioretos 2001]. In this respect, there is also a profound difference between, on the one hand, reflection in the field of political economy and, on the other, economic sociology and political sociology. The latter accept the divergence thesis concerning the coexisting varieties of capitalism, yet they criticize attempts aimed to create typologies and build ideal types [for example: Granovetter 2017: 188 and following pages, Crouch 1997]. Without denying the validity of criticisms, which usually point to far-reaching deviations of individual cases from ideal types, we believe that both the evolution paths of socio-economic orders (political economies) and statistical similarities provide a rationale for creating types that group together related national cases.

This line of research has a rich history – most scholars mention Rudolf Hilferding’s achievements from the early 1920s as the beginning of systematic reflection on the synchronic differentiation of the capitalist order (a diachronic reflection on the stages of the evolution of capitalism began earlier, to mention Lenin’s concept of 1916, presented in his work *Imperialism as the Highest Stage of Capitalism*). There is also a rich body of research critical of various typologies of capitalism and of the very idea of typological studies of capitalism. We will leave these complex issues aside in this commentary and confine ourselves to a brief presentation of the most relevant issues. We also wish to stress that Krzysztof Jasiecki, whose comments we are currently referring to, is one of the leading researchers of the Polish socio-economic order (Polish capitalism) as well as of capitalism existing in the CEE countries (first of all, the works authored by Jasiecki [2013] and Jasiecki [(ed.) 2020] should be mentioned).

The starting point for typological analyzes is to identify the key components of relevant models or types of capitalism – “institutional domains”, “areas of institutional architecture”, “building blocks”, “elements”, etc. (in this text we will use the term “institutional domain” or “institutional area”). Various theoretical and methodological approaches present in the CPE current make subject of their studies different sets of domains/areas and regard them as quantitative or qualitative variables; similarly, they take different perspectives while resolving the nature of relationships between them (it is here where we face the problem of complementarity and coherence of particular institutional systems).

Some domains are present in all typologies of socio-economic orders (e.g. industrial relations, labor relations), others are tailored-made, depending on particular research questions involved and country-specific features of political economies examined (e.g. the housing market).

Methods applied in the process of typology-building can be simply divided into those that are mainly empirically oriented and those that are mainly theoretically-gearred (constructivist). According to Johnson and Deeg [2006: 33]: “One strategy is to use ideal types, whereas another is to simply attempt an inductive empirical clustering of cases.” These authors pointed out to Amable’s [2003] approach as taking an intermediate position (“While he uses cluster analysis to identify the groups or types of capitalism to be found, he provides a deductive theoretical argument to explain those clusters”).

In terms of structure, the presence or absence of a leading domain is important. In theories in which such a domain is distinguished, it is most often the institution of the state or the institution of a firm (corporation). In the case of two theories that are our frame of reference (VoC by Hall and Soskice, and DoC by Amable), while the former is firm-centered, the latter does not distinguish a leading domain. This results, among others, from the hierarchical and complementary method of reconstructing the types of capitalism and from the empirical method of multivariate statistics employed by Amable. In turn, the three authors cited earlier in this paper [Grossman, Kozarzewski, and Okhmatovsky 2023] place the primary research focus on state-business firm relations.

Now, we will briefly recap the key features of the DoC typology due to its importance for our previous conceptualization (Conceptualization I) of patchwork capitalism in CEE countries.

Bruno Amable conducted his research on a large group of countries across five domains (institutional areas) he distinguished: (1) product market competition; (2) wage-labor nexus; (3) financial intermediation system; (4) social protection; and (5) education and knowledge system. While working on the research problem related to Conceptualization I, the team led by Ryszard Rapacki concluded that this was Amable’s approach that allowed “to capture the most important features of the institutional architecture in selected, deemed most important and interrelated fields (...)” [Rapacki (ed.) 2019b: 93].

In the study carried out by Amable, each institutional area selected was made subject to principal components analysis and cluster analysis, which allowed for building six area-specific axes. As a result, the author proposed sub-typologies of capitalism along those axes, specific to each area. The diversified picture obtained



became the basis for higher-level typology, being a synthesis of the sub-typologies concerned. It enabled – as a derivative – to single out five models of Western-type capitalism: market, social democratic, continental European, Mediterranean and Asian [Amable 2003].

In its work on Conceptualization I, the research team did not apply the principal components analysis along the lines of Amable, nevertheless it adopted as a starting point several key results of his study. These included in the first place break down of the institutional architectures scrutinized into five areas identified by this author, even though their number was extended to include the sixth domain – the housing market. For benchmarking purposes we also selected four “reference” countries as the most typical representatives of four of Amable’s five models (for obvious reasons, the Asian model was excluded).

Thus, the market (also called Anglo-Saxon) model was represented by the UK, the continental European model by Germany, the Mediterranean model by Spain/Italy, and the social democratic (also dubbed Nordic) model by Sweden. For each area/domain, six indicators – treated as quantitative variables – were selected for comparative analysis (if applicable, qualitative variables were quantified, too). They were divided into two groups: three “input” variables reflected the key design features of the institutional architecture of a particular area (they can be regarded as independent variables) and three “output” variables (dependent variables), measuring the outcomes or performance in this area (e.g. in the area of “labor market and industrial relations”, input variables comprised the level of unionization, the scope of collective agreements and the scope of state intervention, whereas output variables included the employment rate, the share of temporary employment and the share of low wages [Gardawski, Towalski 2019]). The dynamics of changes in institutional architecture were examined by comparing the level of six variables describing six institutional areas in each of the 11 CEE countries, with their respective values in four reference countries in 2005 and 2014.

Without going into the results of the analyses at that time, we will stress that they illustrated the phenomenon of widespread destabilization of institutional structures, suggesting “a large heterogeneity and internal incoherence of capitalism emerging in Poland and other CEE11 countries. (...) In our view, these features justify the terminological proposal to refer to the model of capitalism existing in Poland and other CEE11 countries as patchwork capitalism” [Rapacki (ed.) 2019b: 342]. Let us emphasize that at the stage of research conducted along the lines of Conceptualization I, the term “patchwork” did not yet have a theoretical justification; rather, it was closer to a metaphor.

Conceptualization I used an original method of illustrating the distances between institutional structures (hexagons of similarity) and an advanced statistical procedure (subspace clustering), which allowed to identify clusters of the EU member states, and among them to distinguish a separate cluster made up of most CEE countries. This cluster was distant from the remaining clusters comprising Western European countries. This indicated the institutional peculiarity of the 11 CEE countries and became one of the premises for the subsequent attempt to theoretically develop the concept of patchwork capitalism using the ideal type method within Conceptualization II.

Piotr Maszczyk and Mariusz Próchniak, while discussing the methodological assumptions underlying Conceptualization I, were aware of the metaphorical nature of the qualification of socio-economic orders as “patchwork”. They argued:

*For the purposes of this study, we assume that the number of possible institutional arrangements (varieties/models of capitalism) coexisting in the European Union is given, which means that an institutional order that does not fit into the typology we adopted as a frame of reference and contains components from various models of capitalism, we will refer to it as «hybrid» or «patchwork». Perhaps with the passage of time it will turn out that this new type of institutional architecture in some areas we scrutinize or in the entire economy will prove to be not only sustainable, but also efficient. This will then constitute a premise to extend the current typology adding a new «ideal» model(s). Yet, at this stage of research, our main goal is to assess the degree of similarity (or dissimilarity) of Poland and other CEE11 countries to each of the four models of capitalism in Western Europe (...). We did not strive at this stage, however, to determine whether one, distinct model of Post-Communist capitalism has emerged in the CEE11 countries, or else – there are several different models coexisting there [Maszczyk, Próchniak 2019: 95].*

Thus, the cited authors confirmed only the metaphorical meaning of the term “patchwork” within Conceptualization I.

## 2.2. Is Patchwork Capitalism specific to CEE countries?

The statement made explicit by Maszczyk and Próchniak refers us to Wiesław Gumuła’s question [2022]: is patchwork a specific feature of a selected group of CEE countries, or rather a non-specific characteristic inherent to other socio-economic orders and other regions, too? If we were to limit ourselves only to Conceptualization I and to the results of the 2019 research, which was geared toward comparisons of the quantitative distributions of variables across the set of institutional areas constituting

the socio-economic orders of CEE11 countries and the four reference countries (and hence did not involve a theoretical interpretation of PC), then Wiesław Gumuła's doubts would be legitimate. Gumuła argued that: “the results seem to confirm the initial hypothesis concerning the patchwork nature of capitalism established in Central and Eastern Europe in terms of its heterogeneity and institutional diversity of its components. (...) The authors, using precise and multi-threaded research tools, have thus shown that Central European countries are endowed with fundamental institutional arrangements that at the same time are akin to some institutions typical of all varieties of Western European capitalism. And this is a fact well documented by them.” However, he then went on: “I do not think that this is sufficient to verify the hypothesis that Central European capitalism has a patchwork nature (seen from the angle of the definition of patchwork developed by the authors), as well as the hypothesis that it is a peculiarity if assessed from the perspective of the economies of the ‘old’ EU countries.” He further contended that he was not convinced to treat the results of empirical studies as a proof that “most Central European countries represent a certain ideal type, different from the four ideal types prevalent in Western countries. I stress – continued Gumuła – different, but not peculiar. I did not find sufficient arguments in the study to claim that Central European capitalism is a patchwork, and Western European capitalism is not.” We will add to Gumuła's caveat that it is mistargeted as it applies to quantitative results of our research, consistent with Conceptualization I, while ignoring Conceptualization II, which applies the ideal type method and extracts characteristic features that constitute the foundation of the patchwork, presented in the second part of the article he reviewed [Gardawski, Rapacki 2021: 25–63]. He uses the term “ideal type” to refer to the characteristics of the four reference countries, but does not take into account that they were not ideal types, but quantitative models.

Let us stop at this issue for a while. We asserted there that “[t]he unique features of patchwork capitalism mean that a multidisciplinary research approach must be adopted, making use of both qualitative tools, characteristic of evolutionary economics, comparative political economy, new economic sociology, economic anthropology and related disciplines, and quantitative methods, applied in mainstream economics, new institutional economics and related fields, inspired by the rational choice theory and game theory. Quantitative research (conducted within the framework of Conceptualization I – J.G.) allows us to measure, first of all, institutional heterogeneity, and to quantify incoherencies and manifestations of numerous mismatches between the main building blocks of the institutional architecture, inherent to patchwork capitalism. But this is the qualitative research that makes it possible to explain

the patchwork sources of these incoherencies” [Gardawski, Rapacki 2021: 77]. As we will try to demonstrate later in the article, the PC displays some peculiar traits, characteristic only of the CEE countries.

Later in his review, Wiesław Gumuła comes up with the following proposal: “[t]he institutional fabric of each of these four models (Western European: J.G.) should be examined using the same tool, that is the ideal type of patchwork capitalism, against the background of the others.” Let us reiterate in this context that as spelled out by Piotr Maszczyk and Mariusz Próchniak – while working on Conceptualization I – the research team led by Ryszard Rapacki did not apply the ideal type method, but performed instead quantitative comparisons of the distributions of variables depicting the institutional orders of CEE11 countries and four Western European reference countries. We need to also underscore that a hypothetical parallel study based on the application of the Weberian ideal types method which would involve not just the CEE11 countries, but also the reference countries, would have gone far beyond the research problem delineated in Conceptualization I. Let us finally add, as an aside, that the socio-economic orders of the reference countries have been subject to ideal-typical analyses in the relevant literature, particularly the Anglo-Saxon order and the continental German order (it suffices to refer here only to the well-known work by Michel Albert [1991] and the ground-breaking volume by Hall and Soskice [2001]).

Wiesław Gumuła points that “[a]n important research achievement [of the two authors] consists also in demonstrating that this Central European ideal type of capitalism co-exists in several evolving variants.” This proves (here Gumuła quotes Gardawski and Rapacki): “its instability and low predictability of the survival and continuity of particular institutions.” However, he comments on this as follows: “for the time being, I would suspend the use of the adjective ‘patchwork’ until the results of further research dispel doubts concerning the hypothesis of the patchwork nature of institutional fabrics. The hypothesis of the incongruence of the institutional subsystem with other subsystems is equally cognitively attractive, which may result in instability and low predictability of the survival of the economy in its current form. The institutional subsystem may be characterized by greater coherence than the economy as a whole, and protect it from excessive variability.” The doubts raised by Gumuła are consistent with those of Próchniak and Maszczyk, as well as with our conviction that it is precisely patchwork capitalism that may reveal comparative advantages over other models of capitalism with a high level of coherence and complementarity (which resonates with Jacek Sroka’s argument concerning the risk of excessive “tonality” [Sroka 2022]). This applies in particular to certain crisis situations, which gives rise to questions regarding the reasons why the Polish patchwork

order turned out to be relatively economically efficient during crises (especially the one of 2008+), compared to other, relatively coherent socio-economic orders (we refer to Piotr Maszczyk’s comment during one of the presentations of the concept of patchwork capitalism at the Socio-Economic Collegium of SGH).

Gumuła points to the limitations of Conceptualization I, contending that in our studies we focus exclusively on the “institutional aspect of the operation of capitalism”, that for us “patchwork is confined only to the institutional dimension” and therefore we only move “within the normative culture”, while we neglect “symbolic culture, the interactive aspect of management, as well as the structure of interests emerging on the basis of access to scarce goods, and thus the remaining fundamental types of systemic bonds of capitalism.” We can accept this reservation, but only with regard to Conceptualization I [Gardawski, Rapacki 2021: 77–89]. On the other hand, we find it difficult to agree with this caveat, if we consider the entire article discussed by Gumuła, where we put forward a “new” conceptualization (Conceptualization II) [see: Gardawski, Rapacki 2021: 25–77]. We admit, however, that the comments of Krzysztof Jasiocki and Wiesław Gumuła, as well as those of other researchers, revealed certain gaps that became the premise for undertaking work on the Extended Conceptualization.

The issue of the flexibility of the national economy in the conditions of PC is debatable – we agree here with Gumuła that a larger scope of adoption of imported institutional arrangements in the CEE economies, compared to their Western counterparts does not necessarily entail a declining efficiency of patchwork capitalism. On the other hand, a more complex issue is the claim that the adoption involved “might – as argued by Gumuła – indicate a special case of high coherence of fundamental institutional arrangements, especially if the assimilation of new organizations by the system is not accompanied by institutional confusion.” As we have tried to demonstrate, patchwork capitalism leads to “institutional confusion”; by definition, it constitutes a loose framework that allows for independent institutional logics, which, on the one hand, may increase the chances of adaptation to the international economic environment and to exogenous shocks, but on the other hand, it creates a barrier to sustainable development and causes “development drift”.

Krzysztof Jasiocki and Wiesław Gumuła’s reservations regarding the peculiarity of patchwork capitalism require a more in-depth explanation. In our view, the core of this explanation boils down to a specific combination of factors, including personal ones which make up a unique pattern that can be identified and best understood using the lens of the ideal type method. We devote the ensuing part of the article to this theme.

Concluding the theme of Conceptualization I, we wish to stress that the method of comparative analysis applied there can and should be used in future research on the evolution of the socio-economic orders in CEE countries. This would make it possible to empirically capture (or quantify) the directions of institutional changes in the long run, and in particular to determine whether the process of institutional convergence of the CEE11 countries toward the Mediterranean model of capitalism, revealed in our 2019 study [Rapacki (ed.) 2019b], has continued or not. Moreover, further research within the framework of Conceptualization I may allow for answering the questions raised by Wiesław Gumuła (see above) regarding the relations between the institutional orders in the CEE countries and those prevalent in mature market economies (reference countries in Conceptualization I).

