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The Models of Capitalism: Comparative Institutional Analyses

Given this overview of the most general theoretical and methodological issues related to the institutions, I will narrow down my investigation to comparative institutional analyses. Institutional research was largely neglected after World War II (WWII), but institutions started to attract attention later. The problems of the era are always reflected in comparative analyses, but their common feature is that they attempt to answer how different institutional systems promote and facilitate development, economic performance, and growth, which have been closely linked to competitiveness since the 1990s.

Similar to Chap. 1, I do not attempt to provide a comprehensive historical reconstruction of theories. My undertaking is merely to give an account of the theoretical background of those analyses focusing on the time of interest. Those works that have had an outstanding effect or influence on the development of comparative analysis will be introduced, and a detailed introduction to the current situation will follow.

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2.1 From Post-World War II Golden Age to the Crisis of the 1970s

In the 1960s, the perception became widespread—as mentioned above—that due to the generally applied technologies and the division of labour, there would be a convergence of institutional systems, namely, that models in Europe and Japan would more closely resemble the US model. Even the Eastern European socialist countries were considered part of the global process, presuming that a hybrid economy based on market mechanisms and state intervention would develop (Hollingsworth and Boyer 1997a). Researchers were also interested in how the pre-war practices of economic management changed, in what made it possible for France and the Federal Republic of Germany to catch up rapidly with the productivity level of the USA, and in the factors behind the rapid growth of the Western European countries. It seems that there is agreement in literature concerning the turning point in comparative institutional analysis, namely, Shonfield's work, which was published in 1965 (Amable 2003; Crouch 2005; Hall and Soskice 2001).

Shonfield's (1965) starting point was that the 1950s and the early 1960s saw an unprecedented economic boom in the Western European world. The persistence and the rate of growth, the wide-reaching welfare effects in Western European countries were even more favourable than those in the USA. According to Shonfield, Keynesianism does not provide an explanation because its views were accepted first in the United Kingdom (UK) and the USA, and after WWII, these countries were the least successful among the Western European countries. Shonfield finds explanations for the Western European countries' institutional changes. The most important institutional changes—according to Shonfield—include larger-scale state intervention, specifically, supervising the bank sector, establishing state-owned companies, building the welfare state, "taming" competition in the private sector (that is, by powerful regulation), developing research and development (R&D) from state resources and long-term national economic planning. He was especially interested in the latter, and in addition to information for the obvious example of France, he collected information on the various elements of planning in other

Western European countries. It is difficult to fit the Federal Republic of Germany into his theory because the country—or, personally, Ludwig Erhard—was committed to the model of social market economy, that is, the competing private economy. Shonfield notes that although the free market was propagated firmly, the cooperation between industrial companies survived, the banks' coordinating role and long-term planning appeared in concentrated, large industrial enterprises, and these features are markedly different from those of the Anglo-Saxon economies.

In the 1970s, as a result of the crisis following the oil price explosion, the question arose of what caused the post-war Golden Age and stable economic growth. The French "regulation" school sought an institutional explanation.[1] They focused their attention on five "institutional forms" of capitalism: wage and labour relations (which is the most important), forms of competition, international relations, money, and state authorities. The general form of regulation is characterised by the relationship between these forms. Post-war Fordist mass production and consumption placed wage and labour relations at the centre of attention because dividing the profit of productivity between capital and labour ensured stable employment and the social protection of the welfare state. The beneficial effect of the Fordist production system implied that the most prominent country and the regulation that prevailed in this country should be considered as an example. However, empirical studies show that the Fordist system itself changed and transformed in the various countries, and when the Fordist system of mass production came to a crisis in the developed countries; the North European countries, for instance, were more successful in introducing flexible systems while simultaneously maintaining cooperative wages and labour relations (Amable 2003; Hollingsworth and Boyer 1997a). As we will see, a prominent figure of the "regulation" school, Boyer, contributed to the debate on the social system of production in the 1990s.

In the 1970s, increasing inflation diverted researchers' attention to neo-corporatist institutions. These researchers saw the power in the agreement of the centralised corporative bodies, which were able to stop increasing prices. Peter J. Katzenstein (1985) and John Zysman (1983) continued Shonfield's historical institutionalist approach. Though they proceeded on different tracks, both of them created a

threesome typology: they distinguished the liberal economy, the state-led economy, and the neo-corporatist or negotiation-based economy. Katzenstein provided a detailed description of the latter in his influential book, in which he investigated the outstanding economic performance of the small, developed countries. His starting point was that by 1982, the per capita GDP in five European countries, including Switzerland, Sweden, Norway, and Denmark, had exceeded that of the USA.[2] This spectacular result prompted Katzenstein to analyse how the small European countries, such as Sweden, Norway, Denmark, the Netherlands, Belgium, Austria, and Switzerland, adapted themselves to the rapid changes of the 1970s. He found that these countries counterbalanced the liberalism they pursued in their international economic relations—which they were not willing to give up, although there were protectionist approaches in large states at that time—by internal policies. In the name of national income policy, they limited the increase in wages and prices. R&D expenditures increased in the 1960s and 1970s, even when these expenditures generally decreased on average in large industrial countries. Industrial policy was applied more actively for structural changes than in the USA or West Germany. Small countries usually have less diversified economic structures, are more open, and are in great need of import and foreign capital. Managing this external vulnerability is helped immensely by corporatist traditions. In these countries, feudal traditions are relatively weak; therefore, the weaker right wing was willing to reach an agreement with the trade unions and with the left wing. This legacy promoted the development of democratic corporatism after WWII. Only Austria is an exception, where social partnership after WWII became established as the result of the radical break with the past after the collapse of Austria-Hungary, the civil war in 1934 and the fall of fascism. Katzenstein's (1985) book is interesting on the one hand because he explains economic performance by the interaction of the elements of the economic-political group of institutions and, on the other hand, because comparing these elements allows him to demonstrate the comparative advantages of the national economies, which leads us to the question of competitiveness, which is the core issue of the 1990s.

2.2 Classification of the Varieties of Capitalism in the 1990s

In the 1990s, comparative institutional analyses reinterpreted the institutional systems of market economies in an environment that changed considerably in at least two aspects.

Beginning at the micro level, the Fordist production system in the economies of Western Europe, North America, and Japan was converted into flexible production systems. While the former was based on the production of highly standardised goods exploiting economies of scale, for which specialised machines and semi-skilled labour were used mainly, in the latter, various types of flexible production systems offer a wide range of products adapted to various consumer needs, and skilled workers can be moved between various jobs within the company. The Fordist system and the flexible production system are two ideal types—their appearance in reality was not so definite—but their comparison makes it understandable that several authors focus on the company and its functioning and that other elements of the institutional system are attached to it.

At the macro level, the spread of globalisation and the collapse of the Soviet Union made the question of whether countries were headed towards one single model of capitalism due to the international competition, that is, whether the market economies would converge towards the liberal market economy model of the USA after the neoliberal, neoconservative wave of the 1980s, especially topical.

2.2.1 Comparison of Business Systems

When Fordist production systems were described, there were attempts to distinguish the different forms of capitalist development in the twentieth century on the basis of different methods of corporate governance. Chandler (1990) discusses competitive managerial capitalism in relation to the USA. In the twentieth century, competitive managerial capitalism meant that the extended bureaucratic management of large corporations coordinated a wide sphere of activities and transactions, and owners were segregated from the managers, invested in R&D, retained incomes and

dividends for the sake of new investments, and expanded their activities abroad as well. In Great Britain, personal capitalism survived, where family-owned companies were dominant, less was invested in R&D, management, and marketing, and risk was reduced by corporate alliances through contractual cooperation. In the model of cooperative managerial capitalism, large German corporations were able to exploit the advantages of economies of scale and were able to expand the same way as in the USA. The production chain was integrated by the large bureaucratic management, but—unlike in the USA—supervision by the family and strong cooperation between the companies survived. The latter was facilitated by corporate financing through banks, which was not characteristic of the Anglo-Saxon practice, either. The production systems were flexible and relied on skilled labour. Germany, even though it functions differently, overtook Great Britain and became Europe's leading industrial state even before WWII as a result of its developed organisational capacities similar to those of the USA.

