

### Bob Hancké, Martin Rhodes, and Mark Thatcher (eds.): Beyond Varieties of Capitalism: Conflict, Contradictions, and Complementarities in the European Economy

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**Bob Hancké, Martin Rhodes  
and Mark Thatcher (eds.): *Beyond  
Varieties of Capitalism: Conflict,  
Contradictions, and Complementarities  
in the European Economy***

Oxford and New York 2007: Oxford  
University Press, 456 pp.

In the last two decades, the 'varieties of capitalism' (VOC) approach has become a leading paradigm in comparative political economics and particularly in the study of European capitalisms. Economic systems differ and there are a number of ways in which an economy can be competitive in the environment of globalisation. Mutually interlinked institutional sub-systems shape trajectories of political economic evolution and often reinforce each other, and a proper mix of institutional 'complementarities' can provide distinctive 'comparative institutional advantages' for competitive strategies of firms. The core ideas of the approach not only offered analytical tools for understanding and comparing national political economies, but also provided rationale for saving European capitalisms from the ideological attack that sees no alternative to the Anglo-Saxon model of capitalism. While the 'liberal market economy' (LME) variety, typically represented by the US and the UK, is superior in providing advantages to 'radical innovators', the 'coordinated market economies (CME), of which Germany is the leading example, can compete with products relying on 'incremental innovation'.

Offering an overview of the approach and its major research agendas, *Beyond Varieties of Capitalism* brings together contributions of the leading scholars in the field, including Hall and Soskice whose forceful statement of the VOC approach popularised the perspective. The first part of the volume includes an introduction that defends the approach against its critiques and revises the typology of capitalist varieties by bringing in the state. The chapter

by Hall outlines the variety of institutional developments in the paradigmatic cases of the UK, France, Sweden, and Germany. The second part includes Soskice's macro-economic analysis of aggregate demand management regimes within VOC. It is followed by a chapter dealing with the effects of Economic and Monetary Union (EMU) on strategies of the firms in individual VOC models. Unfortunately, neither this part nor the rest of the volume includes a contribution on the macro-economic effects of EMU. Often mentioned in individual chapters (and rightly so), the problem is covered by Soskice's chapter only to some extent. However, a more thorough and focused treatment of this crucial topic would be very welcome. The third part contains case studies of the Single Market, corporate governance, and capital mobility. Contributions in part four analyse labour market and welfare state adjustment. This part includes Molina and Rhode's chapter on 'mixed market economies' (MMEs). In this type of the VOC, represented by Italy and Spain, the state has a crucial role in compensating for an absence of institutional complementarities.

The final part includes contributions by King, Feldmann, and Mykhnenko on the political economies in Eastern Europe from the VOC perspective. How do they contribute to our understanding of the region? Do they stand up to the promise of opening a post-transition research agenda? In order to highlight the liberal nature of the state and the dependent nature of the economy, King conceptualises the VOC in Central and Eastern Europe (CEE) as 'liberal dependent post-communist capitalism' (LDPC). Witnessing a predominance of the patron-client relationships in the economy and a decomposition of the Weberian bureaucratic state, he calls the variety of capitalism that emerged in the rest of the post-communist world as 'patrimonial post-communist capitalism' (PPC). King explains the relative success of LDPC and a bitter failure of PPC with reference to favourable legacies in the

former (i.e. the presence of the bureaucratic state structures) and to its ability to attract FDI. The LDPC, represented by Hungary and Poland, is characterised by dependence on foreign investors for the provision of credit and organising inter-firm relations, labour weakness, dysfunctional education systems, and LME-type firm-employee relations. King leaves us wondering about the political-economic implications of these features: 'Basically, there will be capitalist growth, but it will depend on the investment strategy of particular MNCs [multi-national corporations], the lending decisions of foreign-owned banks, and the ability to import industrial inputs and capital from, and export manufactured goods to, the core of the capitalist world economy' (p. 325).

Feldmann's chapter focuses on Slovenia and Estonia, the cases that are most similar to pure CME and LME respectively. His analysis shows striking similarities in the institutional forms of the two CEE 'outliers' and the two models of VOC. Employing a theory of network-promotion and disruption, he then offers a convincing account of the origins of these VOC in the process of transition. Strikingly, however, Feldmann ignores what King identified as the crucial feature of capitalisms in CEE: the dependence on FDI in corporate governance and inter-firm relations. While this may be justifiable in the case of Slovenia, where FDI penetration is still relatively low, FDI-dependence can hardly be ignored in Estonia, the most internationalised country in the region. What is more, by focusing on institutional forms, the analysis does not address their economic effects, or the question of 'comparative institutional advantage'. Are these coherent institutional configurations identified in Slovenia and Estonia actually providing distinct comparative advantages to the companies operating there? An analysis of export structures would probably show that the economic strategies of Estonian ex-

porters are far remote from the 'radical innovators' associated with LMEs.