### 2.3. The Dialectics of “Atonality” and “Tonality” of Patchwork Capitalism

Jacek Sroka's article discusses in an original way the problem of systemic rooting of patchwork capitalism. Defining the concept of “patchwork”, he highlights the component of coherence hidden behind it: “in the coherence of a real-life patchwork, constituting a whole made of different pieces of fabric sewn together, what counts are the similarities of the type of material itself (fabric composition), but also the convergence of its structural texture (resulting from the way it is made) and the play of color and pattern combinations evoking aesthetic associations.” This approach is legitimate with respect to the “thread” in our theory, i.e. organizations (firms) and secondary institutions, i.e. the “players” in North's theory. This is because economic organizations have a similar socio-economic nature, as they consist of similar types of “domains”.

Based on this statement, in the next step of his analysis Sroka asks a question in the form of a suggestion regarding the specific coherence (“adding up”) of the patchwork arrangement seen in a broad, global perspective: “since in art and in the aesthetics examining aspects of art, the tonality and atonality of combinations can be considered and perceived as opposed, but at the same time their joint occurrence and the «games» of their relations *summa summarum* do not have to mean disharmony in the entire work «merely» because in the reception these combinations may appear atypical or even odd – could *per analogiam* the consequences and inconsistencies of capitalist-patchwork logics, processes and actions also be considered as ultimately «adding up» within the socio-political-economic «creation» that is modelled by the patchwork metaphor?”

This insight suggests the following interpretation – since the main source of patchwork in CEE countries is foreign investment, and we incorporated the concept of a dependent market economy (open to penetration by transnational corporations [TNCs]) into the patchwork theory, if we extend the context of our analysis or put the socio-political-economic “creation” in a global or world market perspective, then our “atonal” national patchwork will reveal its “tonal” international dimension. We mean here a situation when, under specific economic and social conditions prevailing in a country embodying patchwork capitalism, it is possible to predict in advance with a specified probability which TNCs (assuming their economic rationality) will “stick” to a given national patchwork and which will not. This will mean that at this level of analysis, the particular “atonality” with its inherent randomness, entailing “drift”, will turn out to be an aspect of the global “tonality” of the supply chains of the world economy.

Referring to the comparisons with a swarm of bees or a school of fish, Sroka formulates another conclusion: “Perhaps, then, in the «hidden structure» of patchwork there lie certain deeper regularities, which, on a scale of long or at least prolonged duration, can generate tonal effects from atonal combinations.” Extending on this conclusion, Sroka points to the risk that radical tonality can carry: “excessively tonal combinations of «forces and intentions» (i.e. available resources and plans being formulated) may over time slow down development and lead to degenerative stagnation.”

In the next paragraph, the author continues the theme of the risk carried by radical “tonality”, which he compares to such manifestations in art as modernism of socrealism and Nazi Kunst. On the other hand, he notes the risk associated with anarchist postmodernism carries, which rejects all “tonality” and focuses on a single, “atonal” object. In the context of such dilemma, the patchwork order, being “atonal” on a micro scale, shows its tonal face on a macro scale, or at the global level (“meta-level”). In this way, the pitfall of choosing between the extremes “modernism vs. postmodernism” may be avoided.

The subsequent question posed by Jacek Sroka refers to the possibility of correcting the patchwork order by loosening the stitches through individual activities of citizens “inspired by experiences from their own contacts with micro-scale embodiments of large-scale phenomena and processes.” Among these problems unleashed by patchwork, Sroka highlights the ties that are dysfunctional for a particular system and/or dysfunctional for (some) elements and actors of this system. Let us add that we can refer this conclusion to the “drifts” of the patchwork order, which turned out to be dysfunctional for the country’s economy (sudden withdrawal by TNCs of technologically-advanced manufacturing and replacing it by “dirty” production

generating imports of entropy to the country). In such cases, manifestations of civic activity were noted, but with moderate effectiveness.

The issue raised by Jacek Sroka in the closing part of his contribution concerns “atonal” games of interests. Here he draws attention to social support networks provided by groups taking advantage of the attractiveness of various types of rent-seeking. The answer to this question may be connected with observations of the reactions of workers’ organizations, trade unions and works councils, which identify themselves with the interests of a TNC to which a given subsidiary belongs, but do not show solidarity with trade unions from other firms or even with their own trade union headquarters. On this ground, the phenomenon of “axiological patchwork” may arise, consisting in a deep axiological-normative divisions within societies along the boundaries separating various “patches” of the patchwork socio-economic order.

## 2.4. Differences between Conceptualization I and Conceptualization II of Patchwork Capitalism

Conceptualization I [Rapacki (ed.) 2019a and 2019b] provided an in-depth picture of the differences in the distribution of quantitative variables in six institutional areas in the CEE11 countries compared to analogous areas in the four reference countries. Its goal however was not to expound the historical roots and nature of these differences, let alone their theoretical explanation. If we were to stop at the static Conceptualization I, then doubts concerning the unique nature of PC would be valid. In one of his studies, Krzysztof Jasiecki [2018: 338] also pointed out to the difficulties in explaining the phenomenon of heterogeneity or patchwork in the case of research applying methods appropriate to the VoC (Hall and Soskice) or DoC (Amable) theories which he assessed as “ahistorical”.

Conceptualization II, authored by Gardawski and Rapacki, was already announced in our book presenting the empirical results of a comparative study carried out within the framework of Conceptualization I and quantitative research [Rapacki (ed.) 2019b]. The main research question, which was the premise of Conceptualization II, concerned *explaining and understanding* the nature of capitalism prevalent in CEE countries in the evolutionary perspective. However, as we emphasize, there are some gaps in the 2021 article, which were identified primarily by Krzysztof Jasiecki and Wiesław Gumuła, as well as by Marek Garbicz. Ryszard Rapacki responded to Garbicz’s review in a separate article prepared in collaboration with Juliusz Gardawski.



In the present article, we propose a conceptualization that further develops Conceptualization II, which we label using the term “Extended Conceptualization”.

As a side remark in our discussion on conceptualizations of patchwork capitalism, it should be added that debates on the patchwork nature of capitalism established in Poland and other CEE countries were initiated by a team of economists from the SGH Warsaw School of Economics, led by Ryszard Rapacki, who were joined by economic sociologists from the same university (Juliusz Gardawski, Rafał Towalski) as early as in 2015. It was then that the term “patchwork capitalism” appeared, coined by Ryszard Rapacki during a discussion with Juliusz Gardawski. In 2017, the research team prepared a concept of a book, providing the empirical results of the research project on most salient features of patchwork capitalism in CEE11 countries, was drafted that was to be entitled *The Emerging Patchwork Capitalism in Central and Eastern Europe*. Eventually, a monograph under a similar title was published in 2019: *Diversity of Patchwork Capitalism in Central and Eastern Europe* [Rapacki (ed.) 2019a]. The term “patchwork capitalism” was first publicly used by us at the international conference held in Warsaw in March 2018.

## 2.5. Commentary on Weber’s Ideal-Type Method as a Subject of Debates in Political Economy: Oskar Lange and Adam Schaff

Weber’s ideal-type approach, to which we referred to in Conceptualization II, may be described through its opposition to the notion he called “statistically average”, which corresponds to the principle of limited methodological individualism [Górniak 2014]. The latter approach was adopted in our work on Conceptualization I.

Sławomir Mandes [2012: 39] described the above difference as follows: “(Weber’s) ideal type should not be identified with a concept corresponding to the genre, which are generalizations of the observed chaos of facts”, while the ideal type may be interpreted as a “causal explanation of culturally significant phenomena.”

In order to highlight the key features of the ideal-type method, they can be related to the methodological perspective proper to mainstream economic theory, embedded in the tradition of neoclassical economics. In our view, this comparison is a good illustration of the differences between Conceptualization I (closer to mainstream economics) and Conceptualization II, which refers to the Weberian ideal type method and is closer to economic sociology.

As an example of the methodology close to Conceptualization I, we will briefly discuss the method adopted by Oskar Lange, who entered into an interesting dispute concerning Weber's ideal type with Adam Schaff [Lange 1967: 144–145]. The building blocks of Lange's theory of socio-economic formations were objectively existing "essential features", defined as "constantly recurring relationships appearing (...) in human society." They are identified in the process of induction. Regular recurrence distinguishes these features from "random" characteristics and makes the basis of scientific laws [Lange 1967: 176–177]. The main problem with this interpretation is not its focus on recurrent phenomena, which is a routine research practice, but the radically empiricist approach, fundamentally opposed to the Weberian stance, and thus skipping the culturally determined selection of relevant phenomena. Seen from the perspective of the research tradition rooted in neoclassical economics, scientific laws refer directly to the ontically embedded object of study.

Weber's methodological declarations, on the other hand, indicated that it is only by making individual cultural phenomena meaningful (let such a phenomenon be the socio-economic order defined as "capitalism"), which allows to bring out the "essential features" of capitalism. So it requires the use of cultural criteria, which historical events themselves in their unfathomable complexity (according to William James' well-known phrase, their "colorful, rambling tangle") do not provide. Let's leave aside the fact that Weber's approach, close to the 19th century tradition, treats the reality given in observation as an unfathomable sea of phenomena; contemporary phenomenological reflection narrows it down to the "lifeworld" – Husserl's *Lebenswelt*.

To quote Weber: the ideal type "brings together certain relations and historical events into one compatible cosmos of relationships. As far as content is concerned, such a construction has the characteristics of utopia, which we have obtained through emphasizing in our mind certain elements of reality. (The ideal type) [is] worked out (...) by unilaterally highlighting one or a few aspects and by combining a great number of scattered, discrete, existing in different proportions here and there, and sometimes not existing at all individual phenomena, which subserve these unilaterally highlighted aspects, forming in the mind a unified picture. (...) (T) he task of historical research will be to ascertain in each historical case what distance separates reality from this ideal image" [Weber 1904/2011: 170–171].

We should add as an aside that Weber himself sparingly used the ideal-type method in his numerous detailed empirical studies [Gerhardt 1994] – it served to culminate in thorough descriptive research, establishing facts about religion, organization, power and other subjects of his studies [Turner 1985: 92]. On the other hand, "as soon as the historian," Weber wrote, "makes an attempt to establish, beyond the mere

statement of concrete relationships, the cultural meaning of the simplest individual event, an attempt to ‘characterize’ it, he then works and must work with concepts which, as a rule, can only be sharply and unambiguously expressed in ideal types” [Weber 1904/2011].

This opens up a complex field of discussion on the objectivity of social knowledge, including the knowledge provided by ideal-type constructs, starting with the epistemological status of the elements of reality (the discussion taking place around the aforementioned category of the “lived world” concerns this). For us, Weber’s tips regarding the multiplicity of ideal types due to cultural systems of reference and, at the same time, their “objectivity” (taken by Weber himself in quotation marks) are relevant. As an example, he gave in a 1904 text alternative elaborations of ideal types in the field of political economy, one of which would refer to the idea of craftsmanship, the other to the idea of the capitalist market. At the same time, Weber argued that the research procedure itself is “objective” in nature, as it is independent of the individual point of view of the researcher. Simultaneously, the justification for undertaking research can be, as Weber was quoted by Sławomir Mandes [2012: 34] “interests, values, beliefs, problems, ideas, starting points, intellectual contexts.”

It is worth adding as a side remark that Weber, who rated high Marx’s analyses in the first volume of *Capital*, argued that they were an example of an ideal-type construction.

Weber’s approach can be further enhanced by referring, following Józef Niżnik, to Gunnar Myrdal’s concept [1958: 153]: “Scientific facts do not exist per se, waiting to be discovered by scientists. A scientific fact is a construction abstracted from a complex and entangled reality by means of arbitrary definitions and classifications. The process of selecting a problem and a basic hypothesis, limiting the area of research, and defining and classifying the data relevant to such a formulation of the problem, require a choice on the part of the researcher. This choice is made from an infinite number of possibilities.”

Following the aforementioned interpretation of Weber’s thought, as well as the contemporary constructivist method [Hardt 2016], we emphasize that there is no “objective” – in the ontological sense – basis for the ideal type, which was postulated by Oskar Lange, defending a specific version of the ideal type method, against the criticism of Adam Schaff, who rejected this method *tout court* [Lange 1967: 144; Schaff 1955: 239–246]<sup>1</sup>.

<sup>1</sup> Without going further into the problem of objectivity (protection from subjectivity of individualized construction of facts), we will point out two main currents of giving sanction to objectivity, first endogenous, when objectivity was determined by the contexts of scientific systems of reference (in the

Adam Schaff characterizes Weber's ideal type as an idealistic construction: "The «ideal type» is a mental construction of a fictional nature; in the closest connection with idealistic axiology, with some objective-idealistic world of values and meanings, it is supposed to constitute an ideal measure (...). Reducing scientific laws to the category of «ideal types» – and Weber does this quite clearly, calling the laws discovered by Marxism «ideal types» – means negating the objective character of laws, transforming them into a mental construction, into a fiction that has no objective counterpart in reality" [Schaff 1955: 242]. As an aside, one can assume that Schaff's argument is, following Weber, a manifestation of the cultural mediation of his theoretical construction by the Marxist theory of socio-economic formations. While Lange refers to the positivist criterion of empirically perceptible dependencies, Schaff treats the scheme of historical materialism (symbolized by thirteen sentences from the introduction to *A Contribution to the Critique of Political Economy* [1953/1859]) as the ultimate criterion of truth, reflecting the logic of history and being the basis for abstracting historical laws, deemed in orthodox Marxism to be absolutely objective.

In the research practice, the function of the ideal type is to enable "comparison and contrast of empirical events (...) by providing a common analytical measure. For by indicating the appropriate deviations of two or more specific, empirical situations from the ideal type, it was possible to compare these two situations and thereby understand them better" [Turner 1985: 92]. Talcott Parsons' explanation may serve as an additional comment: "in the discussed patterns (of the structures of Western societies and their psychological dynamics – J.G.) there are enormously significant national differences. The analysis carried out here concerned primarily American conditions (...). However, this does not mean far-reaching differences, because in some respects the structure of the United States is close to the «ideal type» of the Western world: in our country the basic patterns of industrial society have developed most fully, free from the influence of powerful institutional complexes. Inherent in societies with an earlier history" [Parsons 1972: 405].

In closing this commentary, let us stress, first, the existence of a deep methodological difference between Conceptualization I and II of patchwork capitalism. Second, worth noting is also a mainstream economics-specific defense of the category of the "ideal type" by Oskar Lange, who gives a realistic dimension to this category

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case of our analysis, such frames of reference are theories corresponding to orthodox and unorthodox economic sciences, sociological sciences with humanistic orientation, sociological sciences with rational choice orientation, etc.). The second current, which we will call it exogenous, is the various criteria of objectivity provided by social practice.

ry, reducing the method of the ideal type to an idealization procedure, completely devoid of a utopian component.

In turn, Weber’s ideal type is largely correctly interpreted by Adam Schaff, who, however, imposes on it an orthodox Marxist ideological qualification as a manifestation of false (“idealistic”) consciousness. Schaff does not take into account, which is obvious in the case of a Marxist, the culturally (so one should say “idealistic”) grounded origins of Marxist “objective laws of history”, treating them as a true representation of the objectively existing essence of reality, an unshakable foundation reflecting the mechanism of history. We would like to emphasize that we are inclined to share the point of view on the ideal type method developed by Weber and the interpretation of the ideal type as a reference system for existing socio-economic orders; a type that imposes a logically ordered order on reality (“Lifeworld”), also containing, among other things, utopian themes that are absent in reality.