According to Lazonick (1993), it is characteristic of the successful capitalist economies that there is a shift from market coordination towards planned coordination within the business organisations. In the USA, those managerial structures that were able to plan and coordinate the technologies and production processes of the second industrial revolution began to develop in the 1920s. The US managerial capitalism kept its advantage until the 1960s, but Japan's collective capitalism presented an increasing challenge during the following two decades. In Great Britain, in the framework of proprietary capitalism, where economic coordination was performed mainly through market contracts, the innovation strategies were followed to a lesser extent, and they were not able to run the Fordist production system competitively.

These were the preliminaries upon which Whitley (1999) built his own sophisticated system. First, Whitley determined ideal types on the basis of the main characteristics of the business system, and he distinguished six types of them, defining their characteristics in the context of the institutional environment (state control, financial institutions, trust, and authority).

2.2.2 From the Competition of Enterprises to the Competition of National Economies

In the theories described above, business or entire economic systems were compared at a given time, the main aim or one of the aims of which was to provide an explanation for their different economic performance. In the background, we can find the intention to provide evidence for the viability of one market economy model or another, and in most cases, the rejection of the Anglo-Saxon or the American hegemony. Later, Michael Porter's book *The Competitive Advantage of Nations*, first published in 1990, had a significant effect on these types of research. Porter remains indifferent to the various models of capitalism and focuses on competitiveness. At certain points in his investigation, he attaches the various levels of competitiveness to various groups of institutions (Porter 1998); thus, paradoxically, his work became integrated into the sources of comparative institutional research.

Porter led a four-year-long international research project, during which case studies were completed about the ten major industrial countries; in these case studies, the causes of their competitive advantages were revealed from a historical perspective. On the basis of this work, Porter summarises the most important elements of national advantages, factor conditions (including the entire system of infrastructure, even healthcare and cultural institutions), domestic demand conditions, the availability and the quality of related and supporting industries and the association between firm strategy, structure and rivalry. From this list, it can be seen that Porter—contrary to the authors of the previous theories—does not examine the production systems directly, but rather expands the traditional growth factors in economics by adding the institutional dimension; additionally, he does not apply econometric modelling.

On the basis of his investigations, he does not categorise the ten countries into capitalist models but distinguishes the four stages of competitive development: factor-driven, investment-driven, innovation-driven, and wealth-driven stages.

In the factor-driven stage, the competitive advantage of a country comes from natural resources or from cheap and semi-skilled labour.

Technology comes from other countries; domestic firms only imitate them. Few domestic firms come into contact with end users. The economy is sensitive to the cycles of the global economy. All states go through this stage, but few surpass it. There are some states that, due to their ample natural resources, are able to reach high living standards in this development stage (Canada and Australia).

Large-scale industry develops in the investment-driven stage, and industry is equipped with the "latest but one" technology available in the market (latest-generation technologies are not sold). An important difference from the previous stage is that purchased technologies are developed further and that universities and research institutes are integrated into this development. The companies in this stage still compete with standardised price-sensitive products, but they appear abroad as well. Those industries are suitable for providing the economy with access to the advantages of the investment-driven stage in which the economies of scale can be exploited, but its labour cost component is also large, and the technology can be taken over in a ready state. In this stage, the economy is not as sensitive to global economic shocks, but it is still vulnerable. Porter says that few countries reached this stage: in the period after WWII, only Japan and, later, Korea. Taiwan, Singapore, Hong Kong, Spain, and, to a certain extent, Brazil show signs of having reached this stage. The investment-driven stage calls for a national consensus that favours investments and long-term growth over current consumption and redistribution of income. The government is pursuing selective industrial policy, which carries the risk that the protection of the industry does not remain temporary due to the pressure of the groups concerned; thus, industry cannot surpass the factor-driven stage.

In the innovation-driven phase, domestic firms are able to create new technologies and methods themselves, and they are globally competitive at an international level. Cost competition occurs; however, it is not built on factor costs, but rather on efficiency deriving from a high level of skills and developed technology. The manufacturing of price-sensitive products is given over to other national economies. International competitiveness extends over services as well. The economy is less sensitive to external shocks than in previous stages. The government develops the business environment in an indirect way instead of through direct intervention.

In the wealth-driven economy, the willingness of firms to bear risk is decreasing, and instead, greater effort is made to influence governmental policy in a way that is more beneficial for them. Innovations slow, and investments in industry are chronically insufficient. Domestic companies are purchased by foreign firms and integrated into their global strategy. Decreasing wages and increasing unemployment worsen the incentive to improve productivity, which causes a further loss of market shares.

The individual stages do not necessarily follow each other. Italy (more precisely, the Northern Italian regions) advanced directly from the factor-driven stage to the innovation-driven state. According to Porter, Great Britain reached the wealth-driven stage by the 1980s, and Thatcher's government turned the country back.

In Porter's theory, the advantages of the national economy are created by the home-based company. The home basis is the place (in most cases, also the headquarters) where the firm's strategy is set and where the key products, the technological processes—in a wider sense—are ultimately created. The most productive workplaces, the core technologies, and the most developed skills can be found in the home basis. The property of the firm is often concentrated in the domestic base, but the nationality of the shares is secondary. If the company remains home-based, that is, it keeps its actual strategic, creative, and technical control, the national economy gains the most profit, even if the company is the property of foreign investors or owned by a foreign company.

Porter's theory appeared among the basic sources of literature belonging to the "VoC" (Varieties of Capitalism) school (discussed below) in relation to the institutional competitive advantages (Soskice 1999; Hall and Soskice 2001) and in *The Oxford Handbook of Comparative Institutional Analysis* (Pedersen 2010). Although it has been criticised that competitiveness was elevated from the micro level to the macro level, these voices have subdued, and a wide-ranging agreement has been reached on the competitiveness of national economies (Aiginger 2006). As shown in the institutional comparative analyses providing an explanation for institutional changes, transition from one state to another is quite a methodological challenge. A great asset of Porter's theory is that the development perspective of the various economic models can be traced. He does not apply the variables of the continuous neoclassical functions, but rather

discrete, well-distinguishable stages to describe development, which fits in with the assumption of the institutional analyses, namely, that an efficient institutional arrangement requires a certain level of complementarity.

2.2.3 The "Neo-American" and "Rhine" Capitalism

Michel Albert's work—which was published in 1991 in French and in 1993 in English—had a great effect on the classification of the models of capitalism. The author was President-CEO of the *Assurances Générales de France* for more than a decade, including at the time of publishing his book. It is important to be aware of the fact that he was not a researcher by profession. His work does not contain references (with the exception of the figures), although he uses a great deal of statistical data, his work is rather a readable—and simultaneously perspicuous—essay than a standard scientific paper. His aim was not the creation of a model, but rather the criticism of Reagan's neoconservative, neoliberal economic and social policy. In his work, he contrasts the "neo-American" model with the "Rhine" model, the latter including Germany, Austria, Switzerland, the Netherlands, while the Scandinavian countries and Japan show signs of similarity. The "neo-American" model is characterised by individualism, the importance of short-term, financial profitmaking and the fact that the greatest variety of goods is available in the market (including education, healthcare services, public transport, and so on). The "Rhine" model is characterised by long-term vision, publicly organised welfare provisions, a greater extent of social equality, and consensus seeking. He considers Germany and, generally, the Rhine model—with its strict financial policy, strong currency, and large export surpluses in foreign trade—socially and economically superior to the USA, where indebtedness grew alarmingly (one must not forget that the book was published in 1991!). Notwithstanding the above, he saw that Americanism was jeopardising the Rhine model, that the concept of social market economy was unknown even in the spheres of the trained economists and that the Eastern and Central European new democracies were bedazzled by the glamour of American capitalism. Changing habits and demand, strengthening of individualism, and demographic decline all undermine

the basis of the Rhine model. Albert aimed to end this process in Europe. He does not even bother with categorising the other Western and South European countries with the help of a theoretically elaborated classification system. At the same time, his work contrasting the American and the Rhine models has had a considerable effect, and it is considered the forerunner of dual classification, and his term "Rhine model" has become widely used.

