
Book Review

Bohle, Dorothee & Greskovits, Béla. Capitalist Diversity on Europe's Periphery. London: Cornell University Press. 2012.

The different paths of transformation from state socialism to capitalism followed by countries in the East Central European (ECE) region are often evaluated in the media in a rather simplistic manner. Such evaluations tend to divide countries into successful and laggard ones based on their economic indicators, usually GDP per capita (Simonovits, 2012; Pogátsa, 2014). However, the recently increased attention of political economists in the region's welfare regimes produced more accurate analyses of transformation patterns in the region, enabling a more nuanced judgment of the post-socialist development of certain countries in the region.

Compared to other writings published on the topic (Buchen, 2006; Myant and Drahokoupil, 2014), Bohle and Greskovits's work undoubtedly provides the most sophisticated analysis of welfare regimes in the ECE region that is based on firm theoretical groundings and a wide variety of data; it is also well-structured and clear. A hexagonal diagram illustrating the "scores" of different countries in the six indices of welfare state typology and numerous tables enhance theoretical clarity.

It should be acknowledged that although authors developed their typology of welfare states based on Esping-Andersen's (1990) classic categorisation (corporatist, liberal, social democratic), they were not afraid to modify the typology and adapt it to the region by categorising countries into corporatist, neoliberal and embedded neoliberal regimes, signalling the significant influence of neoliberalism on welfare state formation in the region. The decision not to categorise Romania, Bulgaria and Croatia also appears wise, as these countries are still undergoing a significant restructuring process and it is rather uncertain which category they will belong to, or whether they will eventually form a new category.

The authors present an intriguing diagnosis of the significant influence of neoliberalism on policy-making in the region. One of their most striking points is that despite the often nationalist rhetoric of governments, the Visegrád states compete for foreign direct investment (FDI) by offering large subsidies to transnational companies (TNCs). Since, as described by Böröcz (2012) and Éber (2014), supplies of production mostly come from core countries, the main benefit of attracting TNCs is that they offer employment. To put it bluntly, the population of the Visegrád countries pay large sums to TNCs in order to be provided with employment opportunities that are more stable than those offered by sweatshop production or by domestic companies suffering from a lack of capital and a low level of productivity. In a similar manner, taxpayers pay for unstable employment opportunities with bad working conditions in Romania and Bulgaria, ranked lower in the global hierarchy.

Unsupported statements

Awarded the Stein Rokkan Prize, the book's significance for political economy is beyond dispute and it has the potential to, and most certainly will, serve as a basis for future comparative research in the region. However, it is exactly the high likeliness of the theory's wide applicability in the future that makes the deficiencies of Bohle and Greskovits's welfare regime typology worth highlighting.

Above all, data sets applied by the authors and conclusions drawn from them demand critical examination. It is hard to tell whether it is the lack of available and internationally comparable data on income transfers and public services in the region, or whether it is the authors' deliberate choice to limit the amount of data sets used in their research which accounts for the deficiencies in the book's empirical grounding. In any case, the data sets clearly do not suffice to support some of the authors' statements.

For example, measuring institutional capacities for opening and regulating markets based on the European Bank for Regional Development's indices such as "annual advance of reforms" or level of privatisation, price liberalisation, etc. (p. 25-29) can be misleading, due to the limited information these indices reveal about the competence and ability of the state to shape economic development.

As is mentioned in the book, Romania's and Bulgaria's economic regulatory institutions were set up as based on the recommendations of the IMF after the economic crisis in 2008 (p. 252-253), and yet these countries did not necessarily have the capacity and the possibility to tailor these institutions to their specific needs, let alone operate them successfully. In many countries, institutions were developed and economic reforms were conducted in a similar manner at the time of the regime change, and it is uncertain whether the mere implementation of reforms and the creation of certain institutions alone can inform us about a country's institutional capacity.

Another limitation stemming from the empirical grounding of the theory concerns the measurement of welfare spending. The study is based mostly on data on the extent of welfare spending, but the authors do not analyse the structure of welfare spending in depth (p. 35). Evaluating the differences between Baltic and Visegrád countries in the target groups (the former providing only meagre transfers to the elderly and the Russian minority), the authors do not refer to data on welfare transfers by different social groups, and therefore the authors' finding about the benefits of an embedded neoliberal welfare state as compared to a purely neoliberal one is questionable. Although targeting the middle class in the welfare redistribution of embedded neoliberal regimes is mentioned (p. 30, 154 and 160), its extent would have been worth presenting.