### 3. The Specificity of “Extended Conceptualization”

#### 3.1. Patchwork and Heterogeneity. Fabric and Thread

One of the gaps in our discussion of Conceptualization II [Gardawski, Rapacki 2021] was the lack of definition of two key concepts, namely patchwork and heterogeneity, and the lack of a boundary between them. The definitions of these notions that follow are ideal-typical. The ideal type of patchwork is, in our view, a result of exogenous influences, while heterogeneity tends to be, although not exclusively, endogenously determined.

By “patchwork” (the etymological source is the English term “patch”) we will understand a collection or set of elements created by adding new elements independent of those previously arranged. Each of the elements that make up a patchwork is, in relation to the others, a closed monad with its own specificity. The whole collection may be compared, to use a metaphor, to a blanket sewn together from random scraps of material or, to emphasize the lack of connections between the elements, an archipelago of independent islands. The subsequent stages of the evolution of a patchwork arrangement cannot be predicted based on the scrutiny of the existing arrangement, as there is no effect of endogenous path dependence, and hence the actual design of a patchwork may be assessed only once it has been completely formed. It is important to stress that a particular, national patchwork order, being

examined in terms of an ideal type, is by definition devoid of systemicity, coherence and complementarity. However, an important comment is needed here. We refer to a patchwork as a specific socio-economic order, a specific political economy, while at the global level (world market), encompassing the entire set of national political economies, regularities may appear, affecting a particular order, which are nonetheless difficult to predict when focusing on an individual, country-specific endogenous aspect [Sroka 2022].

In turn, “heterogeneity”, according to the Greek etymology, combines two components: *heteros* (other) and *génos* (lineage, origin). In the case of our assumptions, heterogeneity means a set of many coexisting endogenous development paths, each of which springs from a separate source and carries a specific genotype. Unlike in patchwork, it can be predicted, based on the analysis of a particular socio-economic order, that the appearance of a new element will occur within one of the existing genetic lines. In patchwork, each subsequent element, usually being introduced from outside, may entail a qualitative change in the entire order, while in heterogeneity, changes are most often of an upward nature, consisting in the expansion of one of the genetic lines. Obviously, in heterogeneity, new genotypes may emerge whereas the existing ones may disappear, but this does not change the earlier lines. As argued by Krzysztof Jasiecki in his 2020 work, “[s]ystemic hybrids are usually the result of importing institutions from various models of capitalism, for example combining the Bismarckian tradition in the pension system with liberal elements in health care” [Jasiecki 2020: 19]. Let us add that sharp differences at the level of an ideal-typical analysis lose their sharpness in the case of empirical studies.

In the context of the definition of patchwork, we introduced the concept of “axiological patchwork”, which describes the phenomenon of deep axio-normative divisions within societies along the boundaries separating various components of the patchwork socio-economic order. The phenomenon involved is particularly clear when participants in certain segments of the political and/or economic order identify themselves with particular political parties and/or segments. This is conducive, in the extreme cases, to fully-fledged internalization of values and attitudes inherent to particular segments, coupled with a complete rejection of values and attitudes specific to others.

Moreover, the notions of “fabric” and “thread” used in Conceptualization II require further clarification (To be precise, we should add that the notion of “institutional fabric” has been mentioned earlier, in the book devoted to research based on Conceptualization I [Rapacki (ed.) 2019b: 347]. “Fabric” mainly encompasses formal institutions that constitute a socio-economic order (primarily the rules of

state's operation and the law), “rules of the game” of social life [North 1984<sup>2</sup>; Hall, Soskice 2001; Jasiński (ed.) 2020: 14]. In CEE countries, as in their Latin American peers, formal institutions are relatively weak. Hence, when analyzing the fabric they should be treated with caution, as they are not always the basic regulators of the socio-economic order [Alves de Moura Jr. et al. 2020]. There is also a specific effect unleashed by mass-scale imports of institutions from advanced democratic countries, including in the first place those adopted due to the accession of CEE countries to the European Union and other supranational structures (*acquis communautaire* EU). Some of them, when incorporated into the political and axiological context of CEE countries, may have given their socio-economic orders the appearance of established, Western-style orders prevalent in the EU core, while in reality they have begun to play quite different roles than those formally assumed or have become merely empty facades (such has been the fate – for most of the systemic transformation period - of the institution of social dialogue in CEE countries, introduced as a result of external pressures, including the International Labour Organization [Ost 2010]). Within the conceptual framework of patchwork capitalism, the notion of “heterogeneity” well describes the main features of the fabric, next to which patchwork components appear, but the latter do not dominate. These are the heterogeneous elements that ensure some degree of flexibility to the fabric, and by the same token increase its ability to fulfill its regulatory function.

The category of “thread” plays an important role in the concept of patchwork capitalism and it is mainly this category that gives a socio-economic order the patchwork feature. Whereas the fabric means “rules of the game”, the thread boils down to “players”. It consists primarily of large companies, including multinational corporations (TNCs), which in the patchwork order maintain autonomy in terms of industrial relations, labor relations, and corporate governance. The thread also includes other organizations and, which requires special emphasis, various informal institutions or even ad hoc formalized institutions, which we define as “secondary”, created with a view to pursue the current vested interests of various social, professional and regional groups. Secondary institutions may be defined as having only a local impact

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<sup>2</sup> Bogusław Fiedor characterizes the classical distinction of institutions made by Douglass North as follows: “formal institutions can be defined as: (i) a system of property rights (understood broadly, i.e. as rights resulting from statutory law, tradition, culture, etc., to privately appropriated benefits resulting from the disposal of certain assets and resources), (ii) law (statutory, normative), (iii) regulations (public, social, concerning the real sphere and the financial sector). In turn, informal institutions will include: (i) culture, (ii) values (axiological system), (iii) commonly accepted patterns of behavior, (iv) religion and beliefs, (v) social trust, (vi) «mental models», i.e. ways of thinking and reasoning dominant in a society or in particular groups of economic and political entities” [Fiedor 2015: 93–94].

and being temporary. They can be said to be “medium-range” institutions, compensating for the fabric’s deficits in its function as a provider of formal “rules of the game”.

While dealing with fabric and thread in the theory of patchwork capitalism, one must take into account borderline situations. On the one hand, these involve the atrophy of the fabric (“patchworkization” of the state and the law) and coordination of the thread exclusively through the market mechanism devoid of systemic institutional constraints (here appears the Weberian type of “looting capitalism” [2002: 823]), and on the other hand, a complete subordination of “players” to a coherent and complementarily designed fabric, i.e. to formal rules defining the rules of the game (fully-fledged “tonality” that kills development [Sroka 2022]). These extreme, utopian constructs serve as ideal types for determining the place of particular socio-economic orders on a scale whose edges stretch from patchwork capitalism on one end, and a state of full neoclassical equilibrium between fabric and thread, on the other.

### 3.2. Main Theoretical Inspirations of the Extended Conceptualization

We will refer again to the remark made by Piotr Maszczyk and Mariusz Próchniak regarding the results of the comparative empirical study leading to Conceptualization I. They stressed that the research team did not strive at that stage of the study to prejudge “whether in the CEE11 countries [...] a separate model of post-communist capitalism had emerged”.

Conceptualization I was inspired by Amable’s theory and we focused on quantitative comparative analysis. The research findings arrived at that time [Rapacki, Gardawski 2019b] prompted us to undertake another research challenge, in the quest to disentangle the problem of the peculiarity of patchwork capitalism on theoretical grounds. The study on this problem resulted in a new conceptualization (Conceptualization II), based on the application of Max Weber’s ideal type method.

Now, we go a step further, and seek to upgrade Conceptualization II to the form of Extended Conceptualization.

In the proposed Extended Conceptualization, we introduce several changes to Conceptualization II. First, we adopt the methodological perspective of gradual punctuatedism, a concept drawn from biology. Second, we draw on Hall and Soskice’s theory of the varieties of capitalism (VoC), combining an approach focused on the company rather than on the state institution, although we assume that in certain situations the state intervenes. Third, we draw more extensively than in Conceptu-



alization II on the theory of a dependent market economy (DME) of Andreas Nölke and Arian Vliegenthart. Fourth, we assume that the Polish socioeconomic order is key to the peculiarity of patchwork capitalism prevalent in most CEE countries. Thus, we follow the pattern established by the authors of the VoC theory and their reliance on the cases of the United States and Germany in constructing the ideal types of liberal and coordinated market economies (LME and CME).

### 3.2.1. The First Change in the Extended Conceptualization Compared to Conceptualization II: The Theory of Punctuated Gradualism

We begin with a few remarks on methodology. We concluded that the phenomenon of the political transition in Poland requires recourse to methods that combine tools for analyzing slow, gradual change with those useful for analyzing qualitative, abrupt change thus combining gradualism with punctuated equilibrium model (*punctualism*), which are usually treated as opposites. We cannot draw on Marxist inspiration and Hegelian dialectics, because in the case of our research problem, the abrupt change was not the result of a dialectical development of the state preceding the abrupt change. The evolution of authoritarian socialism did not lead to the emergence of patchwork capitalism (we ignore the presence of certain evolutionary trends that crossed the barrier dividing authoritarian socialism and patchwork capitalism). The break in continuity concerned, in particular, the evolution of the class structure. Let us add, in passing, that the evolution of authoritarian socialism in the form that took place in Poland in the 1980s directed the socio-economic order towards a model of self-governing social market economy with a strong democratic and participatory component (this was indicated, on the one hand, by the analyses of social researchers from the social democratic circle – Tadeusz Kowalik and Leszek Gilejko, and on the other hand, by the predictions of the leading researcher on world value systems – Ronald Inglehart).

The conceptual apparatus of paleontology and evolutionary biology may prove useful here, just as in the analysis conducted within Conceptualization II, we benefited a lot from the reference to the second law of thermodynamics and the concept of entropy [Gardawski, Rapacki 2021: 72]. The former framework developed the theory of “punctuated equilibrium” (“punctationalism”) [Gould 1999; Najder 2009/2010]. The application of this theory beyond the boundaries of its parent discipline is relatively common (e.g., a successful attempt to apply it to the study of the evolution of religion – Kaczmarek 2013). Joanna Najder provided the following synthesis of the theory: “[c]onventional, Darwinian theory of evolution assumes

gradualism, i.e., slow and gradual changes in organisms within a given population, which lead to the emergence of a new species. (...). (However,) according to Eldredge and Gould (the authors of the «punctuated equilibrium» theory – J.G.), paleontological data indicate that the transformation of species occurs relatively quickly, and then for most of their duration, species do not change” [Najder 2009/2010: 66]. The key concepts of the theory include, among others, the persistence of species: “stasis” and the interruption of stasis – “punctuation.” The former is the equivalent of a species’ “life”: “[p]opulations persist in a relative state of equilibrium for millions, even tens of millions, of years. This does not mean, however, that minor changes in individuals or even the entire population, caused by mutations or natural selection, do not occur. These changes, however, are not cumulative, do not perpetuate in the species, do not deepen, and do not lead to the emergence of a new species” [Najder 2009/2010: 68]. In turn, punctuation is a point of change or a geological moment of “rapid evolutionary change”, an interruption of stasis “marking the birth of a new species” [Najder 2009/2010: 70]. Obviously, the rate of change should be related to geological time – tens or even hundreds of thousands of years. Among the various forms of evolution, phylogenetic evolution is particularly important, i.e., the path of species’ origin in which their number does not increase, because a new species arises as a result of the transformation of its predecessor. When asked about the source of a point of change, researchers representing this perspective point to exogenous or else – external shocks [Gould 1999].

The theory of punctuated equilibrium is a convenient starting point for our extended conceptualization, yet it does not solve the crucial problem of gradual changes during stasis, which do not transform the species; this occurs through punctuational change. Hence, the processes we scrutinize require combining a gradual perspective with punctuation.

We will therefore analyze our problem through the lens of one of the main theories of evolution developed in the biological sciences (in medicine but also in many branches of biology), namely, the concept of *punctuated gradualism*. It boils down to the hypothesis concerning the evolution of species, characterized by relatively slow, gradual development, which is, however, interrupted by abrupt changes in structure. Transplanting this conceptual grid to the ground of methods used in political economy research, would imply a reference to historical institutionalism with its emphasis on incremental change, well described by means of the concept of path dependence. However, the qualitative change itself is not in this case the result of the accumulation of changes as in gradualism, nor is it a dialectical clash of contradictions leading to the emergence of a qualitatively new category, but the trajectory of change is

interrupted by the sudden emergence of a new category. At this point, it is worthwhile to apply the conceptual apparatus of *punctuated gradualism*, as it can assume the division of evolution into segments, separated by leaps in the evolutionary process, in which each of the segments involved may be subject to a distinct evolutionary model [Hunt 2008].

### 3.2.2. The Second Change in the Extended Conceptualization Compared to Conceptualization II: A Reference to VoC Theory

The focal point of the comparative analysis in the varieties of capitalism theory are firms, business associations and inter-firm relations within a given socio-economic order.

The decision to turn to this research perspective resulted from over twenty years of observations of the development of patchwork capitalism, which showed that multinational corporations, dominating the economies of Central and Eastern Europe, became the main basis of patchwork capitalism and the source of its rooting and consolidation. We are thus referring to the firm-centered perspective also because patchwork capitalism emerged and evolved in an environment of relatively weak institutions of the state and the law in the economic sphere. In our analysis we currently ignore the shift towards the state that is emerging in some countries – we will refer to it at the end of the article.

In this way, we join the debate on the VoC theory, the problems of firm-centric, government-centric and state-centric orientations in the context of the Varieties of Capitalism [Feldmann 2019], as well as the firm-centric concept in the context of overcoming the middle-income trap in semi-peripheral countries featuring weak institution of the state coupled with a lack of pro-development policy on the part of foreign capital [Avlijaš, Gartzou-Katsouyanni 2024] or debates that emphasized the general weakening of the state and the public domain in stimulating economic development [Strange 1997]. Avlijaš and Gartzou-Katsouyanni, while discussing the current literature in the field, shift attention away from “the state as a direct orchestrator of innovation through top-down intervention, towards a conceptualization of the state as a facilitator of the efforts of firms and other stakeholders at the subnational and sectoral levels to catalyze economic and institutional innovation” [Avlijaš, Gartzou-Katsouyanni 2024: 621].

Susane Strange [1997] pointed to a number of factors reducing effectiveness of national institutions and policies pursued at the level of a single country. She emphasized that in order to retain the role of the main economic player, the state should

use the economic power of collective actors, but this dimension was weakened even in the case of economies such as the USA: the retreat of the state became a key driver of the expansion of the free market. It can be added that even the unfolding polycrisis, contrary to expectations, has not yet led to a general change towards strengthening the position of state's institution in the economy and in social policy.

Notwithstanding numerous criticisms, Hall and Soskice's concept of the varieties of capitalism (VoC) remains an important frame of reference for us. The authors formulate a relational concept of the firm that includes three dimensions: (i) the dominant mode of coordination; (ii) comparative advantages; and (iii) capability to create innovations. Based on these criteria, the authors distinguished two ideal types of socio-economic order or else – varieties of capitalism: the Liberal Market Economy (LME) and the Coordinated Market Economy (CME). These types of capitalism differ in their dominant modes of coordination: “(in) one, firms coordinate with other actors primarily through competitive markets, characterized by arms-length relations and formal contracting. (...). In the other modality, firms coordinate with other actors through processes of strategic interaction of the kind typically modeled by game theory. Here, equilibrium outcomes depend on the institutional support available for the formation of credible commitments, including support for effective information-sharing, monitoring, sanctioning, and deliberation” [Hall, Gingerich 2004: 5].