2.3 The Dichotomy of the Liberal and the Coordinated Market Economies

Peter A. Hall, political scientist, and David Soskice, economist, published their volume of studies titled *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage* in 2001. In its introduction, they elaborated a new theoretical framework for the survey of developed national economies. Their undertaking was successful, their approach has become one of the most popular in the literature, and the school of VoC is frequently cited in connection with them. As demonstrated above, as Fordist mass production declined, the examination of the social system of production—to a large extent due to the influence of sociologists—assumed a very important role in the works of institutional comparison, with special regard to the behaviour of the companies and the coordination of their activities. Hall and Soskice place their approach in this trend as well. They point out that, in addition to Albert (1993), the work of Hollingsworth and Boyer (1997b), Crouch and Streeck (1997), and Whitley (1999) had great influence on them.

These authors examine the most important spheres in which firms must develop relationships, such as corporate governance (including funding), industrial relations, the system of vocational training and education, inter-firm relations (including relations with the suppliers and customers), and coordination vis-à-vis employees. These are the same as the elements in the study of Hollingsworth and Boyer (1997a); the only difference is that the latter also list the conception of fairness and justice held by capital and labour, the structure of the state and its policies,

and a society's idiosyncratic customs and traditions, as well as norms, rules, and laws. This difference can be attributed to the fact that Hall and Soskice follow the tenets of new institutional economics (in which institutional analyses are built on rational choice) in their theoretical framework related to institutions. This approach manifests in their starting point, which is built on individual and rational choice, which is complemented by taking culture, values, and historical features into account. The definition of institutions is expressly taken from North, economic actors are at the centre of these authors' political economy, and the authors presume that these economic actors follow their interests rationally through their strategic interactions with others. According to this view, the major economic actors are companies, and their ability to adapt over the course of technological changes in international competition is of crucial importance. Hall and Soskice focused their investigations on companies' above-mentioned system of relations, while also noting that, in addition to formal institutions, culture, informal rules, and historical experiences also have a very important role. These authors apply the micro-level interpretation of organisations' behaviour to understand macroeconomic problems; that is, they integrate the analysis of corporate behaviour with that of political economy. They suggest that the differences in the socio-economic institutional system cause systematic differences in corporate strategies and in the two ideal types of market economy: liberal and coordinated market economies. It is not declared expressly, but their study implies that in the relation between the individual and the structure, the authors aim to avoid reductionism in both directions, thus assuming a dynamic interaction.

These authors find that there is a close relationship between the coordination type of companies' activities and institutions. Based on the coordination of economic activities, they describe the two ideal types of modern capitalism: the liberal market economy and the coordinated market economy. The difference between the two types is reinforced by the presence of institutional complementarity. These authors follow Aoki by considering two institutions complementary if the presence (or efficiency) of one increases the returns from (or the efficiency of) the other. When the two ideal types are introduced through the cases of Germany

and the USA, the authors give a detailed account of how the institutional solutions of certain individual areas may assist each other.

In coordinated market economies, access to the financing is not entirely dependent on current returns. Because firms have access to "patient capital", they are able to retain a skilled workforce even at times of economic downturns and to invest in projects that generate returns only in the long run. Investors obtain information for the assessment of a firm by virtue of professional relationships, from the extensive networks of cross shareholding and through active industry associations (chambers and so on), which means that the firms are under "network reputational monitoring". Because firms often fund their activities from retained earnings, they are not as sensitive to external financial conditions; on the other hand, they are sensitive to hostile acquisitions, against which the relevant provisions of law offer protection. Top managers of these firms have to negotiate with many actors (major shareholders, employee representatives, major suppliers and customers, and so on), and managerial incentives also stimulate them to reinforce the operation of business networks. The rights of the trade unions and works councils present a further need for agreement in labour relations. In vocational training, employer organisations and trade unions supervise the publicly subsidised system of vocational training and apply pressure on firms to take on apprentices in the framework of apprenticeship schemes. These actions are beneficial for the firms because employer associations prevent skilled workers having received industry-related and corporate-specific knowledge from being poached by competitor firms. In addition to long-term employment contracts, the main source of technological transfer is not the movement of scientific and engineering personnel, but rather firms' network of relationships supported by business associations. To maintain the latter, formal contracts are not enough; informal standards and customs are necessary as well.

In the liberal market economy, financing resources are dependent on current earnings and the price of shares on equity markets. Regulatory regimes are tolerant of hostile acquisitions, and no close-knit corporate networks develop. In industrial relations, there are market relations between the individual employee and the employer, it is not a requirement to set up work councils, and the role of trade unions is more

limited than in the former case. Limiting the attempts to increase wages, thus, depends more on economic policies and market competition than on wage bargaining pursued with trade unions. The decision-making authority of firm managers is concentrated on the top management; therefore, the dismissal of employees in order to take advantage of new opportunities is easy. Vocational training is performed within the framework of a formal education system where general knowledge and skills are developed. Firms are reluctant to invest in apprenticeship schemes because trained, skilled workers are easily poached. The flexible labour market also encourages employees to obtain skills that can be generally used. Inter-company relations are based on enforceable formal contracts. Technology transfer is secured through the movement of scientific personnel from one company to another. Licensing and the sale of innovations provide another important channel for technology transfer.

Hall and Soskice also describe in detail why the above systems of institutions make liberal market economies more suitable for radical innovations, while coordinated market economies for incremental innovations. Nevertheless, they do not claim that any of the systems is superior to the others. Rather, institutional differences determine those areas and fields—in an international spectrum—in which the given system can achieve a comparative institutional advantage because certain fields are characterised by incremental innovations (for example, machinery), while others by radical innovations (for example, biotechnology and software development).

The authors' investigations are centred on developed countries; however, they say that this dual system can be applied to study developing countries as well. Among the Organisation for Economic Co-operation and Development (OECD) nations, the positions of six countries—France, Italy, Spain, Portugal, Greece, and Turkey—are not so evident. The authors find it possible that these countries constitute another type of capitalism, the "Mediterranean" type, with a large agrarian sector and extensive state intervention enabling them to have specific capacities for non-market coordination in the sphere of corporate finance and more liberal labour relations. They also point out that not all economies correspond to the two ideal types.

In their opinion, globalisation exerts huge pressure on national economies, which may adversely affect the institutional system of the coordinated market economies; nevertheless, this does not necessarily lead to institutional convergence, either.

Their conception has sparked intense debate, but before going into this topic, let us take a quick look at the study by Peter A. Hall and Daniel W. Gingerich (2004). The approach of Hall and Soskice almost entirely lacks aggregate and empirically founded investigations. Hall and Gingerich implicitly intend to remedy these shortcomings and complement the argumentation based on comparative case studies with an empirical test. Because they consider coordination to be a central category, they collect those statistically accessible variables that are suitable for identifying the type of coordination. They construct a coordination index and apply it to national economies with the help of factor analysis, proving that there is a fundamental difference between market coordination and strategic coordination. The complementarity of the institutional areas is another central tenet that should be tested empirically. Hall and Gingerich assume that the reason why complementarities occur is because they have proved to be efficient. They find seven spheres, among which they identify several complementarities. Based on these spheres, they confirm by various econometric methods that complementarity has a positive effect on economic growth in the case of three relations—for example, between corporate governance and industrial relations. It follows from the foregoing that purely market coordination and purely strategic coordination both have more beneficial effects on economic growth than mixed solutions. The relation between the rate of economic growth per capita in the OECD nations between 1971 and 1997 and the type of coordination confirms this assumption. Finally, these authors also explore whether institutional changes are heading towards convergence and whether coordinated market economies begin to adjust to liberal market economies. They compare indicators from the period between 1980 and 1990 that are characteristic of certain institutional areas. The Mediterranean countries and France are handled as mixed market economies in a separate group. In sum, coordinated market economies have taken moderate steps towards liberalism, and there have been changes in

the field of strategic coordination, but we cannot talk about large-scale convergence.

