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Reflections on the Study: "Patchwork Capitalism in Central and Eastern Europe: A New Conceptualization" by Juliusz Gardawski and Ryszard Rapacki

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Abstract

The article comprises a thorough and meticulous examination of the theoretical concept of "patchwork capitalism" by J. Gardawski and R. Rapacki, published in WFES no. 24 in 2021. The author posits that, whilst Gardawski and Rapacki's work is inextricably linked to the broader discourse surrounding research on varieties/models of capitalism, its distinctive nature stems from its foundation in synthesis and classification, a departure from the prevailing analytical methodologies employed within the ambit of New Institutional Economics (NIE). Without seeking to challenge the most significant elements of the analysis of 'patchwork capitalism' presented by both authors, the text expresses the belief that the absence of an "institutional fabric", which is one of the most salient distinguishing features of the model described by Gardawski and Rapacki, can be regarded as both a vulnerability and a potential catalyst for future transformation. On the one hand, the presence of "fundamental rules of the game" governing the conduct of all economic entities stabilizes the system by limiting the possibility of chaotic changes and, in a broader context, the risk of developmental drift and instability; on the other hand, its overly strong foundation may hinder reforms. The author notes that changes in patchwork countries are obviously uncoordinated, but at the same time, the possibility of introducing reforms is an advantage, especially in the long term. Notwithstanding the criticism contained in the article, the author expresses his conviction that the concept of patchwork as a "meta-category" allows us to transcend rigid classifications

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and recognize common features, despite different details and solutions. He further contends that this concept is therefore useful and contributes to broadening research horizons, especially in the context of peripheral countries and new EU members, accurately reflecting the complexity and heterogeneity of the economic systems of Central and Eastern European countries. The authors adopt an interdisciplinary approach, contributing to the development of New Institutional Economics.

Keywords: patchwork capitalism, CEE11 countries, new conceptualization by Gardawski and Rapacki, institutional fabric
JEL Classification Codes: P16, B52

At the outset, I would like to stipulate that this study is by no means a review of the text indicated in the title [Gardawski, Rapacki 2021]. Firstly, because I have no ambition to create a comprehensive review of such a voluminous study (and this was not, by the way, the intention of the editors of the journal), and secondly, due to the fact that I was a member of the research team whose work led to the creation of both the concept of "patchwork capitalism" and the key elements of its definition. Instead, I would like to share my reflections relating to both the very idea of categorising models of capitalism and the usefulness of the concept of patchwork capitalism put forward by Professors Gardawski and Rapacki.

The field of research on varieties [Hall, Soskice 2001] or models [Amable 2003] of capitalism, of which Gardawski and Rapacki remain prominent, fits into the broader context of both the method and thematic area of New Institutional Economics (NIE). However, it remains an entity in part separate because it is based on its essential formula on synthesis, whereas mainstream NIE research uses primarily analytical methods. This is because the basic tool for the study of specific institutions remains their analysis, which attempts to answer the question of how they function, as well as the factors that have led to particular shape of specific legal solutions. If the ambition of the researchers is to go beyond the strictly positive character of the analysis, normative threads also appear, i.e., questions of assessing the effectiveness and efficiency of a specific institution, at least in the context of its commonly accepted purpose of existence. Thus, we are dealing with numerous and extremely interesting case studies, which, however, rarely claim to generalise the analysed phenomena.

However, research on models/varieties of capitalism is, by its nature, based on synthesis, i.e., looking for similarities between differing institutions, neglecting their exact analysis. The aim remains to generalize, to find commonalities that allow the creation of broader categories, which naturally means ignoring irrelevant – in the opinion of researchers active in this field – details that, in their view, only obscure the picture and make it impossible to categorise the phenomena under study. In addition, given the much broader context, the analysis of institutions within the framework of research on models/varieties of capitalism tends to omit the description of specific legal solutions in favour of looking for economic variables that the chosen institution can characterise and whose comparison allows similarities to be found or differences to be identified between countries. It is easy to see these conditions also in Gardawski and Rapacki's article, which uses broad categories such as "post-socialist countries", while the analysis of solutions at the level of specific economies remains a marginal thread.