The authors of the VoC concept scrutinize the coordination actions of companies across five domains (spheres).

1. The domain of labor relations, in which the problem lies in the coordination of negotiations on wages and working conditions with the employees: “at stake here are wage and productivity levels that condition the success of the firm and rates of unemployment or inflation in the economy as a whole” [Hall, Soskice 2001: 7].
2. The domain of vocational training and education: “[on] the outcomes of this coordination problem turn not only the fortunes of individual companies and workers but the skill levels and competitiveness of the overall economy”.
3. The domain of corporate governance, in which the key issue is access to sources of financing.
4. The domain of relations between companies: “[on] the development of appropriate relationships in this sphere (...) depend on the capacities of firms to remain competitive and technological progress in the economy as a whole”.
5. The domain of coordination in employee relations: “[w]orkers develop reservoirs of specialized information about the company's operations that can be of value to management, but they also have the capacity to withhold information

(...). The relationships firms develop to resolve these problems condition their own competencies and the character of an economy’s production regimes” [Hall, Soskice 2001: 7].

It should be noted that Hall and Soskice’s approach to the institution of the firm has been and remains the subject of critical debates, especially those launched by supporters of holistic approaches and supporters of treating the institution of the state as the axis of a socio-economic order (especially: “Varieties of Capitalism” Roundtable [2010]).

Even though we draw a number of inspirations from the VoC theory, we stress the differences in our approach to the institution of the firm and the institution of the state. The position of firms, although central in the ideal type of patchwork capitalism, essentially differs from the pertinent positions inherent to LME and CME, but is close to the ideal type of a “Dependent Market Economy” (DME), developed by Andreas Nölke and Arian Vliegenthart. In contrast to the VoC ideal type, in the conditions of patchwork capitalism TNCs were not geared towards meeting the needs of domestic markets, did not compete with each other on these markets, and did not invest in either R&D or human capital.

In turn, the institution of the state plays a key role in the period of punctualist change – the active role is not performed by any victorious social class, but by the reformist elite, destroying the existing institutional architecture of the authoritarian socialist state and introducing a new structure.

### **3.2.3. The Third Change in the Extended Conceptualization Relative to Conceptualization II: Reference to DME Theory**

In Conceptualization II, we repeatedly highlighted the impact of foreign capital on the economies of the CEE region. The authors of all political economy theories in these countries stressed the dependence of the CEE economies on foreign investment. In the Polish literature, Tomasz Grzegorz Grosse spread the concept of “exogenous capitalism”, defining it as “a development model that is strongly conditioned by external factors, e.g., decisions on investment by foreign corporations, political decisions of core European states, or decisions on making available to the host countries certain technologies owned by more economically advanced corporations” [Grosse 2021: 18]. In examining patchwork capitalism, we underscored the role of the DME concept within Conceptualization II. We address this issue more broadly in the Extended Conceptualization. We now wish to emphasize that a necessary condition for the emergence of a larger or smaller segment of the dependent

market economy in CEE countries, especially in the Visegrad Group countries, was the prior formation of the foundations of patchwork capitalism and the crisis-ridden economic situation in most of these countries. The economic situation was dependent on foreign direct investment. This required the introduction of very favorable business conditions for foreign capital, which in the case of Poland and the countries of the region assumed consent for far-reaching deregulation. In countries of patchwork capitalism, this was relatively easy due to the lack of a strong bourgeoisie and the presence of trade unions favoring the market economy or ideologically neutral. Post-communist governments had no problem adopting a policy neutral towards trade unions. Social dialogue within the government-capital-labor triangle [Ost 2010] tended to favor the restriction of certain labor rights in industrial relations. Foreign capital that arrived in countries with a liberal tradition encountered no obstacles in implementing policies consistent with these traditions.

We will begin by addressing two dimensions of transnational corporations (TNCs). The first is universal, referring to TNCs as collective entities, while the second highlights the individual aspect of corporations. Regarding these dimensions, Zbigniew Staniek and Marek Kubiński [2024: 623] concluded that TNCs are a global player in the global economy, alongside China, the United States, and the European Union. The authors wrote: “[c]orporations are global network organizations with extensive international organizational structures, where spatial aspects of management are taken into account. Their operations take advantage of the legal and cultural differences of each country. A number of companies are organized on the basis of hierarchical vertical integration. There is also an increasing scope for a networked economy with features of horizontal integration. In corporations, there is a constant interweaving of networks and hierarchies of varying scope and strength.” The authors further wrote that “[i]n general, TNCs are subject to three types of regulation: domestic state regulations (the company’s country of origin), regulations of the countries in which it operates, and regulations resulting from international standards.” Based on this positioning, Staniek and Kubiński drew an important conclusion for our topic: “[r]egulatory differences are the basis for pursuing the partial interests of a particular corporation at the expense of general interests such as climate or security, the interests of individual countries – the well-being of their citizens” [Staniek, Kubiński 2024: 623].

Analyzing the activity of foreign capital from the perspective of the functioning of TNCs in the Visegrad Group countries, Andreas Nölke and Arian Vliegenthart constructed the ideal type of “dependent market economy” (DME) (2009). TNCs undertake there large-scale production of fairly modern but not innovative products

based on know-how developed abroad (often in the home countries of TNCs) and under the control of their own headquarters, and then mainly meet demand outside the borders of the host country. The domestic development goals tend to be crowded out and replaced by the incentives and signals stemming from the changing conditions on international markets and the policy of the central management boards of TNCs. Thus, the problem facing economies dependent on TNCs is the leading role of these corporations in shaping their production profiles, which are not always consistent with the socio-economic interests of these economies. This results, among other things, in the impossibility of implementing long-term, targeted development of the national economy.

Nölke and Vliegenthart then pointed to the role of the ruling class ideology, which assumed broad access of foreign investments to the national economy: “[the] political situation in CEE was uniquely well suited for a full-blown institutional design geared towards the preferences of these corporations, given (...) the ideology of the leading political class fostered the development of an economic system that catered to the interests of TNCs as this class adhered to economic policies that spurred economic restructuring and economic growth through foreign investments” (Nölke, Vliegenthart 2009: 676–677).

It should be pointed out that the possibility of the emergence and development of a new variety of capitalism, i.e. the Dependent Market Economy was, among other things, an outcome of the formation in the CEE region of a socio-economic order that has acquiesced to far-reaching autonomy of individual TNCs. This was stressed by Marek Naczyk, who highlighted themes consistent with our concept of patchwork capitalism in his study of regional economic and social orders (we would like to add that this author referred to numerous works in the field of Comparative Political Economy, which were also sources of inspiration for us, including Appel and Orenstein [2018], Bohle [2018], Bohle and Greskovits [2012] or Drahokoupil [2009]). Naczyk indicated that “[u]nder the influence of international organizations and neo-liberal national economists, CEE countries even became «global leaders» in adopting the market reforms of the 1990s (...). Their exceptional openness to foreign direct investment (FDI) transformed them into «dependent market economies» (DMEs), in which banks and leading manufacturers in export-oriented industries – including automotive and electronics – were overwhelmingly controlled by international corporations (...)” [Naczyk 2021].

A similar interpretation of the Polish “dependent market economy” was brought out by Krzysztof Jasiecki in his 2014 article: “Poland as a «dependent market economy», which, even being part of the EU, remains a country with lower institutional

standards subordinated to the interests of transnational corporations operating in accordance with the rules of global capitalism subordinating the development of «latecomers» to the preferences of the countries of the highly developed core of this system. In this interpretation, the gradual integration with the economies of the core of Western Europe does not change the fact that Poland is an example of a qualitatively new variety of liberal capitalism” [Jasiecki 2014: 57].

Dorothee Bohle and Edgars Eihmanis [2022: 499], commenting on the DME theory, wrote: “Foreign investors rely on the supply of comparatively cheap and skilled labor force but are unwilling to invest in the training and education of their labor force. Although foreign investment is heavily subsidized, investment in R&D remains relatively low and there are few spill-overs to the domestic economy, thus keeping the possibilities of economic upgrading limited. Furthermore (...) big multinationals preferably use peripheral locations as centers for profit shifting and tax dodging”. The problem facing economies heavily dependent on TNCs boils down to the leading role of these corporations in shaping production profiles of these economies in line with their own goals, which are not always compatible with the socio-economic interests of the host countries. As a consequence, TNCs’ activities in these countries do not translate into sustainable growth, not to mention well-targeted development, which is conducive to “developmental drift”. The endogenous development goals are being replaced by the changing conditions of international markets and the policy of central managements of TNCs. Seen from the perspective of domestic capitalism, the DME model implies a new qualitative form of a patchwork – now, strategic sectors of the economy become a set of patchwork entities – subsidiaries and local firms being part of TNCs.

There is an issue in the concept of the ideal type of DME that calls for a comment. Discussing the problem of institutional complementarity, Nölke and Vliegenthart assumed the institutional uniformity of TNCs in the Visegrad Group countries, as if they implemented one model of corporate governance, one model of industrial relations, etc. If one were to accept this assumption, this would be equivalent to concluding that it is the ideal type of DME, rather than the model of patchwork capitalism, that better captures the nature and peculiar features of the socio-economic orders prevalent in the Visegrad Group countries. However, when examining capitalism in these countries from the inside, one can find a far-reaching differentiation of the policies pursued by TNCs involved as pointed out by Staniek and Kubiński quoted above: their structures resemble the aforementioned archipelago of autonomous institutional architectures rather than a coherent continent with a single institutional logic. This was repeatedly admitted by the authors of the DME concept themselves,



who alluded of the hierarchical control of subsidiaries from the level of foreign headquarters: “thus, the hierarchy between TNC headquarters and their local subsidiaries replaces markets (LME) and associations (CME) as a typical coordination mechanism within these economies” [Nölke, Vliegenthart 2009: 694].

It goes without saying that there are invariants in the ways of operation of all TNCs in the Visegrad Group countries, which are highlighted by the DME ideal type, especially the import of know-how and the lack of R&D activities. However, seen from the inside, the pluralistic order of DMEs exhibits clear patchwork features and we have doubts whether the claim of the authors of the DME ideal type concerning complementarity of institutions within this variety of capitalism is legitimate (as they wrote: “we have identified a number of complementarities between these corporate governance features and the other major institutions” [Nölke, Vliegenthart 2009: 694]).

Researchers of international industrial relations have repeatedly analyzed the impact of foreign investment on the socio-economic situation of host countries. Of particular interest were the economies of CEE countries [Meardi et al. 2009]. Bechter, Brandl, and Meardi [2011], analyzing the national and sectoral determinants of industrial relations, the processes of increasing convergence, and the simultaneous persistence of specific national labor relations in certain areas across Europe, found a distinct situation in post-communist (“transit”) countries, as well as the influence of large companies operating transnationally. These companies are able to avoid national regulations and “can «govern» labor relations.”

Concluding we will note again that the development of DMEs was facilitated by the absence of “strong national bourgeoisie that could resist (...) the expansion of TNCs.” This was a factor that “probably (...) contributed significantly to the extremely dependent nature of the economies of the CEE countries (compared to other semi-periphery regions)” [Nölke, Vliegenthart 2009: 694]. According to the authors of the DME concept, this absence was conducive to the lack of investment in long-term development of the economy: “Western owners of Eastern production plants may be interested to some extent in the short- and medium-term profitability of their investments in DME, but they have less motivation than the domestic bourgeoisie to invest in the long-term stability of these economies” (Nölke, Vliegenthart 2009: 695).

Nölke and Vliegenthart also pointed out the occurrence of socio-economic orders alternative to DME, including one “based on «clans»” – as the fourth (alongside LME, CME, and DME) basic mode of social coordination that dominated the global peripheries of Central Asia and Sub-Saharan Africa [Nölke, Vliegenthart 2009: 696]. It can be assumed that the two authors anticipated the emergence of

the “prebendal class”, which Ivan Szelenyi revealed in his 2015 work with reference to the order that evolved in Hungary. Let us add that perpetuation of such a pattern of economic power may mean that the ideal type of patchwork capitalism will lose its explanatory power with respect to Hungary, where the key factor influencing the institutional structure of the economy is to a large extent the economic policy pursued by the prebendal class (Magyar and Madlovics [2023: 30] used in this context the term “chief patron and his court”).

#### 4. Extended Conceptualization of Patchwork Capitalism

There are many reconstructions of post-communist capitalism in the literature, performed both in accordance with the ideal types method and average/statistical types (in the Weberian understanding of these concepts). Relevant studies were carried out within the framework of various methodologies and in various geopolitical cross-sections (starting with the cross-section distinguishing “countries of Central and Eastern Europe” and “countries of Eastern Europe and Asia”). Some of these studies were the subject of our 2021 article [Gardawski, Rapacki 2021], whereas we have already referred to some of them in this contribution. We will now outline an Extended Conceptualization of patchwork capitalism, which will be the basis of the relevant ideal type. According to the classification of Grosman, Kozarzewski and Okhmatovskiy, the conceptualization and the ideal type involved are holistic (qualitative) and dynamic. Based on the above classification, our extended conceptualization is aimed to further develop the ideal typology embedded in Conceptualization II, put forward in the article by Gardawski and Rapacki [2021].

The dismantling of the order, encompassed by the general term of “communism”, the rejection of the ideology proper to communism and the replacement of this order by the market economy, took a number of forms, which, following Eyale, Szelenyi and Townsley [1998], we identify as capitalisms developed “from below”, “from outside” and “from above”. All societies on which the communist system was imposed inherited a historically shaped weak identification with formal institutions and each of them carried the footprints of specific institutions and culture, existing before the Soviet conquest and surviving in a latent form in the communist period. Moreover, during the communist era, some countries passed from a totalitarian system to a system that we define as “authoritarian socialism”. After the systemic breakthrough of the Spring and Autumn of Nations in 1989, on the basis of

this heritage, various paths began to take shape, defining the directions of further development. Of these, two have proven relatively lasting: the path of patchwork capitalism, characteristic, to a greater or lesser extent, of the countries of Central and Eastern Europe, including Poland, and the path of oligarchic capitalism, followed by Russia, Ukraine and most countries of the Russian “Commonwealth of Independent States.”

We will start the discussion of the extended conceptualization of the ideal type of patchwork capitalism by indicating the key factor which, in our view, became the major logical premise to come up with the idea of patchwork capitalism, and laid the underpinnings for the path dependence leading to the mature form of this type of capitalism. It was the congruence of peculiar geopolitical and socio-structural conditions with social attitudes and, what is key in this configuration, with the political aspirations and ethos of the reform elites, unexpectedly brought to power in Poland and other countries of the Visegrad Group and in the Baltic States. The elites involved had different economic and political origins. They included, depending on the country, representatives of the intelligentsia opposition to the communist government, modernizers – members of the communist party, managers-technocrats being part of the “nomenklatura” but reluctant to the socialist command economy. Moreover, a hidden participant in these elites were representatives of the winners in the clash of Western civilization and communism, i.e. Western business and political elites, who were keenly interested in the direction of systemic transformation in the CEE countries. We emphasize, however, that in our opinion the key role was played by the reformist elites and their desire to make the CEE countries join Western Europe. If, following Jan Drahokoupil, we distinguish two approaches to the reform forces in the CEE countries: those referring to socio-professional classes and those referring to elites, we, like Drahokoupil, lean towards the latter (“elitist approaches focus on the occupants of elite positions, their social, cultural, ideological and economic attributes, and career histories” [Drahokoupil 2008]). Following Dragan Petrescu, we will indicate the common features of the elites in CEE countries: they proclaimed non-utopian programs, did not represent the interests of any social class, and were against the use of violence (with the exception of Romania) [Petrescu 2016].