2.4 Dual or Plural Classification?

The theory of Hall and Soskice has attracted immense attention, as noted by the researchers of this topic (for example, Nölke and Vliegenhart 2009; Streeck 2010a). Hall and Soskice's interpretation had its followers; however, it generated considerable debate as well. In the following, I will examine the important nodes of this debate—without the exhaustive review of the related literature—to clarify the theoretical framework of my research topic.

Without question, the most univocally debated and criticised issue has been the dual classification of market economies into liberal and coordinated market economies. Although Hall and Soskice (2001) point out that the Mediterranean countries may constitute another type of capitalism, this notion did not gain significance in their study. The authors' terms are not entirely logical, and several authors have drawn attention to this. The liberal market economy is coordinated as well, but typically through market interactions, and the coordinated market economy is coordinated not through market interactions but—as Hall and Gingerich (2004) subsequently describe—through strategic coordination.

According to Hay (2005), the foundation of the dual classification is not clear. In conformity with Hall and Soskice's institutionalist approach based on rational choice, two models of capitalism are built on the dichotomy of market—non-market coordination by applying deductive reasoning. However, Hall and Gingerich (2004) use an inductive approach, and empirical evidence does not support duality. There is no reason why we should not distinguish, for example, the continental countries, the Nordic countries, and so on. When the archetypes (Germany and the USA) are compared, the liberal market economy seems to be an "institution-light" system—it is like a residual category. However, in their case, it is not about the lack of coordination—they are coordinated in another way.

Pontusson (2005) points out not only that the "hybrid countries" indicate the cumbersomeness of the dual classification but also that Japan does not fit into the category of the Germany-based coordinated market economy. Moreover, Great Britain, with its developed welfare provision, does not fit into the US-based liberal market economy.

While Hay (2005) believes that there is a micro-economy-based institutionalism behind Hall's dual system, Crouch (2005) sees the economic version of the neoliberal-social democratic political philosophical theories in the two models. Crouch criticises the dual classification because he finds that the models and empirical data are not compatible—France and Great Britain, for example, do not fit into this duality. Crouch goes even further, saying that the USA does not appropriately represent the characteristics of the liberal market economy and that Germany is not suitable for representing the coordinated market economy. In the Unites States, the scientific and technological innovations deriving from the military sector have great importance for the economic performance of the country. Another factor is that in the 1990s, the countries that entered the information technology market first gained a huge advantage, which was coupled with the advantages resulting from the size and the international position of the country. However, all these reflect the results of the intra-company and state coordination, not those of market coordination. Lazonick (2007) argues that the advantages of the USA originated from corporate hierarchy and not from market coordination in the "old" business model of the decades after WWII and in the business model adjusted to the new economy (propelled by information technological innovation) of the 1990s.

Regarding Germany, Crouch (2005) notes that considering that Germany is a federal state, state coordination and the network relations of the actors are looser than in the small states; thus, Germany should be considered rather an outlier case of a coordinated market economy than a paradigmatic example of it. This is in sync with the assessment of Katzenstein (1985), who suggests that Germany is the closest to the democratic corporatism of the small states but that Germany has much stronger market elements.

Amable (2003) argues against the dual classification by saying that classification according to one dimension only (coordination) does not reveal

much about why one country is put into the same category as another country. If the number of intermediate, “imperfect” cases is high, a classification more complex than the dual classification has been disregarded.

It can be seen that irrefutable counter-arguments have been put forward against the dual classification. As a matter of fact, it is difficult to understand why Hall and Soskice insisted on this classification because the problems of dual classification had come to the surface even before their paper was published in 2001. Soskice introduced this duality in several of his papers at the beginning of the 1990s (Hall 1999); in 1999, he wrote about uncoordinated or liberal and business-coordinated market economies (Soskice 1999). The volume in which this paper was published (Kitschelt et al. 1999b) has also attracted much attention. Although in the final study (Kitschelt et al. 1999a), the editors committed themselves to the classification made by Soskice, they described four types of capitalism, connecting them to various political arrangements. In addition to uncoordinated liberal market capitalism, they distinguish the national coordinated market economies (the Nordic countries), the countries with sector-coordinated market economies, that is, countries of “Rhine” capitalism, and group-coordinated market economies in the Pacific basin (Japan, Far East).

The book edited by Hancké et al. (2007b) aims to apply the VoC approach to the current issues of the EU (functioning of the EMU, the Eastern European nations’ accession to the EU). In the introduction to this volume (Hancké et al. 2007a), on the one hand, the authors expressly reject those critical comments and observations made in connection with the conceptual framework of Hall and Soskice. On the other hand, based on these critics, they wish to develop it further. One such accepted modification was the review of the dual classification.

Authors criticise dual classification, believing that more models are necessary for the interpretation of contemporary capitalism. Furthermore, others who question whether states enjoy enough independence in today’s global economy such that models can be built on national economies. Crouch (2005: 42) expressly declares, “theorists of the diversity of capitalism are eager to play down the implications of globalisation, and argue intelligently and forcefully against the naive assumptions of much other literature that globalisation somehow abolishes the significance of

national differences". Streeck (2010a) draws attention to studies according to which there is institutional arbitrage, that is, due to the free international movement of capital, firms are able to choose the institutional environment that best fits their needs. Hall and Soskice (2001), though recognising this notion, conclude that diversity between countries can be retained because the differences in national institutional frameworks may present various competitive advantages. According to the studies to which Streeck (2010a) makes reference, institutional arbitrage redounds on the practice pursued in the country of origin and, as a consequence, it may increase institutional diversity within the country while decreasing diversity between countries. It is worth noting the differences in coordination at the national, regional, and sectoral levels.

Regarding state, this issue is not the only problem with Hall and Soskice's interpretation. Although Hall and Soskice connect their models to various states, the role of the state is missing. In other classifications (see below), the state-led market economy itself is one of the models. This deficiency is recognised by Hancké et al. (2007a), and in the same volume, Soskice (2007) investigates how production regimes are complementary to welfare state regimes and political systems, maintaining the dual classification of the market economies into liberal and coordinated market economies.

Regarding the question of institutional changes and complementarity, the debate in connection with the work of Hall and Soskice (2001) (which has been mentioned above on a general, theoretical level) flares up again. Undoubtedly, these authors rely on the thought of complementarity quite strongly and conclude—partly based on this complementarity—that in spite of globalisation, national characteristics are retained because the changes in the institutions disturb the efficient cooperation with the complementary institutions. The changes, therefore, should be accomplished in the form of gradual adjustment.

It is worth considering a counter-argument concerning complementarity represented strongly by Crouch (2005) and confirmed empirically by Streeck (2010a), namely, that hybrid institutions can be viable as well. This argument also demonstrates the limitations of empirical evidence because Hall and Gingerich (2004) empirically confirm the efficiency-increasing power of complementarity and the weaker performance of

hybrid solutions. However, according to Crouch (2005), the heterogeneity of institutions is downright preferable because if a development path is blocked, those actors who are able to find a way out with the help of their alternative strategies are present.

In the background of the issue of complementarity and change are the questions of whether globalisation facilitates institutional convergence or divergence and of whether coordinated market economy remains a viable alternative for Anglo-Saxon, or, rather, American, capitalism. Pontusson (2005) accuses Hall and Soskice of tackling this question rather briefly and obscurely. In his criticism, it is quite illuminating when he demonstrates that revealing convergence or divergence between the two models depends largely on the indicators chosen. For instance, in coordinated market economies during the 1990s, there is no decrease in the index—applied by the OECD—measuring the protection of the employees, which means that the differences between the models remained. However, if we add the increase in the number of employees with open-ended contracts—who are not covered by this protection—the picture is somewhat different: the labour market of the coordinated market economies converges towards the liberal one. In a similar period, wage inequalities increased to a greater extent in the liberal market economies than in the coordinated market economies—as expected on the basis of theory—but if the change in the household income of the working age population is measured by the Gini coefficient, we cannot find a clear correlation between the type of economic coordination and the increase in inequality.