The authors' argument that the extensive welfare spending of the Visegrád states protected masses of people from falling into poverty following the regime change might be brought into doubt if more detailed data sets were analysed with regard to poverty rate by social strata, ethnicity, or the target groups of welfare spending. Bohle and Greskovits do make a few statements about target groups, and

yet they appear as rather marginal statements in the overall judgement of the functioning of the respective welfare states (p. 160).

For example, data presented by the authors does not show whether the poorest are less protected from homelessness, or are provided with worse healthcare services, etc., in the Baltic countries than they are in the Visegrád countries. Instead, the higher unemployment rate of Estonian Russians and the high at-risk-of-poverty rate of the elderly in Estonia are presented as proof of the nationalist and neoliberal social contract in the Baltic. It is unlikely that the extreme segregation and impoverishment of disadvantaged groups in the Visegrád countries, probably manifest in its most extreme form in Slovakia's infamous 'Roma settlements', can be found in the Baltic states in the same way.

Applying a wider variety of data would definitely have given the theory a firmer grounding, yet it must be highlighted that obtaining comparable data on e.g. redistribution and institutional capacity in eleven ECE countries is difficult. Still, the limitations of the theory stemming from such difficulties would have been worth indicating.

Historical overdetermination

The authors devote a considerable part of their book to providing an explanation for the causes of distinct welfare state development in ECE countries. Since they focus on the countries' institutional and economic capacities (i.e. capacity of the political leadership and experts, skills of the workforce, industrial profile during state socialism) in their theory, it does not come as a surprise that they primarily consider economic and political history as the main determining factor of a country's development path.

The elaborate historical analysis is definitely the most valuable and empirically the richest part of the book, and history undoubtedly played an important role in the countries' post-socialist development. However, it appears from the book that the authors play down other factors in their theory, such as geography or electoral systems.

Geographical underdetermination

The lack of acknowledgement of the decisive role of geography in the rather similar development patterns of countries within one region is striking, especially since the authors' grouping of countries is based on geographic blocs. It is a weakness of the book that it does not evaluate countries by the characteristics of their trade, their proximity and connectedness to certain countries of the economic core, for example Germany, but largely provides historical explanations for welfare state formation in East-Central Europe.

This tendency primarily stems from the fact that the authors see geographic aspects in a rather limited way. For example, they refer to Finnish Nokia's and Swedish Electrolux's decision to locate their factories in the Visegrád countries instead of the Baltic, closer to their headquarters, as evidence of the inapplicability of

geographical explanations (p. 263). However, it is rather obvious that such a view, perceiving geographically advantageous locations exclusively in terms of their proximity to headquarters of TNCs, is rather simplistic and not able to explain the choices by TNCs regarding the location of their production sites. Proximity to and, above all, accessibility by main suppliers should not be ignored when looking for the reasons for the location choices of TNCs.

Electoral systems

The authors underpin their welfare state typology by distinguishing countries based on their political stability. However, they tend not to pay attention to the role that electoral systems have played in the countries' development.

As is common sense in political science, there is a high likeliness of the emergence of a volatile party system in a country which uses proportional representation in its electoral system, while in an electoral system based on constituencies (e.g. in Hungary) a stable party system is likely to be established. Accordingly, in the parliaments of Slovakia (and recently the Czech Republic), new parties appear much more frequently and governments are much less stable than in Hungary or Poland. An electoral system based on constituencies and limiting the ability of new parties to run for elections increases the chance of the stabilisation of two monolithic political blocks, political alternation, and fierce party competition.

Although the authors present "cut-throat party competition" as the main reason for Hungary's inability to conduct reforms and respond to economic challenges, the country's electoral system is not mentioned among the reasons for such political development. Similarly, even though Slovakia is categorised as an embedded neoliberal welfare state with a stable electoral system, in fact it is rather volatile: top politicians switch parties, establish new ones, or new politicians emerge rather frequently.

Despite its weaknesses, *Capitalist Diversity on Europe's Periphery* provides an excellent analysis of East-Central European countries. Its authors could have considered applying a wider set of data, examining a few more factors in explaining development paths, and clearly indicating the book's limits and choices made in research. Nevertheless, *Capitalist Diversity on Europe's Periphery* is an outstanding work which raises important questions and sets out relevant themes for further research.

Bence Kováts [bence.kovats@yahoo.com],
PhD student, Corvinus University of Budapest

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