Below we discuss the subsequent elements of the extended conceptualization of patchwork capitalism, which we relate mainly to the experiences of the Polish political economy. As we already mentioned, the conceptualization will then serve as the basis for building the ideal type of patchwork capitalism.

## 4.1. The Historically Inherited Weakness of Formal Institutions

The issues concerning the weakness of the institutions of the state and the law, coexisting with strong informal institutions that bind together social microstructures, were already discussed in our article [Gardawski, Rapacki 2021]. There, we stressed, among other things, the role of distant social and political history, as well as the two-time breakdown of the institutional architecture of the socio-economic order and social structure within the life span of just one generation, in 1945–1949 and 1989–1990 [Gardawski, Rapacki 2021: 31–39]. This strengthened the disposition to divide the social world into a segment of “ours” and a segment of “theirs” or the world of official, often illegitimate power structures.

Now we wish to extend a bit on the issue of historical heritage and the long duration of cultural patterns, including in particular the permanence of the “manor farm culture”.

At the turn of the 15th and 16th centuries, the development paths of Western and Eastern Europe diverged. In the West, capitalist relations began to develop, while in the East, a specific manorial-serfdom system was formed, distinct from classical feudalism. Until the 15th century, feudal serfdom did not differ in both parts of Europe: serfdom “was essentially not an exploitative arrangement where lords «owned» labor.” Serfdom was “a contractual arrangement where labor services were exchanged for the public good of protection and justice.” The serf peasant “was in fact also generally protected from arbitrary changes in the terms of the contract” [North, Thomas 1971: 778].

We will discuss the change that occurred in Eastern Europe using the example of the Polish-Lithuanian Kingdom (Polish-Lithuanian Commonwealth – PLC).

In the period spanning from the 16th to the 18th century, the PLC did not experience absolute monarchy, as it was a nobility-based democracy (the nobility accounted for some 6% of the population, mostly fulfilling the role of the middle class, alongside which there was a small percentage of large landowners – aristocracy). The PLC featured a high degree of decentralization of the state power, the scope of competences of the central state authority was small, coupled with virtually no general administrative apparatus, and very limited judicial or treasury administration. The state confined its own economic activity to a minimum. The slogan proclaimed by the nobility at that time was that the power of Poland did not result from the power of the government, but from the knightly ethos of all the nobility,

ready to defend the country. The overriding value of the noble class was the “golden liberty” which was reflected in a vast scope of freedoms and privileges. The nobility owning manors did not pay taxes, nor did they pay taxes on goods imported for their own consumption.

The main sector of the PLC economy was manorial-serf agriculture. In order to increase the productivity of the manors, the nobility succeeded in earning privileges from the PLC kings, transforming the serf peasants into quasi-slaves attached to the manors. This shaped peculiar value patterns, defined by Janusz Hryniewicz as the “culture of the manor farm” (manorial-serfdom culture)<sup>3</sup>. It has become rooted in the mentality of society and its symptoms can be found in today’s social attitudes in Poland. Its features include, among others: a low level of social trust, especially a low trust between superiors and executive employees, acceptance of autocratic management methods, tacit consent to breaching formal rules, protection of conformists and intolerance of opposition [Hryniewicz 2007: 31; see also Domańska 1996].

To put it simply, the cultural heritage of the pre-capitalist past consists of a fairly incoherent blend of, on the one hand, a manorial culture and weak formal institutions, and, on the other, a very high-ranked pursuit of freedom. The character traits of Poles have influenced the structure of relations between the state and the nation (society). As Edward Jeleński wrote, beginning in the late Middle Ages, “they reflected a specific phenomenon of Polish messianism and conciliarism (in the sense of the superiority of parliament over the king). These traits influenced the formation of the constitutional foundations of noble democracy and constrained the absolutist tendencies in the political system of the former Polish-Lithuanian Commonwealth: the effects of these long-term constitutional, political, and cultural processes are felt in our country to this day” [Jeleński 2017: 135].

In the period of authoritarian socialism, collective life was concentrated in informal groups (in participation groups, “own” groups), where ties were strengthened by

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<sup>3</sup> “The farm’s organizational culture led to the consolidation of two different types of behavior of the farm’s employees and management. On the part of the owner-managers we had unrestricted power and an awareness of decision-making not limited by regulations, on the part of the peasants an ethos of forced or internalized obedience developed, combined with a lack of a sense of responsibility and a need for detailed instructions at work and care from the manager outside work. The expression of the permanence of this ethos in the peasant environment was the quite frequent negative reactions of the peasants to the proposals to abolish serfdom in the 18th century (...). The peasants preferred to be day laborers than independent farmers. (...) In the rural environment, a special state of social consciousness was created, which we can describe as double ethics. Towards one’s own group, there was a requirement of absolute honesty, but when it came to stealing maidens’ things or moons, there were no inhibitions” [Hryniewicz 2007: 33].

inclusive social capital (the capital of trust connecting relatives and friends [“bonding capital”]), while bonds with external groups and formal (official) institutions were weak. The latter was reflected in a low stock of “bridging” social capital (measured mainly by the level of trust in out-groups [Putnam 2000]), and especially a low stock of “linking” capital (measuring trust between representatives of lower and higher positions in the structure of inequality, including inequality in power [Woolcock 2001]). Stefan Nowak was the author of an important middle-range theory in Polish sociology, according to which society was a kind of “federation of primary groups”, family- and socializing-based, a set of closed “monads” [Nowak 1987]. Within these monads, specific behavioral patterns and informal institutions were shaped. At the same time, Nowak added a peculiarity to the picture of social bonds in Poland in the form of identification with the Nation as a moral community, which was common in the society of the period of authoritarian socialism. Let us add that in 1980 it resulted in the mass movement of “Solidarity” uniting the majority of society in opposition to the rule of the communist party.

Grażyna Skąpska [2019] described the phenomenon of a low level of identification with officially binding formal rules, including legal norms, introducing the concept of “legal nihilism.” The disintegration of society into microstructures gave birth to the alienation of the institutions of power discussed in many publications, and simultaneously made ties with official organizations (from professional to territorial) illusory and sham. It is necessary to underline an important feature of informal structures functioning in the aforementioned context, namely the disposition of members of small groups to “take matters into their own hands”, without considering the consent of the authorities and the rules imposed by them, including the rules of law. This kind of grass-root individual entrepreneurship or resourcefulness, taking initiatives without looking at instructions from above, was a specific legacy of the past, still alive especially in the working class environment.

As for the social capital, the aforementioned observations were confirmed by the analyses of Francis Fukuyama. In his comparative studies, post-communist countries displayed in average relatively lowest level of social trust in the sample of countries scrutinized [Fukuyama 1997].

Concluding this part of the discussion, let us refer once again to the concept of Janusz Hryniewicz and the long duration of the “farm culture”. Writing about organizations in the period of authoritarian socialism, he made an insight that “socialist workplaces were more similar to farms than to typical capitalist firms” [Hryniewicz 2007: 37]. He came to a similar conclusion twenty years later, based on his research of economic organizations in the 2000s.

## 4.2. The Systemic Breakthrough. The “Breakthrough Elite”: Creating Liberal Democracy and the Premises of Patchwork Capitalism

As mentioned before, the key to the emergence of patchwork capitalism was the sequence of events of a punctual change nature, corresponding to Taleb’s term “Black Swan”, (although, seen from the perspective of the world system, the economic collapse of the Soviet bloc was not of this nature). The most important such event turned out to be the seizure of political power by a specific elite. As a result of the unexpected collapse of communism in the Soviet Union, the countries subordinated by Russia as well as those being Russian dominions gained independence which made the Soviet block break up into several parts. Among them, the part encompassing the countries of Central and Eastern Europe and the Baltic countries proved particularly susceptible to enter the path of patchwork capitalism. A different path was selected by the countries of South-Eastern Europe, another by Russia and Ukraine, and yet another by the remaining post-Soviet Asian states.

We will now focus on the process of forming liberal democracy and Polish patchwork capitalism, which can be treated as a role model for similar processes in the above indicated part of the CEE countries.

As far as the premises of Polish patchwork capitalism are concerned, the last decade of authoritarian socialism was crucial. The year 1980 saw a profound limitation of authoritarianism and the emergence of an institution that was significantly heterogeneous in relation to the system – an independent and self-governing trade union (or rather a social movement) “Solidarity”. The activists of the union were described by Wiesława Kozek [2003: 385] as “the opposition outside the system”. During some 15 months of its legal operation, the union succeeded in implementing crucial changes in the internal structure of state-owned enterprises (SOEs), forcing the ruling communist party to agree to introduce a democratically elected and empowered workers’ self-government with a strong impact on SOE management. Immediately after the easing of martial law in 1983, the authorities decided to allow self-government to operate, which may be translated as a move conducive to the “heterogenisation” of enterprises (in some large SOEs, there was a self-government controlled by the underground “Solidarity” and it was in some opposition to the official trade unions and SOE management; in some cases the self-government cooperated with these unions and management, while in others it was a completely passive institution).

Thanks to “Solidarity”, a democratic opposition institutionalized the last decades of authoritarian socialism – consisting mainly of intelligentsia ethos group<sup>4</sup> that was unexpectedly brought to power at the time of systemic breakthrough by the majority of society disappointed with authoritarian socialism, mainly by the Polish “world of labor”<sup>5</sup>. We will refer to this group as the “breakthrough elite”<sup>6</sup>. Seen from the angle of key characteristics of the elite concerned, an important observation formulated by Jadwiga Staniszkis [1991] is worth recalling- she argued that for the first time in history a fundamental change in the socio-economic formation took place without the emergence of an endogenous revolutionary class earlier, within the previous formation, which would strive to take control of the means of production (to use Marxist terminology). As we have already pointed out, a similar insight was made by Petrescu [2014]: one of the features of the “negotiated revolution” was the fact that it was not carried out in the name of a specific class. In turn Szelenyi wrote: “[I]n all other historical instances of transition to capitalism, accumulation of some capital occurred within the womb of pre-capitalist formations” [2015]. The ideal-typical approach to this process should be emphasized, because when specific phenomena are investigated, one can easily find many different elements of the market system in the times of authoritarian socialism (analyses by King and Szelenyi [2005]).

The unexpectedly emerging new power elites differed significantly depending on the countries involved, their history, culture of their societies, the dominant religious and political traditions, etc. Their activities strongly relied on geopolitical factors. Without delving deeper into this complex issue at present, we will focus instead on the Polish elite, treating it as an ideal-typical benchmark for the elites of the 11 Central and Eastern European countries that joined the European Union.

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<sup>4</sup> Following Tadeusz Szawiel, let us repeat that “ethos” in the ideal-typical approach consists of “a certain hierarchical set of values and, most importantly, their specific «translation» into social behaviors. (...) Ethos therefore means commitment to specific patterns of social behaviors. Values manifest themselves in these patterns, thus shaping everyday life. (...) The bond of values with particular social behaviors is usually developed in the early phase of crystallization of the ethos group. Once developed, the form of translating values into social behavior has the nature of an obligation and is characterized by sustainability” [Szawiel 2011/1982: 291]. In addition, Szawiel emphasizes that “[w]e are dealing with a group when there is an awareness of belonging and a sense of bond of individuals with something supra-individual” [Szawiel 2011/1982: 294].

<sup>5</sup> When writing about the “world of labor” we refer this term both to workers and to technocratic intelligentsia, engineers and technicians who do not hold higher management positions. This group was different from the representatives of the technocracy holding senior management positions, being part of the nomenklatura, which represented the group interests of the industry formed under the previous regime [Hausner 1987].

<sup>6</sup> It can be added that in the Baltic countries, members of this elite were often members of the communist party, who, when they regained independence, transformed into the local “breakthrough elite.”



In Poland, the core of the elite consisted of representatives of the humanist intelligentsia, who in 1980 served as advisors to striking workers and represented the majority of society rebelling against the communist regime. In this role, they wielded great social authority. As a result, in 1989 the elite was awarded the social consent to implement necessary systemic reforms in line with its own blueprint and was endowed with an exceptionally strong political position. This was a time defined by its members as a “period of extraordinary politics”, in which there was no political competition and struggle for power, that would have endangered “the reform course” [Luszniewicz, Morawski, Zawistowski 2021: 174].

Among the key characteristics of the members of the “breakthrough elite” we will stress in the first place a high value they attributed to the liberation of the country from Russian hegemony and regaining full independence. This goal was accompanied by the idea of rejoining the Western civilization, including the country’s accession to the European Union and NATO. Members of the elite had strong personal ties with the elites in Western countries, which was connected with the leading “transitological” idea – a return of the country to its place held before World War II, with, let us add, an implicit idealization of this place (neglecting the fact of the peripheral underdevelopment of the country at that time).

Secondly, we will mention the democratic ethos, support for the idea of parliamentary democracy and an idealized vision of market mechanisms and competition. Members of the “breakthrough elite” undertook the mission of shaping a democratic, open society and a radically liberal (neoliberal) market economy, with minimal state intervention, far-reaching deregulation of the economy and radical privatization of productive assets. Leszek Balcerowicz, leader of the economic faction of the Polish “breakthrough elite”, described retrospectively (in December 2019) the program of system transformation, adopted in 1989 in the following way: “practically (there were – J.G.) no doubts: it absolutely has to be free-market capitalism (...) no compromises with state or mixed ownership – in strategic or particularly important sectors of the economy. Also no «industrial» policy”. So what was the coordination mechanism supposed to be? – “competition, thanks to the free-market economy and opening up to the world” [Luszniewicz, Morawski, Zawistowski 2021: 109]. In order to achieve this goal, the “breakthrough elite” took steps aimed to destroy the existing authoritarian institutional system as well as the corresponding socio-professional structure, which gave rise to the firm-centered paradigm – the design and implementation of the institution of a freely operating, fully private firm subject to the rules of law, including antitrust law. Sticking to this paradigm, the “breakthrough elite” imposed draconian taxes on state-owned enterprises, expecting their rapid privatization. We

will add that reform elites in other countries of the region also proclaimed and implemented neoliberal ideas, even though they were not socially accepted [Popic 2018].

The social acceptance of the Balcerowicz program was possible mainly due to the state of economic awareness of industrial workers. Its main characteristics comprised in particular individualism (contrary to the expectations of social democrats, convinced of collectivist attitudes), a pro-market and pro-competitive orientation, combined though with protectionist predilection (in this last respect, workers differed from members of the “breakthrough elite” [Gardawski 1992 and 1996]). In this context, Lena Kolarska-Bobińska [1986] pointed to the “market myth” common in the Polish mentality.

Of particular significance was the fact that members of the elite did not aspire to be owners of the means of production and wished to remain a class of political power. Referring to the concept of Daron Acemoglu and James Robinson [2022], the reformers fulfilled the first and key condition for leading the country onto the “narrow corridor” of democratic liberalism: the separation of political power and economic ownership, state power and capital. This opened the door to the creation of a state that the cited authors called the “Shackled Leviathan.” Such a state has sufficient power to maintain order, but not so powerful as to be oppressive. This protects freedom and promotes economic growth. Whether the state emerging after the anti-communist breakthrough will become a “Shackled Leviathan” guaranteeing order is another matter.