Political scientists and sociologists criticise Hall and Soskice, arguing that economic coordination as a single dimension is not enough to explore the variations of capitalism, and they object that power relations, class interests, and conflicts have not been taken into account. For example, Pontusson (2005) suggests that coordination should be complemented with a second dimension, namely, whether class compromise has been institutionalised or not. Thus, for instance, the differences between pre-Thatcher Great Britain and the USA would be manageable, while the common characteristics of liberal economic coordination are maintained. Streeck (2010a) completely refutes their theory; according to him, Hall and Soskice, as well as the entire approach, show the types

of neoliberal capitalism at the end of the twentieth century under the term VoC, although their common features and their interdependency are more important than the differences between them.

Boyer (2005a) sheds light on the weaknesses of VoC from the viewpoint of the "*régulation*" school. He does not accept the dual classification; moreover, he does not find the economic coordination approach satisfactory, either. According to Boyer (2005a), there are four polar principles in terms of coordination (market, firm, state, and community), and the entire VoC literature covers only some of these principles. He underlines the importance of labour market institutions and welfare systems, claiming that their inclusion is not enough—they must be the centre of attention. These critical views originate from the principle tenets of the "*régulation*" school and can just as well be subjected to criticism as the statements of VoC. It is interesting how Boyer sees the difference between the two schools concerning the interpretation of change. VoC interprets the changes as adaptation to external shocks, with the help of which the essence of the institutional infrastructure can be maintained. The "*régulation*" school often considers crises to be the consequences of prior success and emphasises the internal, endogenous development of the economic system. Nevertheless, Boyer (2005a) finds it important that the two schools cooperate closely because, despite the above differences, there are similarities between them.

Mjøset and Clausen (2007) raise methodological problems in connection with the work of Hall and Soskice (2001), which affect the comparative institutional analyses in general. There are two possible forms of theory building: a model can be created either empirically through the analysis of large-scale datasets or via thought experimental modelling, which is formulated in mathematical language. According to Mjøset and Clausen, Hall and Soskice are torn between the two methods. The fact that they apply the terminology of the game theory, with which microeconomics is related to macroeconomics, implies that the model was created by the second method. Nevertheless, abstract models should not directly connect with empirical cases. In contrast, in the case of Hall and Soskice, the models for the liberal and the coordinated market economies are the USA and Germany, which have been founded empirically and serve as master cases. Nevertheless, as indicated above, other empirical

cases do not confirm this dual classification. However, the small number of cases—as Hall (1999), as well as Hall and Gingerich (2004) have pointed out—do not make possible empirical testing that meets statistical requirements. It seems that Hall does not particularly force model creation built on thought experiments because, in his opinion, "The very emphasis of these models on interaction effects has made it difficult to isolate the impact of each independent variable given the limited development of equation systems modelling their full effects and the small sample (of OECD nations) against which they can usually be tested … As a result there is still an implicit emphasis in this literature on a few ideal-typical countries …" (Hall 1999: 145). However, Crouch (2005) rightly protests and claims that an ideal type should be developed by emphasising logically well-founded characteristics, and in individual cases, these characteristics may be present only partially. Therefore, the ideal type cannot be identified with one single case.

In connection with Hall and Soskice (2001), Mjøset and Clausen (2007) raise another problem, which causes difficulties in the comparative analyses. Namely, there are no established criteria for dividing an economy into institutional areas. Neither the number of institutional domains is fixed, nor are the most important institutional mechanisms determined. In comparative studies, the investigated institutional areas are similar, but there are differences in this and in the analysed institutional mechanisms, which are not theoretically founded, and their selection in itself leads to different typologies.

There is a strengthening view that as a result of critiques, the VoC approach has eroded in recent years, while this perspective is still inspiring. However, in comparative capitalism research, a new, "post-VoC" stage has evolved (Ebenau et al. 2015).

2.5 The Diversity of Market Economies

Many authors were not satisfied with the fine-tuning of the dual classification and opted for more than two models. These authors largely neglected (and only made references to) or did not deal at all with models other than those of Europe and the USA. Thus, first, we focus on two

works—the books by Coates (2000) and Amable (2003)—which have a definitely more global approach.[3]

David Coates published a study in 1999 and an entire book in 2000 on the models of capitalism. He reviewed all the attempts at typology made in the 1990s as found in the literature, and many of these attempts have been forgotten since. In his opinion, dual classification is an unacceptable simplification, and he opts for three ideal types: market-led capitalism (the USA, Great Britain after 1979), negotiated/consensual capitalism (Germany, Sweden), and state-led capitalism (Japan, Far East).

Coates (2000) presents these models and their historical evolution in his book, while making reference to the decades after WWII. In the course of this overview, it can be seen clearly that these models had different performance in terms of their competitiveness over different periods of time. His reasoning aims mainly to prove that strengthening competitiveness does not necessarily require forcing back trade unions, corporatist structures and wages, which was the central element of neoliberal thinking in the 1980s.

Amable (2003) uses the framework of new institutional economics, but at the same time he attempts to synthesise the remarks made over the course of the debates in the 1990s. He accepts North's institution definition as a starting point; furthermore, he sees institutions not only as constraints but also as an opportunity for coordination, cooperation, and information sharing. With reference to Aoki, he says that the application of the game theory does not presume perfect rationality or perfect information. He bridges the theoretical dilemma of the relationship between the individual and the institution by describing the behaviour of the actors with a two-tier game structure. The lower tier defines the agents' strategy in a given institutional framework. The upper tier is the level of the metagame, where the framework of the lower tier evolves as the result of self-sustaining equilibrium strategies. Amable himself acknowledges that this two-tier game theory needs further elaboration. He claims that the role of institutions is to settle conflicts of interest, and he describes institutional complementarity with the help of the game theory. At the same time, in his view, institutions are not merely the result of equilibrium deriving from games that can originate from individuals' pursuit of self-interest, but rather, actors gather into social groups, their conflict

of interest crosses over to the political sphere, and institutions embody a political-economic balance.

In examining the current variations of capitalism, Amable's method is different from that based on ideal types. In one of his earlier papers, he termed the various types of capitalism "the social system of innovation and production". He does not provide the theoretical background or the reason why he chose to investigate the particular institutional areas he actually analysed, but it is clear that he follows the "*régulation*" school. The institutional areas under scrutiny are the following: the product market, the labour market, the financial sector, the social protection system, and the education system. Based on the literature, Amable presumes that there are different complementarities between institutions and that there are five types of capitalism: market-based economies, social-democratic economies, continental European capitalism, Mediterranean capitalism, and Asian capitalism. Then, he examines the individual institutional areas in twenty-one OECD countries by using an empirical analysis (principal components analysis and cluster analysis). The indicators take account of the average data for the 1990s or data for the end of the decade. The OECD has already constructed composite indicators that are able to characterise a given institutional area (for example, product markets and the labour market), but others have also elaborated similar indicators for other areas. Amable accomplishes an empirical analysis by using these indicators, first for the individual subsystems; then, he performs an aggregate analysis that confirms the existence of these models.

One group is clearly distinct and homogenous: the Anglo-Saxon countries, Australia, Canada, the UK, and the USA, which represent the liberal, market-based version of capitalism. Deregulated product markets are combined with the deregulated labour market and the market-based financial system, and the education system is also organised in a competitive manner. The welfare state may have a different size according to the country concerned, with the USA and Canada on one side and the UK and Australia on the other.

The Mediterranean countries, Greece, Italy, Portugal, and Spain, constitute another group with a rigid labour market, regulated product markets, non-developed financial markets, a bank-based financial system, a low level of social protection, and a weak education system.