This is fundamentally different way from the descriptive method that dominates the classical New Institutional Economics approach and is a very frequently raised argument to justify doubts against classifying models and varieties of capitalism based on economic variables. To give an idea of the differences in methodological approaches, the example of institutions operating within the social security system can be cited. Research can be conducted, on the one hand, by describing and analysing specific solutions characterising, for example, programmes targeted at families (such as "*Rodzina 500 Plus*" in Poland, "*Kindergeld*" in Germany, or direct support paid in the UK), but it can also be based on variables characterising the relative value of measures targeted at families (e.g. in relation to the GDP of a given country, the expenditure side of the public finance sector or total transfers) and the effects of the existence of such programmes (fertility rate, birth rate, average number of children in a household, etc.). By its very nature, the description will focus on the specificities of the solutions in each country, while the analysis of economic variables can be used to find similarities (and differences) between family support mechanisms operating in different countries. It is easy to see that a key element justifying the creation of classifications is the proper selection of variables that, on the one hand, characterise specific institutions and, on the other, avoid the danger of treating them as institutions *per se*. This is otherwise one of the most important objections raised against the classification of models/varieties of capitalism created by various authors. Additionally, critics of this approach point to the incompleteness of the classifications created and the too narrow range of variables treated as taxonomic criteria and thus undermine the legitimacy of classifying institutions that differ in fundamental ways – at least in their view – into broader categories.

It is therefore an open question whether the mode of analysis proposed by Gardawski and Rapacki in their article, which emphasises the search for common elements (synthesis), is a useful tool for explaining reality. In other words, whether any classification of the economic and social system existing in the analysed group of countries does not obliterate major differences concerning the shape and functioning of institutions that undoubtedly exist between them. Beyond dispute is the uncontroversial notion that institutions form different configurations or, in other words, institutional architectures in different countries. However, the extent to which these configurations, i.e. the arrangement of institutions in substitutive and complementary relations with each other, allow for the identification of different groups (clusters) of countries embodying distinct models/varieties of capitalism, which are characterised by an internal similarity of basic institutional solutions and, at the same time, by clear differences from other models, is still a matter of dispute. Critics of this approach point out that sometimes the similarities may be apparent and the differences irrelevant. Gardawski and Rapacki's study uses a textile metaphor ("fabric" and "thread"), let us here introduce a reference to the biological sciences. The fact that the dolphin, the shark and the ichthyosaur have, at any rate at first glance, a similar morphology (which is a consequence of the process of functional convergence), does not change the fact that they belong to different clusters, albeit to the same systematic type, i.e. the stringfish. On the other hand, it is difficult to find a more morphologically diverse species than *Canis familiaris*, and the differences in the structure of the German dog, dachshund and chihuahua are much greater than those of the three species cited above. Nevertheless, the taxonomic convergence of dog breeds is much greater than that of reptiles, mammals and fish. In other words, when classifying the different models/varieties of capitalism, care must be taken not to give undue importance to apparent similarities and not to overestimate irrelevant differences. The key remains, therefore, to carefully select the criteria that will be used to assess the similarities and differences between the institutional architectures identified in different countries.

According to both authors, patchwork capitalism, as defined by them, refers to a type of socio-economic order whose institutional architecture is a collection of loosely interrelated elements, both inherited from the past and transplanted today from several different models of Western capitalism. Such architecture is characterised by the fundamental weakness of its institutional "fabric" (deep-seated, fundamental institutions) and a lack of systemicity. Its components are poorly aligned with each other, making it exhibit far-reaching incoherence (including especially between formal and informal institutions). These features make patchwork capitalism an open-access order – the barriers and costs of entry are exceptionally low, facilitating the addition of new organisations and institutions, representing different (often divergent) logics of operation. This makes the patchwork prone to development drift (rapid but unstable economic growth, without a clear strategy and clearly defined development goals), the uncontrolled import of entropy from industrialized (developed) economies. At the same time, there is also a substantial risk of the reversal of previously implemented systemic reforms, e.g., by "adding on" (as in a patchwork quilt) further institutions or redefining existing institutions and filling them with new content. The variants of the patchwork model of capitalism existing in different countries obviously differ quite substantially, while sharing all or almost all of the weaknesses indicated above.