The mission of the elite was to create conditions for the emergence and development of a future capitalist class, so they undertook a program of privatization in line with the liberal, Anglo-Saxon model of capitalism, rather than the German (participatory) or Swedish model, which had previously been considered by some economists and sociologists. Tadeusz Kowalik mentioned a study visit of a mission of outstanding Polish economists to Sweden in the first months of 1989 [Kowalik 2000: 281, and 2009: 111]. The report from this visit, encouraging policy-makers to follow the Swedish path, exerted no influence on the debates at the Polish Round Table in 1989. Let us add that Kowalik treated the members of the “breakthrough elite” as a vehicle of the “conservative bourgeois revolution” [Kowalik 2000]. They were also referred to as the “cultural bourgeoisie” [Eyal, Szelenyi, Townsley 1998].

In our article of 2021 [Gardawski, Rapacki 2021] we paid close attention to this elite, we also cited a number of sources describing its characteristics, starting with the works of Tony Judt, and ending with the observations of David Ost. Now we will supplement them with the observations of Jerzy Hausner. In his publication of December 1992, he challenged the thesis of Kowalik and other researchers regard-

ing the “revolutionary” systemic change and described the context of the emergence of the “breakthrough elite” as follows: “[t]he long-term decay (of socialism – J.G.) and (its) «calm agony» led (...) to a state of «systemic vacuum» and a lack of strategic actors who could relatively quickly overcome this state («strategic vacuum»).

The communist system was not so much overthrown or transformed as it fell apart, leaving behind ruins” [Hausner 1992: 105]. According to Hausner, post-socialist society was not amorphous, it inherited organized groups with varying vested interests, but it lacked “social forces with systemic identification, capable of acting, around which groups with opposing or lower level of (political, corporate) identification were constituted and polarized. Without such groups, it is not possible to form a new system” [Hausner 1992: 115]. In turn, “elites (...) not having developed their own systemic project, replace it with an idealized, academic model of an ideal market and democracy. I believe that the above interpretation of the transformation of the socialist system is appropriate for all socialist societies, characterizing the main mechanism of their development” (Hausner 1992: 105–106]. We draw attention to the last sentence of the foregoing insight, because – in our view – Hausner generalized accurately the features of elites undertaking groundbreaking reforms in most CEE countries, with special regard to their role as catalysts in the process of patchwork capitalism formation, in which economic entities with different institutional logics exist side by side and independently of each other, with minimal intervention of the state. One can only doubt whether the elites really “did not develop their own systemic project”, bearing in mind the outcomes of many years of intellectual work of two seminars organized by Balcerowicz in the 1980s [Luszniewicz, Morawski, Zawistowski 2021].

The members of the “breakthrough elite” tended to largely neglect or even overlook market failures; instead, they used to focus on well-known from recent practice deficiencies of the socialist state’s institution and stood ready to generalize these deficiencies to encompass the very institution of the state as such. In this context, we wish to draw attention to one of the important social effects of the elite’s radicalism in the field of property rights. As we have already stressed, the aim of the privatization policy was to introduce full property rights in the economy on the widest possible scale [Balcerowicz 1989; Pejovich 1995]. The “breakthrough elite” began to dismantle the institution of workers’ self-government, which was the main institutional achievement of “Solidarity” in 1981. Employee participation in management, similarly to forms of collective ownership, including cooperatives, did not meet the criteria of the liberal theory of property rights. Workers and their trade unions were thus deprived of influence on management, the “breakthrough elite” successfully

convinced the leaders of the largest trade union – “Solidarity” that in a market economy the function of trade unions was only to protect employees in terms of working conditions and pay. This function was perceived so narrowly that the idea of the “Ghent system” (administration of unemployment elimination programs), so important for trade unions in many Western European countries, was rejected. These, among others, restrictions on the functions of trade unions made the working class a “lost” or “abandoned” class [Gardawski 1992], which was possible due to poorly developed class consciousness of industrial workers, who were a “strategic” target group of systemic changes [Gilejko 2005]. They constituted, to a small extent, a “class for themselves” in the Marxian sense: as we have already mentioned, despite the collective resistance to the authoritarian rule of the “Reds”, their collectivism was limited, for they predominantly displayed an individualist mentality and supported market mechanisms and competition, yet subject to the condition that the government pursued a policy of limiting foreign competition and protecting existing jobs.

The first effects of the reform deregulating the economy unleashed the activities of resourceful “innovators” in the sense given to this word in the theory of anomie by Robert Merton [2000]. Hitherto regulations of the economic life ceased to apply, and “thievish privatization” began [Poznański 2000]. The “breakthrough elite” abolished the institutions of police supervision over economic organizations, and in practice allowed the privatization of part of the state property by “informal interest groups, partially recruited from members of the former «nomenklatura», and now made up largely of new enterprising people” [Skąpska 2016: 37]. Grażyna Skąpska described these groups as ones that “ruthlessly and unscrupulously exploit the opportunities to enrich themselves on the ruins of state property” [2016: 37]. Such assessments call for a brief comment. It is true that the “breakthrough elite” undertook a program of rapid denationalization and radical privatization, in line with the Hall and Soskice Liberal Market Economy model, or the Anglo-Saxon model (as defined by most researchers in the field of comparative political economy), and as a result, allowed pathological phenomena to appear, including “oligarchic” fortunes. However, it also triggered the activity of a group of small and medium-sized entrepreneurs<sup>7</sup>.

It is worth mentioning in this context that the policies pursued by the “breakthrough elite” entailed setting up barriers constraining the development of sponta-

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<sup>7</sup> However, it must be remembered that the process of bankruptcy of state-owned enterprises, unleashed by the decisions of the “breakthrough elite”, developed a domestic class of small and medium-sized entrepreneurs, often buying up the production assets of bankrupt SOEs for next to nothing and developing their own production facilities, which allowed them to save this property, which would otherwise be doomed to destruction [Gardawski 2001a; Gardawski (ed.) 2013].

neous social activities in the economic domain: they restricted the activities of trade unions, abolished the worker councils movement, and inhibited development of all forms of collective and cooperative ownership.

It should be underscored, however, that according to many observers of the economic situation in the turn of 1980s and 1990s, including social democratic supporters of self-government, in 1989 there was no alternative in Poland to the liberal reform launched by Leszek Balcerowicz. The economy was in a state of dramatic collapse, Poland was a bankrupt country [Blazyca, Rapacki 2001], and receiving support from Western creditor banks could only occur on the condition of implementing an open privatization model, in line with the guidelines of the so-called Washington consensus<sup>8</sup>. These conditions had to entail dismantling of the institution of employee self-government and the democratic dialogue at the enterprise level associated with it, to a greater or lesser extent. It seemed at that time that participatory arrangements – even in a limited version – were incompatible with the Washington Consensus, although, as shown by subsequent studies of Kowalik, there was nonetheless a possibility of maintaining certain forms of participation.

Concluding the presentation of the complex image of the activities of the breakthrough elite, it is important to emphasize its contribution to laying the foundations for parliamentary market democracy by preventing the fusion of the political and economic systems. Martin Wolf wrote that for the “proper functioning of the economic and political systems (it is necessary) to partially separate them and protect them from intertwining (...). In other words, the spouses – capitalism and democracy – need each other, but must ensure an appropriate degree of independence. This fragile balance must be maintained for (...) their combination – democratic capitalism – to survive” [Wolf 2024: 63]. The breakthrough elite, not aspiring to the role of an economic property class, laid the foundations for such capitalism and gave patchwork capitalism a democratic character, although over time difficulties arose in consolidating the appropriate institutions and socially internalized norms that would strengthen democracy within the framework of the system. This was likely a result of the lack of industrial democracy. Regardless of this reservation, the “breakthrough elite” led Polish society into the “narrow corridor” of liberal democracy, to use the metaphor of Daron Acemoglu and James Robinson [2022].

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<sup>8</sup> The author of the term “Washington Consensus” and formulation of its ten principles was John Williamson, a British economist associated with, among others, the World Bank. Among the ten conditions of the consensus, the key one was the agreement to eliminate barriers to foreign direct investment (FDI), to privatize state-owned enterprises, to deregulate markets in terms of external entry into these markets, to support competition and to guarantee property rights.

### 4.3. “Adaptation Elite”: Curbing the Neoliberal Model through Hybridization of the “Fabric”

The difficulties of meeting the restrictive conditions of the neoliberal model were subject to meticulous examination by Dorothee Bohle and Bela Greskovits [2012]. Based on an empirical analysis, they described the difference between the countries of the Visegrad Group, where social protections were introduced, mitigating market mechanisms, and the Baltic countries, where the ruling elites largely maintained most of the consistently market arrangements. This gave rise to the term “embedded neoliberalism” for the former group of countries, and “neoliberalism” without adjectives, for the latter. However, even in the Baltic countries, protections against the difficulties caused by market mechanisms began to be implemented over time. The case of Slovenia deserves separate attention. After the political transformation, for two decades it retained an economic system largely inherited from socialist Yugoslavia. As a result, Slovenia had for many years built capitalism not in the version akin to the Liberal Market Economy but close to the Coordinated Market Economy with an important role of employee participation [Bohle, Greskovits 2012]. It may be added that the example of Slovenia was referred to by researchers of employee self-government – supporters of preserving this institution in the Polish economy (a topic widely debated in the 1990s within the self-government seminar led by Leszek Gilejko).

In the case of Poland, after less than two years of systemic transformation, radical market reforms undertaken by the “breakthrough elite” endangered the existence of state-owned enterprises and worsened the standard of living of the working class. Although the majority of industrial workers did not withdraw their support for the marketization of the socio-economic order, they actively protested against the methods and effects of the reforms, especially high taxes imposed on SOEs and the ad hoc privatization. At the same time, the above-mentioned period of “extraordinary politics” ended and the time of “ordinary politics” began, with the emergence of political opposition to neoliberalism and the struggle for power. Although “the pillars of the new economy have already been hammered”, as Jerzy Koźmiński said during the debate in December 2019 we mentioned earlier in the text [Luszniewicz, Morawski, Zawistowski 2021], still, “the great social effort” of building a market economy could not be allowed to be wasted.

Under these circumstances, the second-generation reform elite emerged – the “adaptation elite” (in a large part made up of members of the “breakthrough elite”

who had softened their own liberal views, especially Jacek Kuroń). This new generation of the ruling elite took steps aimed to curb the program of economic liberalization and privatization in order to safeguard market reforms from the workers’ “counter-movement” (to use Karl Polanyi’s term). First of all, the privatization process of state-owned enterprises was partially socialized (employees were to decide on the pace and forms of privatization) and restrictive taxes burdening SOEs were abolished. This resulted in retaining the status of state ownership in a larger group of firms than initially planned, and in the establishment of a separate category of SOEs – sole shareholder companies of the State Treasury (SSCST). Liberal reformers, especially representatives of the “breakthrough elite”, feared (rightly) that this sector of ownership would perpetuate and might extend. On the one hand, these measures reduced the impact of a purely neoliberal model on the economic policy pursued, but on the other hand, they were not systemic in nature, being reactive rather than proactive, and did not challenge a generally liberal course of economic policy.

In this context, we will quote a notable statement by Jerzy Hausner. In his book of December 1992, i.e. the period of reshuffling the “breakthrough elite” with the “adaptation elite”, this author drew attention to the lack of “systemic identification.” As he put it: “the elites do not seem to understand that the ship they are apparently steering is drifting in an increasingly unknown and unpredictable direction.”

The “adaptation elite” introduced the institution of tripartite dialogue and a number of welfare shields against the social burdens of the market system. As a result, the aforementioned model of “embedded neoliberalism” began to take shape. Seen from the angle of the emerging patchwork capitalism, this “embeddedness” meant that the “fabric” of the socio-economic order was losing its neoliberal coherence and, alongside the institutions characteristic of the Liberal Market Economy, institutions typical of the Coordinated Market Economy also appeared. Witold Morawski wrote in 2001 that “[s]urely, as usual in Poland, some hybrid will emerge” [Morawski 2001: 224], while Jacek Sroka [2007] used the term “statism/unstable corporatism” to depict the Polish socio-economic order. As spelled out by Bohle and Greskovits: “Relatively generous welfare schemes helped large social groups to avoid or at least slow down decline to underclass status. It is precisely the search for compromises between market transformation and social cohesion that makes the Visegrad states’ neoliberalism embedded and distinctive” [Bohle, Greskovits 2012: 22].

With the slowdown in the privatization of SOEs and the deregulation of the economy, there was a profound differentiation of the situation of enterprises along the dividing lines of their ownership status (traditional state/commercialized state versus private, and domestic versus foreign) and the size of companies (micro-enterprise

sector/small and medium-sized enterprise sector/large enterprise sector). It can be said that labor relations and the mechanism of corporate governance got out of control and took on a “patchwork” diversity. We refer here to Jerzy Hausner’s insights, who argued that it was precisely the various “players” and vested interest groups, taking advantage of the low costs of entering the system, that created a voluntarist order with features that we dub as “patchwork.” This phenomenon has been reinforced with the influx of foreign investment to the CEE region. In this respect, the case of Poland was special: in the first decade of the 21st century, Poland had one of the most diverse systems of industrial relations in Europe at the level of economic sectors (along with Cyprus and Portugal) [Bechter, Brandl, Meardi 2011].

We need to strongly emphasize the role of the Polish ruling elite, which adopted the principle: “the best economic (industrial) policy is no such policy.” This famous phrase of then Poland’s Minister of Industry (Tadeusz Syryjczyk), a member of the “breakthrough elite”, was repeated in 2019, during the aforementioned debate at the SGH Warsaw School of Economics, by the author of economic reform, Leszek Balcerowicz [Luszniewicz, Morawski, Zawistowski 2019].

The process of softening the initial radical liberalism and introducing shields that gave the market model a certain degree of inconsistency took place in most countries of the CEE region, although not everywhere the pattern of the elite change that occurred in Poland applied (the relevant developments were captured in a collective monograph edited by Krzysztof Jasiecki [2020]).

#### **4.4. Economic Development Dependent on Foreign Capital**

The next stage of systemic transformation, which directly led to the consolidation of patchwork capitalism, was associated with a change in the privatization program implemented by the “adaptation elite”, who strived to develop the model of “capitalism from outside” [Eyal, Szelenyi, Townstone 1998; Szelenyi 2015] by means of attracting foreign direct investment (FDI) [Jasiecki 2013: 382].

The state led by the “adaptation elite” was not a weak institution in its socio-political segment. It proved effective in terms of destroying the institutions of the authoritarian socialist regime, in terms of rebuilding the social structure, in the ideological aspect, as well as in terms of dismantling state and cooperative ownership and deregulating the economy (with respect to this last aspect, one could refer to a well-known idea of the state as a “night watchman”).



In turn, avoiding government intervention in the economy and setting low transaction costs of entry to the system, choosing to develop capitalism “from the outside”, through foreign capital and selling state productive assets to this capital with a view to increase government budget revenues, was conducive, as we wrote in the previous section, to the formation of a model of a market economy “dependent on foreign capital” or “led by foreign capital.” Deregulation policies also contributed to the sudden emergence of a crime wave.

Lawrence King aptly captured this political economy prevalent in the CEE region: he defined the CEE capitalism as “liberal dependent capitalism” (with CME and LME elements). The state created privileged infrastructural and legal conditions for foreign capital, which, however, it did not control in terms of the direction of economic development of the country; the economy developed in accordance with the interests of transnational corporations. This made the economy falling into the development drift indicated by Jerzy Hausner and into the middle-income trap. Depending on the changes in international markets, foreign capital could easily relocate production from the host country elsewhere, which made the national government losing control over the course of country’s development.