Analysing Ukraine and Poland, Mykhnenko's chapter addresses some of the questions that King and Feldmann left unanswered. He identifies comparative advantage of these countries in low- and also increasingly mid-technology manufacturing. The economic expansion in Ukraine and Poland was correlated with the establishment of what Mykhnenko calls 'mixed market economies' or 'weak' CMEs. (The MME label is rather confusing here as the reader is left uncertain about its link to the MME discussed by Molina and Rhodes.) Poland and Ukraine have many institutional features similar to CMEs. Crucially, however, they lack a complementary financial system. This, among others, makes them more susceptible to sharp periodic economic fluctuations. When comparing the economic performance of the countries, Mykhnenko reveals that differences in science and technology education and training systems did not generate different comparative advantages in economic activities. Again, this may lead us to wonder whether the institutions identified as a part of the VOC model in fact matter from a micro-economic perspective. Do the companies active in the region take advantage of the opportunities provided by the specific institutional framework? Are foreign investors coming to exploit them (rather than just cheap labour and an institutional environment guaranteeing stable provision of the very basic preconditions for capitalist accumulation)? Alternatively, is the comparative advantage really *institutional* (rather than, for example, in supply structures)? It may well be that any relatively stable institutional framework would suffice to underpin the peripheral mode of development. It is thus an agenda for future research to establish whether the analysis identified a link rather than a correlation. This will entail addressing questions on the strategies of foreign investors identified by King. As

Mykhnenko's concluding remarks observe, this agenda has been exogenous to the national state-oriented VOC perspective.

The real contribution of the chapter on CEE can be particularly appreciated if the contributions are read together. King's chapter show that Eastern European economies cannot be understood *sui generis*, through the lenses of a nation-state perspective. Instead, we need to analyse the institutional forms in CEE countries in relation to the nature of the international integration of these countries. Here, the strategies of major MNCs and foreign banks will be key elements linking domestic comparative institutional advantages and international competitiveness. Focusing solely on domestic institutions, Feldmann's contribution tells us much about the economic potentials that the two very different institutional configurations can offer. By identifying important differences, Feldmann invites us to unpack the LDPC model and investigate variations in the nature of dependent development in the region. Moreover, he provides important insights on micro-foundations of the two modes of coordination and on the importance of state strategy in constituting their regulatory underpinnings. This is particularly important in order to understand Slovenian exceptionalism. The Estonian case reads more as a story of destruction of 'the old' and reliance on a new generation of actors, most notably foreign investors, to take over. By bringing in the economic analysis, Mykhnenko starts where Feldmann (unfortunately) stops. This allows him to investigate actual economic effects the institutions may have and thus link domestic mechanisms of coordination with the nature of international integration. Here, he manages to make a number of important steps in what I see as a major post-transition research agenda.

Sociologists working on Eastern Europe should not be impressed by the propensity of the VOC approach for a mechanical classification of institutional forms. Yet, especially those employing the tools

of 'soft economic sociology' (i.e. projecting the logic of other socio-cultural activities into the economic at the expense of the specificity of the latter) could benefit from the 'hard political economy' inputs of the VOC approach. These include the concern with comparative institutional advantage and competitiveness of the companies (infused by VOC's rational-choice institutionalist micro-foundations) in general and the implication of the dependent international integration of the Eastern European region in particular.

In sum, the book provides a 'state of the art' look at a very interesting and fruitful research paradigm. For this reason, it will be appreciated by researchers and advanced students alike. By addressing questions that are new to the industry, the Eastern European section probably comes closest to the promise of going *beyond* the VOC. Yet, when it comes to an analysis that would go beyond the mechanical application of the framework, the authors tend to stick to where they apparently feel strong: making sense of 'transition'. We are thus left with a number of crucial questions that emerged in the region about the nature of VOC that have yet to be answered. This is by no means a bad achievement.

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**Seán Hanley: *The New Right in the New Europe: Czech Transformation and Right-Wing Politics, 1989–2006***

BASEES/Routledge Series on Russian and East European Studies 2007: London, 274 pp.

Some time in 1990, a short article written by Václav Klaus appeared in the Czech daily *Lidové Noviny*, entitled 'The Concealed Assumptions in Our Political Controversies' ('Zamlčené předpoklady našich politických