Using the OECD countries as a sample, only two countries—Japan and South Korea—represent the Asian economies with "governed" production-market competition, a bank-based financial system, a low level of social public expenditures, and private higher education.

Denmark, Finland, and Sweden constitute the social-democratic group. Their product markets and labour markets are regulated, their financial systems are bank-based, social protection is based on the universalist model, and their education systems are publicly funded.

The group of the continental countries is large and the most heterogeneous group, containing Switzerland, the Netherlands, Ireland, Belgium, Norway, Germany, France, and Austria. Their product markets range from competitive to mildly regulated, their labour markets are coordinated, their financial systems are based on financial institutions (banks and insurance companies), social protection is corporatist, and their education system is publicly funded. Switzerland and the Netherlands are closer to the liberal group, while others are between the Mediterranean and the social-democratic clusters.

Although Amable speaks about the social system of innovation and production, he does not include innovation in the five subsystems but rather separately analyses the patterns of scientific, technological, and industrial specialisation (that is, sectoral structure). He does not build a comprehensive indicator system, as he did in case of the previous five subsystems, and the outcome is rather fragmented. Then, he tries to find relationships between the various institutional features and economic performance by applying regression analysis. The results can be summed up by saying that there are at least two ways of reaching high-level innovation. One is a liberal way, by deregulating the product markets combined with a flexible labour market. The other way is the regulated product markets combined with a centralised financial system, which ensures long-term financing and complies with the social-democratic and partly with the continental European models. Coordinated and uncoordinated labour relations both may lead to a large growth in productivity, but only if coupled with the appropriate groups of institutions. The same can be said about the relationship between a high degree of employment and a flexible and regulated labour market. These conclusions and reasoning leading to these conclusions are rather limited to Europe; therefore, the Asian model is neglected.

Although Amable's book has received little substantive criticism, it has been frequently referenced. According to Crouch (2005: 38), "By far the best and most sophisticated approach to a 'post-dualist' typology of capitalism to date is that established by Amable (2003)", as Amable managed to avoid those instances of methodological unilateralism detailed in Chap. 1. He made his methodological individualism and his starting point—game theory—more elaborate, including bounded rationality, social conflicts, and the political-economic interpretation of equilibrium. At the same time, he has conducted more meticulous empirical analyses than his predecessors.

Amable's analysis may have one deficiency only: according to the author, the first and foremost aim of the typology is to compare the economic performance of the various models of capitalism; namely, the author does not examine how the individual social-economic subsystems contribute to economic performance, which justifies their inclusion in the analysis. He handles this topic as sociological evidence that these subsystems serve as the basis for distinguishing between the various types of capitalism. Nevertheless, innovation—critical from the point of view of growth—could have been regarded as a subsystem, and it could have been built in the models of capitalism, for instance.

2.6 Varieties of Capitalism in the European Union

2.6.1 The Models of the Old Member States

Undoubtedly, the book written by Esping-Andersen (1990) has had an impact on classifying the market economies of the EU. The book covered welfare state regimes only, not all economic systems. According to his definition, he uses a political-economic framework with an institutional approach. The result of his research is well known—the differentiation between the three welfare state regimes—therefore, this is only a reminder: the liberal system covers the Anglo-Saxon countries, the corporatist system includes mainly continental European countries (Austria, France, Germany, and Italy) and the Scandinavian, Nordic countries con-

stitute the social-democratic system. This is the first analysis (compared to all analyses discussed above) in which the Nordic countries appear as an individual group.

Boyer (1997) investigates the specific features and the future prospect of the French development path, that is, how France is positioned among the types of capitalism. In his classification, he considers the features of the labour market especially important. Market-oriented economies are the Anglo-Saxon countries (USA, Canada, and Great Britain), and with Albert's generosity, he includes Japan along with Germany among the Rhine or corporatist economies. In the social-democratic model, he presents not only Sweden but also Austria. France and Italy embody the type of statist capitalism. Boyer does not build his models on statistical analysis—as in his above-cited paper he wrote with Hollingsworth (1997a)—but he develops further and complements the known types of Anglo-Saxon and Rhine capitalism by using case studies and qualitative investigation.

Schmidt (2002) was inspired by the French institutional arrangement in her introduction of the term "state capitalism" (France, Italy) as a third ideal type in addition to market capitalism (the USA and Great Britain) and managed capitalism (Germany, the Netherlands, and Sweden). In this definition, she follows the triple typology of Katzenstein and Zysman and that of Coates. For the future, she prognosticates that institutional differences will not cease in spite of globalisation or Europeanisation.

The papers cited so far are all concerned with the question of whether competition drives developed European economies towards the Anglo-Saxon liberal model. Ebbinghaus (1999) adds a new dimension in his discussion of the issue of the European social model. The European social model has always been frequently referenced in the documents of the EU as the model that distinguishes Europe from North America or Asia-Pacific. Ebbinghaus (1999) puts the question of whether the European social model exists, and if the answer is in the affirmative, of whether it can survive. He illustrates with the help of indicators that we can make a distinction between the Anglo-Saxon, the Nordic, the European Central, the Southern European countries, and Japan. He finds that there are fundamental differences between the USA, Europe, and Japan in terms of economic performance, labour relations, the labour market, and the

welfare state. In spite of the pressure of globalisation, various institutional solutions have survived, and differences remained not only between these geographical locations but also within Europe. He finds Albert's (1993) dual categorisation, which places Europe under the umbrella of Rhine capitalism, expressly unsatisfactory. In more detailed model-making, Ebbinghaus deals with European countries only. He extends the term "social model" to "socio-economic model", which includes economic governance, industrial relations, employment regimes, and the welfare state,[4] and he distinguishes the Anglo-Saxon, the Nordic, the European Central, and the Southern European models. Although the empirical foundation in Ebbinghaus' (1999) work is narrow and casual (it functions as an illustration of his literature-based conception), its impact is important—authors rejecting the dual typology frequently cite him among their sources.

The European social model has become accepted in research on Europe, as well as in EU documents. At the beginning of the 2000s, in the research workshops working for—among others—the European Commission, increasing attention was devoted to the various development paths that became visible within the Community. According to Boeri (2002), it is customary to divide Europe into four social policy models. In his paper "Globalisation and the Reform of European Social Model", Sapir (2006) makes reference to Boeri when performing an empirically founded comparison of the performance of the four different European social models (the Anglo-Saxon, the Nordic, the continental, and the Mediterranean). Sapir's starting point is that, due to the single market and the monetary union within Europe, differences appear in social policy and in the regulation of the labour market because there is enough room for manoeuvring at a national level. Similar to Ebbinghaus, Sapir regards the welfare state and the labour market as the main sources of differences; in contrast, however, Sapir examines only the social model, not the socio-economic model. His conclusion is that among the four models, the Anglo-Saxon model and the Nordic model are efficient and the latter combines this efficiency with a high degree of equality. The continental model and the Mediterranean model are in need of reform due to their efficiency problems.

Attention must be devoted to Sapir's paper because, on the one hand, it is referenced very frequently in the literature and, on the other hand, before it was published in a journal, it was a background document for presentation at an informal meeting of the Economic and Financial Affairs Council in September 2005. This informal meeting was followed by another one in October (where heads of state and government met, but not within the framework of the European Council), and the Commission published communication for this meeting under the title, "European values in the globalised world" (CEC 2005). This paper reflects the views and thoughts mentioned above in connection with Ebbinghaus and Sapir. This report declares that there are common values that—on the one hand—serve as a foundation for a unique European approach to economic and social policies; on the other hand, these note the differences as well. Therefore, the authors of this report say that one cannot determine a single European model; however, they attempt to describe those specific features that constitute the characteristics of the European models.[5]

Given an overview of the most important sources in the literature, it is clear that by the beginning of the 2000s, in spite of the various content-based and methodological approaches, it has been largely accepted in the non-dual typologies that the old EU member states are classified into four models (Table 2.1). It is conspicuous that not a single source deals with the NMS even though 10–15 years have passed since the change in the political systems. Asian countries, expressly Japan, have been mentioned by certain authors, but no detailed model has been constructed. Naturally, the typologies represented in Table 2.1 do not cover all sources in the literature. There are always newer and newer papers and studies, but these usually fine-tune existing trends and develop them further (for example, Schröder's book (2013) combines the VoC typology with Esping-Andersen's welfare regime classification, ultimately reaching a triple categorisation).