The process of opening up the Polish economy to the influx of foreign investment has been critically monitored by both economists and sociologists (essay-wise – Poznański [2000], systematically – Tittenbrun [2007]). For the last three decades, the process in question has led to a relatively large branch and geographical diversification of foreign capital on the domestic market<sup>9</sup>.

In our Extended Conceptualization, we emphasize that it was the socio-economic and political ground created in these countries, which we define as patchwork capitalism, that allowed multinational corporations to undertake and extend activities that are well described in the ideal type of DME. We devoted attention to the concept of Nölke and Vliegthart in Chapter II.2.3. The activity of foreign capital in the form they characterized in the DME model reinforced, through feedback, the patchwork character of capitalism in the host countries from the CEE region. The emergence and perpetuation of patchwork capitalism in CEE countries was in the interest of TNCs, which explains why they defended its existence, unless some of them gained

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<sup>9</sup> In Poland in 2020–2021, the highest percentage of foreign capital (36.8%) was engaged in activities related to industrial processing. A high share of foreign capital was also recorded in trade, and repair of motor vehicles – (18.1%) and real estate activities – (12.1%). Foreign capital in Poland at the end of 2021 originated from 117 countries, predominantly (85.1%) from the EU member states. The countries that invested capital in Poland with the highest value included the Netherlands (18.1% of total stock of foreign capital), Germany (16.8%) and France (12.0%) [GUS 2022].

a monopoly position on the market. A closer look at the activities of TNCs through the lens of the ideal-typical approach indicate that the set of their subsidiaries in CEE countries reveals the feature of being a patchwork archipelago of autonomous institutional architectures. By the same token, this set is neither coherent nor complementary as seen from the perspective of the host country's economy. Yet, this does not mean that the activities of these firms cannot bring (and often do bring) economic growth to the host country.

It ought to be added to this picture that despite the patchwork diversity of the national political economies in the CEE region, there are common threads in the activities of TNCs within the host country (this was written about by, among others, Dorothee Bohle and Edgars Eihmanis [2022: 499]).

The leading specialist of "Solidarity" in the field of industry structures, Sławomir Adamczyk, took up the issue of TNCs' activities geared toward deregulating industrial relations. He had extensive comparative knowledge and stressed the difference in the situation of Polish and Western European firms: "[a]n important factor influencing the absence of sectoral level of negotiations in the private sector should be seen in the repercussions of the avalanche-like growth of foreign direct investments inflowing to Poland after 1989. Transnational corporations (including those originating from the EU15 countries) encountered a passive approach of the Polish state with regard to supporting social dialogue in the business area. Taking advantage of this, many foreign employers barely accepted the need to recognize the role of trade unions at the workplace level. It was therefore difficult to expect their involvement in sectoral dialogue. And it is worth noting that, for example, in the industrial sector in 2001, over 30% of employees in Poland worked for foreign capital" [Adamczyk 2018: 66–67].

So far, we have pinpointed mostly the adverse outcomes of the activities of foreign capital in CEE countries. Now, we will highlight some of its positive sides: in the first place, it was a driver of various kinds of innovations in the host countries' economies including in particular process, organizational and marketing innovations (but not necessarily product innovations), which significantly contributed to the modernization of these economies. In addition, foreign capital has effectively contained the emergence and development of the oligarch class, known from Russia and the countries of the Commonwealth of Independent States [Gardawski, Rapacki 2021: 50]. We will refer in this context to the assessment made by Wojciech Morawski regarding the situation of Poland. Morawski challenged negative opinions on the role of foreign capital, particularly emphasizing one factor: "I would say one thing in defense of privatization (by foreign capital): we managed not to breed a class of

oligarchs and this is what distinguishes our privatization from various others. This is certainly a measurable success” [Luszniewicz, Morawski, Zawistowski 2021: 195]<sup>10</sup>.

In the case of patchwork capitalism, both ideal types of the varieties of capitalism, singled out within the VoC theory [Hall, Soskice 2001], are inaccurate as a descriptive tool of the CEE countries. With respect to the backbone of the economy, which are TNCs, coordination takes place not through competitive domestic markets or arms-length transactions, in accordance with the model of the Liberal Market Economy, nor through the network of relationships characteristic of the Coordinated Market Economy. The activity of each corporation and its subsidiaries in the host country is coordinated independently of the domestic market by its foreign headquarters.

In turn, social institutions characteristic of the Coordinated Market Economy, introduced through the social “embedding” of neoliberalism, have triggered a process of “fabric” hybridization – actions aimed at reducing the level of tensions, e.g. in Poland consisted initially in introducing institutional shields (the effect of the government’s dialogue with trade unionists from industries whose employees were actively protesting), and then in concluding a social pact “on a state-owned enterprise undergoing transformation” (1993). The pact involved aimed, among other things, to include trade unions in the system by establishing a central tripartite neo-corporatist institution (the Tripartite Commission for Social and Economic Affairs). However, it was ultimately afforded relatively limited possibilities to influence economic policy (see Ost [2000 and 2010], and this author’s famous thesis of “illusory corporatism”).

The patchwork nature of the socio-economic order in Poland strengthened the private SME sector, too. The first years of systemic transformation (1989–1994) constituted the “golden period” of the development of the SME sector – a time of deregulation and very limited government control in the period when competition from large international corporations had not yet appeared. Let us add that this period in Poland began already under the rule of authoritarian socialism (a bill enacted by the last communist government of Prime Minister Mieczysław Rakowski and adopted at the end of 1988<sup>11</sup>). SMEs got rid of the institution of employee participation and freely shaped their internal corporate governance systems. It was also during

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<sup>10</sup> It is worth adding that Anders Åslund, who studied system transformation in Russia, positively assessed the actions of oligarchs in the first years after the systemic change. Here is his opinion: “At the early stage of the transformation, oligarchs were the most prominent representatives of the group that wanted to capitalize on market distortions, but as a normal market economy was being established, oligarchs adapted to the new conditions and after 1999 showed high productivity (...) they brought life back to and rebuilt Soviet giants, especially in energy and metallurgy”. On the other hand, “foreign investors turned out to be useless” [Åslund 2010: 17].

<sup>11</sup> Two characteristic articles of this law read as follows: Article 1: “Undertaking and conducting business is free and permitted to everyone on equal footing, subject to the conditions prescribed by law.”

this period that Polish oligarchic fortunes and the first large-scale scandals started to arise. These fortunes were limited in their development (which is not to say they disappeared) when large-scale foreign capital entered Poland. This capital no longer needed the intermediation of domestic oligarchs.

In conclusion, let us note the context of foreign capital as a source of heterogenization and patchworkization of the socio-economic order in Poland. With the onset of privatization and the first act on ownership transformations of 1990, a new segment of state-owned enterprises (so-called sole-shareholder state treasury companies) emerged in Poland, which contributed to enhancing the heterogeneous nature of the country's socio-economic order. At the same time, some state-owned enterprises resisted commercialization and retained the institution of employee self-government, while another group gained the status of employee-owned companies leasing state assets. The presence of state-owned companies (particularly strong in the raw materials sector), new Polish private firms, and domestic firms with other forms of ownership did not change the overwhelming dominance of foreign capital and the derivative fact that transnational corporations became one of the chief guarantors of the perpetuation of patchwork capitalism.

## 5. Ideal Type of Patchwork Capitalism

With respect to the ideal type of patchwork capitalism, one question can be asked: is this type useful in the present circumstances as a benchmark in the study of comparative capitalism in Central and Eastern Europe?

In our opinion, the ideal type of patchwork capitalism was closest to the situation in Poland at the end of the first decade of transformation. Furthermore, the ideal type was relatively close to the process of shaping patchwork capitalism until the end of the first decade of the 21st century. However, currently, after the period of shift towards authoritarian-populist regulations from 2015 to 2023, some elements of this type appear to be closer, while others have been replaced by elements of a non-patchwork nature. Nevertheless, we believe that the ideal type of patchwork capitalism still retains its value as a yardstick and is a useful tool for comparative political economy, not only in the case of Polish political economy. Similar conclusions can be applied to the political economies of those CEE countries where authoritarian solutions were not implemented.

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Article 4: "Business entities may, in the course of their business activities, perform acts and activities that are not prohibited by law."

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We will start with distinguishing institutional domains that give identity to patchwork capitalism (Table 1). We will refer there to the ideal type of varieties of capitalism (VoC) devised by Hall and Soskice [2001] and the derivative ideal type of Dependent Market Economy (DME) put forward by Nölke and Vliegenthart [2009]. We will also refer to the ideal type constructed by Lawrence King [2007] and the type of the average Polish socio-economic order authored by Krzysztof Jasiecki [2013].

The authors of the DME concept drew up a comparison of the features of three ideal types of market economies: liberal, coordinated, and dependent. This comparison was particularly important for us due to the aforementioned common features of a dependent market economy and patchwork capitalism [Nölke, Vliegenthart 2009: 680]. The institutional areas (domains) accounted for in the ideal DME type (using Hall and Soskice's [2001] VoC framework) include the following: 1) dominant coordination mechanism; 2) primary sources of investment; 3) corporate governance; 4) industrial relations; 5) education and skills development; 6) innovation transfer; 7) competitive advantages.

Lawrence King, in turn, distinguished five domains: 1) industrial relations; 2) vocational training and education; 3) corporate governance; 4) inter-firm relations; and 5) firm-employee relations. While comparing the orders which he labeled “dependent liberal systems” (the Czech Republic, Hungary, and Poland) with “patrimonial systems” (Russia, Ukraine, Romania, and Serbia under Milošević), he distinguished 14 dimensions of analysis<sup>12</sup>.

The third source of our inspiration are the results of the study by Krzysztof Jasiecki [2013], who singled out eleven dimensions of analysis of Polish capitalism in the first period of systemic transformation<sup>13</sup>.

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<sup>12</sup> 1) Political strategy of the transition period/elite struggle/class and intra-class alliance; 2) Formation of a dominant class; 3) Foreign capital; 4) Political capitalism, various forms of rent-seeking; 5) Domestic (petty and middle) bourgeoisie (SME sector); 6) Firm integration; 7) Employer-employee relations; 8) Industrial policy; 9) Leading sector; 10) Dynamics of accumulation; 11) Size of the state; 12) State effectiveness/formal bureaucracy; 13) State-economy interaction; 14) Political institutions.

<sup>13</sup> 1) Historical starting point; 2) Political institutions; 3) Type of capitalism; 4) The state; 5) Main actors of systemic change; 6) The role of foreign capital; 7) Investment financing; 8) Corporate governance; 9) Collective labor relations; 10) Education and vocational training; 11) Transfer of innovation.

**Table 1. The ideal type of patchwork capitalism**

<b>Institutional domains</b>	<b>Patchwork capitalism</b>
Historical starting point	The collapse of authoritarian socialism as a result of a punctuated shift triggered by an external shock.
The cultural legacy of totalitarianism/ authoritarian socialism	Weak social embeddedness of formal institutions (low level of internalization of formal norms). Societal integration primarily at the microstructural level. Low stock of inclusive (bridging) social capital. Low level of trust in public authorities and the state.
Reform elite (main actors of systemic changes)	New political elite: anti-system opposition (if it could be formed in a given authoritarian regime). Intra-system opposition (in the Baltic countries often composed of former members of the communist party).
The role of the reforming elite – opening the way to patchwork capitalism	Depriving the current ruling class (nomenklatura) of power. Assuming and maintaining the role of the political power class, with no aspirations to take over state property and transform into an economic power class. Creating the conditions for the emergence of an economic power class (bourgeoisie).
Leading ideology	Parliamentary democracy. An idealized vision of market mechanisms within the convergence model (low sensitivity to market failures, high sensitivity to government failures). A program of privatization of state property. Property rights as the foundation of the economy.
Type of capitalism	Liberal Market Economy in the Anglo-Saxon version. Radically open system (minimal transaction costs of entering the system). Low level of regulation of business activities. Low level of coherence and complementarity (“atinality”).
The political strategy of the transition period	Abolishing institutions of the former regime. Preventing the reproduction of the influence of the nomenklatura and industry interest groups inherited from authoritarian socialism.
Industrial ideology	Radically-market ideology constrains the development of trade unions, cooperative organizations, forms of collective ownership and participation of rank and file workers in management.
State-economy interaction	An efficient legal system that protects property rights and free competition. Minimum level of state interference in the economy.
Industrial policy	The idea that the best industrial policy is no industrial policy at all.
Foreign capital – key factor in the development of patchwork capitalism	Permission to unlimited sale of state-owned enterprises to foreign capital. Minimal transaction costs for foreign investments. Freedom of foreign corporations to shape labor relations. Limiting the space in the economy for development of the strata of domestic oligarchs.

Institutional domains	Patchwork capitalism
Corporate governance	In the case of domestic and foreign private enterprises, there is no state interference, and in the case of enterprises under state control, there is limited state supervision.
Industrial relations	Low level of state regulation (weak institutionalization of labor relations, strong influence of market mechanisms). Limited representation of employee interests (limited scope of trade union activity). Collective bargaining agreements at the enterprise level.
Competitive advantages	A well-qualified, low-paid and unmilitant working class inherited from authoritarian socialism. Patchwork rent: assembly platforms for mass-produced, semi-standardized industrial goods (in line with the Dependent Market Economy model). Ease of undertaking entropic production and services.

Source: own elaboration.

We will conclude with a reference to Krzysztof Jasiecki’s comment on the feasibility of measuring the incidence of patchwork capitalism features by means of the scale outlined in our 2021 article [Gardawski, Rapacki 2021: 72]. Jasiecki asked the question: “at the current stage of work on the new conceptualization, it is not clear how the typology in the perspective of patchwork (...) translates into the empirical possibilities of classifying individual countries into one of the four specified categories – coherent type, mixed type, etc. There is a lack of a clear-cut indicator enabling such a procedure. For example: using what indicators will we classify Poland, Slovenia, and Estonia into the appropriate categories of the typology of «patchwork capitalism»?” [Jasiecki 2022].

We agree that the keyword scheme in the 2021 article did not provide a sufficient basis for classifying the cases Jasiecki mentioned. It was desirable then to come up with the extended content of the scale, which we have done in Table 2 (it is important to remember that our conceptualization is qualitative rather than quantitative).

In terms of the scale shown in Table 2, Slovenia may be deemed a country close to type A (in the period when it implemented the CME model). Likewise, Estonia was akin to type A (when it adopted a radical version of the LME model), although over time both countries moved closer to type B, while Poland implemented model C.

**Table 2. Typology of capitalism from the perspective of the patchwork concept (extended scale)**

Typology			
A.	B.	C.	D.
Coherent type: One fabric controlling thread elements (e.g. corresponding to the ideal type of LME)	Mixed type, gravitating towards coherent type A: Heterogeneous fabric, contains several segments (2–3) that control all or most of the thread elements (e.g. simultaneous presence in the fabric of a segment close to the LME, a segment close to the CME and one corresponding to the statist model). Marginally there are patchwork elements of the thread (controlled by external socio-economic systems).	Mixed type, gravitating towards coherent type D: Heterogeneous fabric, its segments control some of the thread components as in type B, but within the thread patchwork elements dominate, i.e. controlled from the outside (subordinated to TNCs headquarters being part of external socio-economic systems), or operating autonomously without being linked to any fabric, as in the ideal type of Dependent Market Economy.	Coherent type – patchwork: Fabric does not control the elements of thread, they are fully autonomous.

Source: extended table from Gardawski and Rapacki [2021: 72].