Thus, considering the conditions presented in the first part of the text, as well as Gardawski's and Rapacki's definition of patchwork capitalism, it should be stressed that their study can be used as a very serious argument justifying the usefulness of research that is essentially based on classifying different models of capitalism. This is because, in my opinion, the authors have focused on a key element that constitutes an essential feature of each model of capitalism, namely the capacity for institutional change. The metaphor of the institutional "fabric" they invoked, which is lacking in the patchwork model of capitalism, is crucial in order to understand why – in contrast to, for example, the model of capitalism existing in Germany - institutional change in the analysed group of Central and Eastern European (CEE11) countries is uncoordinated and exacerbates the entropy of the whole system. They aptly noted the impact of 'path dependency' on the lack of a sustainable institutional framework that, on the one hand, enables the necessary reforms and, on the other, maintains the coherence of the entire institutional system translating into its effectiveness and efficiency. This allowed them to formulate the conclusion, which is correct in my view, that the patchwork, which is a distinct model of capitalism that can be identified in the group of new EU member states, is at the same time a feature that applies to a greater or lesser extent to each of the models of capitalism identified in the literature. This makes the concept of patchwork as a Weberian ideal type, introduced by Gardawski and Rapacki, a kind of "meta-category" and means that the authors were not only able to correctly identify the key feature distinguishing different models/varieties of capitalism but also proved that the benefits of an analysis based on the search for similarities outweigh the dangers associated with the undoubted shallowing of differences.

What is particularly important, Gardawski's and Rapacki's approach can be regarded as a kind of methodological eclecticism, as their text is not only a new way of classifying contemporary varieties of capitalism, but also refers in an elaborate way to the factors that led to the formation of the patchwork model of capitalism in the CEE11 countries, emphasising the "path dependence" dating back not only to the command economy, but also to proto-capitalist times. The analysis of the rationale that led to the weakness or even absence of an institutional "fabric" in a group of countries examined is harmoniously combined in their text with a synthesis that allows for the creation of the category of patchwork capitalism. The advantage of the approach they presented is not only, or even not primarily, to answer the question of what shape the institutional architecture has in the group of CEE11 countries, but to analyse the process that led to the formation of this specific set of institutions. They aptly identified the conditions that led to the annihilation of the institutional "fabric" and enabled the formation of this specific model. What is particularly important, however, is that their analysis is not of a purely historical nature, for it is easy to discern factors that can also now lead to an intensification of patchwork symptoms in countries that are both historically and geographically distant from Central and Eastern Europe. Thus, it is impossible not to agree with the conclusion put forward by Gardawski and Rapacki, according to which the concept presented by them is not so much substitutive, as complementary, to the existing ways of classifying models and varieties of capitalism in the literature.

The concept presented by both authors, however pertinent and ordering in the right way the thinking about the classification of models/varieties of capitalism, does not remain free of certain flaws and shortcomings. Let us therefore start with those relating to their negative – however indirectly expressed – assessment of the patchwork model of capitalism. The main shortcoming of this specific model identified by Gardawski and Rapacki, as has already been emphasised many times, is the lack of an institutional "fabric". However, it seems that both authors, while raising the crucial importance of this element, neglected the possible negative features of the overly strict nature of this "fabric". The undoubted advantage of the existence of such "fundamental rules of the game" ordering the conduct of all economic actors operating within their framework is that the coherence of the institutional architecture is maintained, even in the event of far-reaching changes to specific institutions. An example of such a properly functioning institutional "fabric" can be found in the existing model/variety of capitalism in Germany, which has allowed the essential features of the continental model (using the labels introduced by Amable) or the coordinated market economy (using in turn the classification of Hall and Soskice) to be maintained in that country, despite two reforms fundamentally altering its institutional architecture in absolutely key areas (the reform of the social security system – *Hartz IV* and the introduction of the minimum wage).

It seems legitimate, however, to ask whether the lack of an institutional "fabric", correctly identified by them, in countries with a patchwork model of capitalism is not nevertheless a "second best" solution. The examples of France and the UK (representing the Continental and Anglo-Saxon models of capitalism respectively) indicate that too tight a "fabric" can be as disadvantageous as its absence. The UK, after all, has been unable to reform its institutions in a way that would enable the country to function on an equal footing within the EU, initially leading to the creation of various types of exemptions ("the British rebate") and ultimately culminating in its exit from the organisation. It can therefore be concluded that, in the case of this country, the "fabric" was so strong that it prevented any lasting change. In France, on the other hand, the strength of the actors interested in maintaining the institutional status quo (i.e., to use the terminology introduced by Gardawski and Rapacki, "political players") and preventing a change of the institutional architecture prevents de facto any reform that would allow an increase in the competitiveness of the French economy. Again, the extremely tight "fabric" and the strength of the political players interested in protecting it make any change impossible.