Table 2.1 The most important typologies in the market economy models as of the 1990s

	Anglo-Saxon	Continental	Nordic	Mediterranean	Asian
Esping-Andersen (1990)	Liberal	Corporatist	Social-democratic	Corporatist	
Boyer (1997, 2005a)	Market-oriented	Rhine or corporatist	Social-democratic	State-driven	Meso-corporatist (2005)
Kitschelt et al. (1999a)	Uncoordinated liberal market capitalism	Sector-coordinated market economy (Rhine capitalism)	National coordinated market economy (labour corporatist)		Group-coordinated Pacific-basin market economy
Ebbinghaus (1999)	Anglo-Saxon	Centre	Nordic	Southern	Japan
Coates (1999, 2000)	Market-led	Negotiated/consensual	Negotiated/consensual		State-led
Schmidt (2002)	Market capitalism	Managed capitalism		State capitalism (France and Italy)	
Amable (2003)	Market-based	Continental European	Social-democratic	Mediterranean	Asian
Sapir (2006)	Anglo-Saxon	Continental	Nordic	Mediterranean	
Hancké et al. (2007a)	Liberal market economy	Coordinated market economy		Compensating state Etatist (France pre-1990s)	

Source: Author's construction

Notes: When naming the columns, geographical positions are referenced; otherwise, the different dimensions are mixed (for example, market-based and social-democratic dimensions)

The typology of Esping-Andersen (1990) covers only the welfare regimes, not the entire economic system

2.6.2 Classifications of the New Member States

The above authors use many indicators in their empirical analyses taken mainly from the OECD database or from other studies (but most of these studies obtained their data from the OECD database as well). Presumably, this is the reason why these publications do notdiscuss the Eastern and Central European countries; there are studies that present these countries separately from the developed countries and compare them to each other (for example, Hancké et al. 2007b; Lane and Myant 2007; Estrin et al. 2007). As part of a research project led by Amable and completed in 2008, Berrou and Carrincazeaux (2005) integrate the Czech Republic, Hungary, and Poland (that is, those Eastern and Central European countries for which the data are accessible in the OECD database) into their classification.

In the last two decades, several attempts have been made to compare the Eastern and Central European countries with the existing models, but these cover only few countries, or the scope of the applied data and viewpoint is not as wide as in the case of the old capitalist countries.

Berrou and Carrincazeaux (2005), after performing a cluster analysis, conclude that the Czech Republic, Poland, and Hungary are similar to the Mediterranean countries.

Cernat (2006), using very few indicators, conclude that Estonia belongs to the Anglo-Saxon group, while Bulgaria, Poland, Latvia, Lithuania, Romania, and Slovakia to the continental category. Surprisingly, Cernat places the Czech Republic, Hungary, and Slovenia in the category of developmental capitalism, which is characteristic of the Asian countries. He gives a detailed study of his own country, Romania. In this case study of Romania, he says that compared to the other countries, Romania only partly fits the continental model, so he uses the term “cocktail capitalism” for the country. In the course of capitalist transformation,globalisation (and the World Bank) transferred the Anglo-Saxon model, while the European Union transferred the Anglo-Saxon and the continental models, and the domestic circumstances moved the country towards the direction of state-centred, clientist capitalism. As a result of these impacts, the outcome has become inconsistent and inefficient.

Lane (2007) gives a review of the model creation of the market economies, dealing with the books by Hall and Soskice (2001) and Amable (2003) in more detail. Nevertheless, this is not the basis on which he classifies the countries that underwent capitalist transformation. His starting point is that the Western advisors suggested the application of the Anglo-Saxon model with full liberalisation, free trade, and privatisation as the key elements. Therefore, he compares the extent of privatisation and stock market capitalisation, the size of the private sector's share of domestic credit as a percentage of GDP, the size of FDI as a percentage of GDP, and the transnationality index (elaborated by the UN expressing the ratio of FDI in output, exports, and employment) in the post-socialist countries. In the case of all indices, there are fundamental differences between the CEE countries (including the Baltic countries) and the former Soviet member states. Only stock market capitalisation and the share of domestic credit exhibit low levels everywhere. Lane compares the CEE countries to the continental countries, and he creates a subgroup in which privatisation is less extensive and state intervention remains more intensive (Bulgaria, Croatia, Latvia, Lithuania, and Romania). The other, economically poorer group, in which the transition was unsuccessful, contains the following countries: Russia, Ukraine, Kazakhstan, Georgia, Turkmenistan, and Moldova. The situation in these countries has become chaotic; to describe it, the author uses the term "hybrid state/market uncoordinated capitalism".

In the same volume, Knell and Srholec (2007) use Hall and Soskice's dual classification and Hall and Gingerich's empirical analysis method as a starting point. Built on data from 2001 to 2004 and using 13 indicators, they construct the indices for social cohesion, labour market regulation, and business regulation and explore in detail certain aspects of labour relations. They examine the Eastern and Central European post-socialist countries, including the Western Balkans, the Soviet successor states, Vietnam, and China, together with the developed OECD member states. Regarding social cohesion (the size of the public sector and income inequalities), the majority of the post-socialist countries are more similar to liberal coordination than the USA; at the same time, business regulation more closely resembles coordinated market economy. On the other hand, if labour market regulation is taken into consideration, these

countries are entirely divided between the models of the liberal and the coordinated market economies. This study may serve as a warning example of the uncontrolled application of statistical data because, according to the cumulative index, Armenia, Georgia, Moldova, and Mongolia are at a level of market coordination similar to that of, for instance, Hungary, Estonia, Slovakia, or Lithuania, which is an obviously absurd result.

King (2007) applies the VoC framework for the transition countries. He describes their development path with the help of six characteristic features: average per capita GDP growth between 1991 and 2000, change in male life expectancy between 1989 and 2000, percentage of the population below poverty, net FDI inflow, an EBRD Governance Indicator, and the security of property rights index. He contrasts the liberal dependent states (the Czech Republic, Poland, and Hungary) with the patrimonial states (Russia, Romania, Ukraine, and Milosevic's Serbia). His description of the latter group is very similar to Lane's (2007) definition of uncoordinated capitalism. King (2007) adds that the liberal dependent states show elements of proto-coordination and proto-liberalism. The explanation for this lies in the fact that there are two essential differences that separate them from the Western European countries, namely, that their dependence on foreign capital, foreign technology, and foreign customers is huge and that workers are defenceless.

Bohle and Greskovits (2007) argue that after the fall of the socialist system, three versions of capitalism emerged in Central-Eastern Europe: a purely neoliberal type in the Baltic states, an "embedded" neoliberal type in the Visegrád countries, and a neo-corporatist system in Slovenia. When creating these types, the authors address new aspects, not those described so far. In addition to the usually examined fields of the welfare state and labour relations, industrial structural change, macroeconomic stability, and even the dynamism of the political systems were subject to scrutiny. The other novelty of these authors is also—compared to the studies above—that they take the specific features of the socialist legacies into account and, starting from here, they present the evolution of the models from a historical perspective. In addition, they integrate the impacts of the EU and the transnational companies in their explanation. Their paper in 2007 was followed by a book (Bohle and Greskovits 2012), which I return to later.

Mykhnenko (2007) compares Ukraine and Poland, and despite their differences, he regards these countries as the weakened versions of the continental model or—by using the terminology of Hall and Gingerich (2004)—as mixed market economies (which complies with the Mediterranean model).

Estonia and Slovenia led Feldmann (2007) and Buchen (2007) to present the CEE manifestation of the liberal and coordinated market economy.