## 6. Conclusion: The Competitive Advantages of Patchwork Capitalism. Prospects for the Evolution of Patchwork Capitalism

When discussing competitive advantages, we will refer to the ideal type of patchwork capitalism. The issue of competitive advantages requires, first and foremost, an appeal to the specific political and economic environment of the socio-economic order. By political environment, we mean the agenda of the ruling elite, associated with a liberal ideology, separation of political and economic power, limited state intervention in the economy. In turn, by economic environment, we mean a flexible institutional framework, low entry costs, and the freedom of private corporations to shape the principles of corporate governance and industrial relations. This intertwining of factors creates conditions fostering the expansion of foreign capital in the form described by Nölke and Vliegthart [2009] in the ideal type of Dependent Market Economy, along with the competitive advantages inherent to this type. They involve creating exceptionally favorable conditions for large-scale production of modern but not innovative durable goods that meet demand on for-



eign markets. This leads to economic growth, but hinders the qualitative development of this economy.

In addition to the advantages created by the Dependent Market Economy, we will indicate two sources of advantages, but they are not specific only to patchwork. First, there are competitive advantages at the level of social microstructures, which are particularly evident during periods of crisis (we had the opportunity to examine these in studies on multi-crisis situations; see, for example, Mrozowicki, Gardawski, Burski, and Rapacki [2025]). Patchwork shares these advantages with some other weakly institutionalized systems. Patchwork fosters, one might even say compels, the formation of strong bonds at the microstructural level and fosters the emergence of a high level of trust within these microstructures (so-called “bonding” social capital, according to the well-known Putnam classification). This is accompanied by a lower level of identification with official institutions (low levels of “linking” social capital, as defined by Woolcock [2001]). This is related to the willingness of individuals and small groups to “take matters into their own hands.” This willingness was well captured by Edmund Mokrzycki’s term “resourcefulness”. Mokrzycki [2001] emphasized the difference between resourcefulness and entrepreneurship. Adam Mrozowicki and his team used the French term “bricolage” in this context. This resourcefulness took many forms, ranging from private “coping” in times of economic shortages in the consumer goods market to coping with the Covid-19 pandemic. In the latter case, the patchwork order showed a short-term advantage over highly institutionalized orders (with a higher level of cohesion and complementarity). Above all, the patchwork created a disposition to spontaneously respond to the crisis at the microstructural level, without waiting for the emergence of solutions and regulations from the system. In the initial period, this mitigated the negative effects of the crisis, unlike the relatively inertial nature of highly institutionalized systems at the time. However, in the long run, the latter systems coped with the pandemic more effectively than the chaotic patchwork order.

The second source of advantage, described in Conceptualization II [Gardawski, Rapacki 2021], was the facilitated import of entropy into countries with a patchwork order. This competitive advantage of patchwork capitalism countries is shared with other peripheral countries, but the characteristics of the patchwork order operate as a factor independent of the country’s location on the “core-periphery” scale. The import of entropy takes place in various forms – from the simplest ones, i.e. the location of enterprises that pollute the natural environment and the import of toxic waste, to the operation of enterprises that do not respect workers’ rights, do not protect employees with collective bargaining agreements, do not ensure participation in management, and use authoritarian management methods and other methods that

reduce labor costs. This is also an indicator of the darker side of patchwork capitalism: a democratic, liberal, inclusive order at the level of institutional fabric can be accompanied by a system devoid of the institutions of industrial democracy and by an authoritarian corporate governance system in a large part (most?) of private economic organizations at the level of thread.

The examples of competitive advantages cited above highlight the risk of developmental drift in the case of patchwork capitalism – as we have already noted, a country can experience economic growth, especially if it is defined solely as GDP growth, but without targeted, long-term economic development.

## **6.1. The Future in the Narrow Corridor Perspective of Acemoglu and Robinson's Theory**

In discussing the possible directions of evolution of patchwork capitalism, we will refer again to the concept of the Narrow Corridor by Daron Acemoglu and James Robinson [2022] and to the commentary on this concept by Martin Wolf [2024] and Rafał Matera [2022]. Acemoglu and Robinson developed ideal types of relationships between state institutions (the “Leviathan”, a term they borrowed from Thomas Hobbes) and society. The first ideal type was a democratic market society, which requires finding a place in a difficult and unstable Narrow Corridor, defined on the one hand by a state strong enough to enforce compliance with the law, yet not so strong as to restrict citizens’ freedom – a “Shackled Leviathan”. Transferring this thesis to the theory of patchwork capitalism, this is a situation where the institutional “fabric” effectively regulates the activities of the organizations and institutions that make up the “thread”, but without suppressing their independence or eliminating the rule of law, especially property rights. The emergence of liberal democracy requires the fulfillment of additional conditions, which Wolf described as follows: first, a balance between democracy and the market, which means there must be a distance between the political and the economic aspects; influential economic entities (elements of “thread”) cannot dominate state institutions (“fabric”), and vice versa. Next, the economy must be subject to the rules of the game established by the state – free competition cannot be a “free-for-all” practice. The state must implement economic and social policies that regulate the establishment and management of the most important economic entities, i.e., corporations. It must also regulate the functioning of markets: labor, capital, etc. Another key factor is the need for a civil society, and citizens must be provided with an adequate level of economic security.

Democracy based on universal suffrage leads to the creation of states that, while “are not mutually exclusive with competitive capitalism, the libertarian version of capitalism is incompatible with democracy based on universal suffrage” [Wolf 2014: 68]. Elsewhere, Wolf emphasized that citizens will demand protection against unemployment and disease, decent work, “regulations protecting them from exploitation”, and will demand “limiting the unequal distribution of social wealth” [Wolf 2014: 68].

Acemoglu and Robinson contrast this ideal type of liberal democratic state with others, corresponding to the not shackled (untamed) Leviathans. The main ones are the “Despotic Leviathan” (also referred to as the “Real Leviathan”) and the “Paper Leviathan.” The former prevents the formation of a civil society. In its case, the socio-economic dimension is dominated by politics, private capital is at the mercy of the state, and it has no rights, only privileges that can be easily taken away. In turn, the “Paper Leviathan” is, as Martin Wolf emphasized, both ineffective and oppressive. Not only does it fail to regulate social life efficiently, but it also “fails to provide basic public services, and its resources are used exclusively by a predatory elite.”

These three conceptions of the state are ideal types and, in the version presented above, are coherent. Acemoglu and Robinson’s original theory also explores the dynamics of regimes (the “Red Queen” effect), i.e., the constant race between Leviathan and the social side to prevent domination by the other side and maintain a balanced relationship.

Patchwork capitalism, approached from an ideal-typical perspective, grants excessive freedom to a key element of the socio-economic side – foreign corporations. This results in Leviathan’s difficulty in ensuring the country’s appropriate socio-economic development. For this reason, Leviathan in a country of patchwork capitalism exhibits characteristics of a Paper Leviathan.

Rafał Matera [2022] described the evolution of Leviathan in six CEE countries (Poland, the Czech Republic, Slovakia [pre-1993 Czechoslovakia], Hungary, Romania, and Bulgaria) starting from a period of lack of independence (in some countries before the mid-19th century, in others after the First World War). During this period, “ruthlessly despotic Leviathans” reigned. The interwar period of independence was too short for the countries of the region to shackle Leviathan – Czechoslovakia was an exception. The author emphasized that “Poland also made an attempt to shackle the Leviathan, although it failed quite quickly” [Matera 2022: 68].

After World War II, the communist systems in the CEEs had all the characteristics of a Despotic Leviathan. One can only differentiate the scale of the persecution of society by Leviathan in individual countries [Matera 2022: 71].

After six countries gained independence, “it should be assumed that entering the Narrow Corridor was a process, and accession to the EU was not the moment of joining it, but rather the crowning achievement of that process.” The author characterized the situation of the region’s countries in 2022 as follows: “Czechia and Slovakia may feel comfortable in the Narrow Corridor and run fairly evenly. Czechia, however, and especially Poland, have slowed down the pace, especially when it comes to the quality of governance. Hungary is hanging on to the borders of the Narrow Corridor with only one hand, Poland maybe with two (or one and a half). Romania and Bulgaria are trying to reach a higher level, but they are also running unevenly. It is therefore imperative for the entire group to stabilize the pace of both government action and that of society. Waiting for the next elections in each of the CEECs is a struggle to stay in the Narrow Corridor” [Matera 2022: 83–84]. The article ends pessimistically: “Unfortunately, in the second decade of the third millennium and especially in the second half of the second decade of the twenty first century, there were visible difficulties in staying on track within the Narrow Corridor. The problems with the rule of law (Hungary, Poland) and greater political instability (Bulgaria, Romania) meant that for four out of the six CEECs being in the Narrow Corridor became strongly threatened. (...). We can observe that in the absence of a trend reversal, the Shackled Leviathan can be replaced at any time by the Paper Leviathan or even by the Despotic Leviathan” [Matera 2022: 83–84].

Our conclusion, based on the concept of patchwork capitalism, brings a new dimension to the analysis of the Narrow Corridor. The role of foreign corporations and the weakness of civil society institutions must be taken into account. Corporations constitute, on the one hand, an amorphous group, but on the other, as a group, they are a dominant factor in the economy, yet they are poorly subject to state regulation and hinder the qualitative development of the national economy. In turn, fragmentation at the level of mini-structures and the low level of social organization at the level of meso-structures create a favorable environment for the Paper Leviathan, which insufficiently regulates the economy and intensifies the effect of developmental drift. This is also a Democratic Leviathan in political terms. The challenge for the ruling elite, as well as for all citizens, is the qualitative development of the economy, meaning wresting the country from the hands of the Paper Leviathan and from developmental drift.

Real political and social processes, both internationally and domestically, point to the ascendancy of the Despotic Leviathan. In the CEEs, they argue that the next step is for the Despotic Leviathan to dominate the Paper Leviathan. Here’s a comment from Krzysztof Jasiecki: “[c]apitalism, not only in CEE, is becoming more unstable

and volatile politically and in terms of sustainability of the hitherto socio-economic order. The transition to the fourth industrial revolution, the coronavirus pandemic and the war in Ukraine from 2022 in a new way undermine the coherence of institutional logics, demonstrate their dysfunctionality and fragmentation, as illustrated by new manifestations of the growing role of the state, climate and energy policy, and changes in labor relations forced by the crises, social policy, etc.” [Jasiecki 2022: 8].

Martin Wolf [2024: 475] emphasized that one of the three main transformations is the erosion of democratic capitalism and the “growth of demagogic, autocratic, and totalitarian capitalism as competing systems of organizing politics and the economy.” This is accompanied by the second transformation, namely the achievement of autocratic China’s position as a superpower (Grzegorz Kołodko wrote about a separate “Chinese model of capitalism”), and the third, namely the global ecological challenge.

At the same time, Jasiecki suggested placing more emphasis on the role of party leaders or that of the Catholic Church, and in the case of the former, on the rise of authoritarian tendencies and statism. In addition, he also highlighted oligarchization tendencies in the socio-economic orders of many countries in the CEE region. These observations do not apply to the ideal type of patchwork capitalism, as in Conceptualization II we already pointed to the seeds of the process of patchwork capitalism’s decline towards capitalism led by an authoritarian state [Gardawski, Rapacki 2021: 85–88].

We will now focus on real socio-economic processes that indicate the development of the “Despotic Leviathan”, i.e. the slide towards statism and authoritarianism.

Piotr Kozarzewski put it aptly, investigating the process of transformation of Poland’s political economy in the 21st century in terms of the changing role of the state, the constitutive feature of the ideal type of patchwork capitalism: “[t]here are grounds to believe that changes in relation to privatization and its individual goals reflect a broader modification of economic policy, namely a change in the paradigm of the role of the state in the economy. The state has stopped withdrawing from direct control over economic entities and, it seems, intends to remain a strong market player in the long term. And even to increase its role, which inevitably means a reduction in the role of privatization. Since the beginning of the 21st century, privatization has begun to lose its significance as a pillar of the Post-Communist transformation” [Kozarzewski 2016: 563]. He then added a remark concerning representatives of the adaptation elite at the time: “[e]ven economists and decision-makers whose views were considered rather liberal, such as Jacek Rostowski or Jacek Socha, at the beginning of the current decade spoke in favor of not privatizing companies generating

profits, at least in the short run. Instead, in their view, the government should invest even more in these companies in order to raise their profitability; in the future, it would be possible to consider selling them for a higher price than would be achievable today (...)” [Kozarzewski 2016: 563]. Later in his study, Kozarzewski stressed that the PiS government, which took power in 2015, replacing the previous adaptation elite with its own statist elite “went further and, as part of the above-described «phasing out privatization», practically ruled out the possibility of selling these companies in the foreseeable future” [Kozarzewski 2016: 563].

Wiesław Gumuła pointed out that the changes taking place at the turn of the centuries, related to the evolving structure of vested interests, may lose their democratic orientation: “[a]t the threshold of the twenty-first century, the subject of research is the hypothesis that changes may go in opposite directions in individual areas of social life and types of social bonds. For example, the development of the market may be accompanied by some form of autocracy (...). Combining market changes with democratic ones is not in the interest of many active social groups” [Gumuła 2008: 293].

## 6.2. Lawrence King’s Proposal

As a wrap up of our discussion, it is worth pondering the question regarding sustainability of patchwork capitalism and the related usefulness of the ideal type involved. We will complement Acemoglu and Robinson’s perspective with a proposal by Lawrence King [2007]. Observations of the experiences of Poland and other CEE countries prompt the conclusion that there are factors that push national socio-economic orders in the CEE region off the trajectory of patchwork capitalism towards the model of patrimonial or crony capitalism. In this context, we will refer again to the work of Lawrence King [2007] and use it as a basis for indicating what changes are likely to occur during such a transition.

1. In the case of the dimension that King defined as “elite struggle/class and intra-class alliance”, state agencies are used to take over private property.
2. In the “dominant class” dimension, parasitic financial and industrial groups emerge on a large scale, which can be described, following Ivan Szelenyi [2015], as the “prebendal class”.
3. In the case of the “political capitalism, various forms of rent-seeking” dimension, there is a shift from a small scope of the phenomenon to a large scope.
4. In the dimension of “state-economy interaction”, the state does not supply adequate quantity and quality of public goods (e.g. human capital). Instead, there

is “extensive, personalistic enforcement of the law by patrons in order to ensure benefits for their clients.”

5. Finally, in the case of political institutions, multi-party authoritarianism develops, while elections cease to be free and fair.

We will add to this picture that under the foregoing scenario, fundamental changes occur in two institutions that are key to patchwork capitalism: the state shifts its stance towards the economy from liberal to statist, and simultaneously the caste of civil servants controlling the state not only loses its democratic and liberal ethos, but also transforms into a parasitic class. The pertinent change in the economy consists in the shift to “manual” steering in the name of profits plundered by the caste of bureaucrats. The transaction costs of entry and operation in the system rise, the resulting profits are taken over by bureaucrats, and there is direct government intervention in the economy along with the appropriation of private firms by the state.

On the other hand, however, without state intervention in peripheral patchwork economies, it is difficult to expect the European market (personified) to allocate high-tech investments in peripheral European countries that would meet the criteria of a knowledge-based economy. A market mechanism alone, rationally allocating productive factors, is likely to perpetuate the status of CEE countries as dependent market economies, a status of patchwork capitalism. This is one of the key dilemmas being faced by liberal and democratic elites in these countries, who refuse to use hierarchical methods and simultaneously seek a way to get the country out of the “developmental drift” and to avoid the “middle-income trap.”

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