The ideal-typical patchwork model of capitalism, or more precisely its empirical exemplification identified by the authors in the group of countries examined, remains in this respect fundamentally different from the two examples cited above, retaining the capacity for change. Gardawski and Rapacki, in my opinion, aptly point out that this change is largely chaotic and uncoordinated but fail to explicitly acknowledge that the ability to implement institutional change nevertheless remains an asset of patchwork, and this in both the short and long term. In the short term, the patchwork fosters a flexible response to changes in the economic environment, thanks to which, despite successive crises (or as the authors of the multi-crisis rightly point out), most of the CEE countries11 (including Poland) retain the ability to remain on the path of real convergence [Próchniak et al. 2021]. Of course, it cannot be ruled out that a stronger, but still enabling "fabric" would make the growth of GDP *per capita* relative to the EU average even faster, but it is also possible (in my opinion, this is the more likely scenario) that the lack of the ability to change (visible especially in the reaction to the global financial crisis of 2008) would mean the materialisation of the threat (still existing, of course) of getting stuck in the middle income trap. In the long term, on the other hand, the lack of an institutional "fabric", which is an immanent feature of the patchwork model of capitalism, makes it possible to think realistically about institutional reforms in the future, should a player or group of political players emerge in the analysed group of countries not only interested in such change, but determined to introduce it.

There is also a certain deficiency in the absence of an extended analysis of how the institutional 'fabric' is changing and hardening in selected countries representing the patchwork model of capitalism. Again, Gardawski and Rapacki correctly identified the historical conditions inherent in the transformation process, which led to a situation in which not only did the institutional "fabric" fail to form, but no group of players interested in creating and then protecting it emerged. An interesting strand in this context is the role of transnational corporations, which were able to influence the shape of institutions in their key areas (the market for goods and services, the relationship between labour and capital, corporate governance and capital market regulations), but lacked the ambition to shape the institutional architecture comprehensively and thereby create even the nucleus of a "fabric". Thus, the profound institutional changes that occurred in the second decade of the 21st century in Poland and Hungary, among others, were possible. However, they did not fundamentally affect areas remaining in the orbit of the vital interests of multinational corporations. It turned out that the political players interested in maintaining the status quo proved to be strong enough. However, this extremely interesting historical analysis seems to have been interrupted at a key moment in the evolution of the patchwork model of capitalism. Well, the seizure of power by *Fides* and *PiS* not only marked – as the authors rightly point out – a fundamental change in the institutional architecture but may represent the first step towards the creation of a relatively strong and lasting fabric. This is not only because both political parties (and their leaders) have the ambition to introduce comprehensive changes and, if they retain power, will make further attempts to deconstruct the institutions still resisting them, but above all because, as a result of their moves, a group of political players (in the sense of Gardawski and Rapacki) interested in defending the new order is emerging. Thus, the observations contained in the article under discussion, although obviously true at the time of its writing, may become outdated rather quickly. For it is difficult to imagine in the present situation any reforms of the current institutional shape of the social security sphere in Poland (the approval of, inter alia, the "Family 500 Plus" programme, by all major political forces). Perhaps, we are witnessing fundamental changes to the patchwork model of capitalism defined as a Weberian ideal-type and a strong diversification of the countries in which this specific model of capitalism can be identified.

Thus, when attempting to give a synthetic answer to the question of whether the creation of another category in comparative capitalism studies (patchwork capitalism) makes sense, whether it is intellectually fertile and allows us to better explain the reality around us, Gardawski and Rapacki should be given credit. The description presented by both authors of the Weberian ideal type, which is, in their view, the patchwork model of capitalism identified in the analysed group of post-socialist countries (which, it should also be stressed, remained outside the mainstream of research in this area for many years), creates added value by putting our thinking about the world in order. It also broadens the scope of inquiry to include new dimensions and aspects of the functioning of capitalism in (semi-) peripheral economies, which have not yet been considered, especially thanks to an unusually extensive analysis of the factors – some common, some diverse – that determined the formation of just such a model of capitalism in our region of Europe. The study prepared by Gardawski and Rapacki juxtaposes various research perspectives and, thanks to a critical theoretical, empirical and methodological reflection on the characteristics of capitalism existing in the new EU member states conducted from the perspective of institutional economics, sociology and economic anthropology, political science and historiosophy, constitutes an important contribution to the output of the New Institutional Economics.

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