Blanke and Hoffmann (2008) assume that the Baltic countries follow the liberal model, while the Czech Republic, Poland, Hungary, and Slovenia follow the model of a coordinated market economy.

Similarly, Csaba (2009b) emphasises the differences between the transformed countries. On the basis of the degree of state redistribution, three Visegrád countries, the Czech Republic, Poland, and Hungary, can be differentiated from Slovakia and the Baltic countries (their level is similar to the Anglo-Saxon one). Romania and Bulgaria are not included in the latter group because in these two countries, the contribution of agriculture to GDP and to employment exceeds by far the level of the other CEE EU member states. Furthermore, the Commonwealth of Independent States (CIS) is sharply different from the NMS of the EU; in the former states, the state-led economic model seems to have settled.

Schweickert et al. (2013) make a distinction between liberal and coordinated market economies within the CEE EU member states by applying the dual classification of VoC.

The CEE countries are regarded by the report prepared by the European Commission on Industrial Relations in Europe (European Commission 2009c) as a distinct model of capitalism, which is presented in Table 3.6. At the same time, the report leaves some institutional areas open, which will be the final solution from among the controversial tendencies. Rodrigues (2009) explores the variations of capitalism within the EU in connection with the Lisbon strategy, and she notes that the Eastern type should be elaborated as well. In the same volume, Török (2009) confirms with the help of a few other aspects that the CEE countries constitute a distinct model. Schweiger (2014) classifies that the CEE countries have a "transition model" with some common challenges but with noticeably differences in their culture and the development of their economies and

welfare states. However, he considers that it is justified to speak of an emerging new variety of capitalism in this region.

Nölke and Vliegenhart (2009) prepare a thorough inventory of the attempts made so far in the framework of VoC to classify the market economies that have emerged in the transition countries. They note the discrepancy in these attempts because some studies have argued that the East Central European countries converge towards the liberal model, while others claim that convergence towards the coordinated market economy occurred. A third group regards these countries as the hybrid variation of the two models. Nölke and Vliegenhart (2009) argue that the contradictory results can be attributed to the premature, mechanistic application of quantitative approaches. In their study, they prove the existence of a new capitalism model, which they termed a "dependent market economy", but their investigation covers the Visegrád countries only. The comparative advantage of the dependent market economies is due to the institutional complementarity characterised by skilled but cheap labour, technological innovations received through transnational companies and capital provided by FDI. The authors derive all features of the dependent market economy model from the essential role of foreign capital, which has a huge impact on the system of corporate governance, industrial relations, education, and training, as well as the innovation system. As a result, it is easy to show complementarity between the elements of the model that have been derived from a single factor. A merit of the study is that in several definite areas (for example, industrial relations and corporate governance), it demonstrates that very different institutional correlations may exist behind the quantitatively very similar data. This illustrates rather well the methodological challenge needed to interpret the statistical analyses together with case studies. It is also without doubt that the role of FDI has its special features compared to the developed, old market economies, and it has an explanatory power concerning the evolution and operation of the institutional system. However, in their study, the authors apply FDI unilaterally as a single, universal explanatory factor. For instance, in comparison with the study by Bohle and Greskovits (2007), it is striking how important elements are left out from the attempt to understand the institutional systems of the countries concerned.

From the above overview, it can be clearly seen that no common standpoint has evolved in the literature regarding the assessment of the institutional system of the transformed post-socialist countries. On the contrary, opinions are divided and expressly opposing. Agreement has been reached in only one question—which is outside the scope of this study—namely, that the difference is huge and qualitative between the post-socialist EU member states and the CIS.

2.7 Theoretical and Methodological Considerations

In Sect. 1.7, the methodological starting position that will be followed in the course of my institutional analysis is defined. In Chap. 2, the comparative economic analyses were covered, and the development of the classifications concerning market economies was explored. Let me summarise the main points of Chap. 2 by following the principle defined in Sect. 1.7.

In spite of the fact that in the literature, the dual classification of Hall and Soskice is considered the starting point in most cases, in my opinion, Amable's empirically based model construction is more convincing, that is, it describes the models of market economies with the help of various social-economic subsystems. Because his results concerning Europe have been confirmed by other authors, I will use this model as a reference point, and the CEE countries will be placed into this framework.

At the same time, we must be aware of the fact that the application of quantitative methods has its limitations. The most important of these limitations is that it is impossible to satisfactorily explore the causal relationships and the effect mechanisms in the background of the phenomena by statistical means (regardless of whether it is a cluster analysis or regression analysis).[6] The investigations are naturally influenced by the scope of the available statistical data. Furthermore, when countries are compared, the number of the elements is so small that it weakens the statistical power. However, as the number of countries with different features and with different degrees of development involved in the investigation increases,

the possibility that the conclusions will be superficial or biased increases. Given an overview of literature, it seems that the researchers agree that the quantitative investigations must be complemented with qualitative analyses in order to overcome this difficulty or to at least mitigate the related problems, for example, with the help of historically oriented case studies (Shalev 2007; Pontusson 2007; Esping-Andersen 2007).

In order to provide a well-established foundation for the results of this research, the quantitative and qualitative methods are applied together. In addition, in the course of this investigation, I have kept track of and will apply the results of neoclassical research. On the one hand, in this work, the subsystems involved in the investigation in order to construct the market economy models are not considered evidential, but it will be examined whether macroeconomics justifies their significance from the viewpoint of the given economic system's performance. On the other hand, the neoclassically founded analyses are also useful, as the operation of the market economies during the crisis will be presented below.

The current crisis gives us an opportunity to perform an unusual methodological experiment: we are able to observe the operation of an institutional system modelled at the threshold of the crisis within the circumstances of a global crisis. This means that the mainstream economic analyses must inevitably be applied alongside the institutional comparison and that institutional changes, that is, the methodologically critical element of the comparative studies, must be presented as well.

In spite of methodological open-mindedness, I am aware that it is impossible to eliminate all uncertainties from the conclusions I may draw and that future investigations may impel me to review the results.

Notes

1. In his entry in *The Elgar Companion to Institutional and Evolutionary Economics*, Jessop (1994) says that the French "*régulation*" school and its three branches have their roots in Marxism. According to Jessop, the representatives of this school consider the institutions of capitalism the results of historical development in which the relatively stable capitalist expansion—

which took place during a long historical period—was due to non-economic, institutional factors. Furthermore, they emphasise the transformation potential of social actions. Boyer indicates the Parisian branch's Marxist roots from the 1970s (Boyer 2005a); however, in Boyer's analyses written in the 1990s or later, all statements would easily be part of a standard sociological analysis.

2. According to a footnote in the book, GDP data were calculated at the exchange rate and price level in 1975.
3. Becker (2009) rejects dual classification, regarding capitalism as an open social system, and he introduces an empirically founded typology in his book, which involves Japan; however, this book is less elaborate than Amable's book (2003). Therefore, I do not discuss it in detail.
4. Not only Ebbinghaus can be characterised by dual interpretation. In the literature, the term "European social model" sometimes refers to the system of social protection only, but in the case of others, it is used in a broader sense, referring to an economic-social model, which also appears in the name itself in the case of certain authors. O'Hagan (2002) follows the content-wise changes in the concept of the "European social model" from the Paris Summit held in 1972 to the beginning of 2000s.
5. Common features of the European model include the following:

   - Common values of economic and social policies: solidarity and cohesion, equal opportunities and the fight against all forms of discrimination, adequate health and safety in the workplace, universal access to education and healthcare, quality of life and quality of work, sustainable development and the involvement of civil society. These values represent a choice in favour of a social market economy.
   - In the member states of the EU, the public sector plays a bigger role than in Asia or in the USA, and public spending on social protection is higher than in the USA or in Japan.
   - Compared to other regions in the world, national systems are reinforced by European-level policies.
   - There is a strong tradition of social dialogue and partnership (CEC 2005).

6. The well-known methodological problems (endogeneity, multicollinearity, and so on) are beyond the scope of this study.

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