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Capitalist Diversity in Europe's Periphery

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Recent inquiry into capitalist diversity in Europe's periphery discovered three different types of capitalist political economies, which emerged from the transformation of Central-Eastern Europe after the collapse of state socialism. By the time of accession to the European Union (EU), three capitalist regimes have emerged from the transformation of Central-Eastern Europe's former state socialist societies. The *'pure' neoliberal* Baltic States (Estonia, Latvia and Lithuania) have excelled in market radicalism as well as macroeconomic stability, which, however, occurred at the expense of industrial transformation and social inclusion. Mainly centre-right party coalitions have governed their stable but highly exclusive democracies. In contrast, the *'embedded' neoliberal* and less market-radical Visegrád states (the Czech and Slovak Republics, Hungary and Poland) achieved better results in building complex, competitive export industries through massive foreign direct investment. At the same time, they have also been more socially inclusive. It is precisely the established measures and institutions of industrial policy and social welfare that make their neoliberalism embedded and distinctive. However, thus far the institutions safeguarding macroeconomic stability have been unable to establish dominance in most Visegrád states. Their fairly inclusive democracies have faced more contestation that manifested itself in the regular alternation of centre-right and centre-left forces in power. Finally, only the least market-radical *neocorporatist*, Slovenia, succeeded in all of the above areas, in a balanced pattern simultaneously. In Slovenia, competitive industries and superior social indicators were not established at the cost of macroeconomic instability. Further, Slovenia's neocorporatist institutions and dominantly centre-left coalitions have so far been able to deliver the compromises required for a balanced and inclusive agenda. From different starting points and via different paths, Bulgaria and Romania came close to the neoliberal pattern.

This approach invites further empirical research on the process of socioeconomic transformation in Central-Eastern Europe's labour markets, social policies, social exclusion and theories of institutions. Such divergent trajectories can be traced to the interplay between legacies and early reform choices, and international factors and actors: financial and product markets, transnational corporations and the EU. Initial reform choices reflected the *legacies* of communism and their *perception as assets or threats* from the viewpoint of national independence and development. Both the key legacies—the continuity of relative national independence or its absence, ethnic homogeneity versus heterogeneity, pursued or abandoned market-socialist experiments and inherited economic and social structures—and their perception differed in the three regimes.

Thus, the influence of international factors and constraints has to be investigated in the critical contexts in which they became most crucial: during the *three major crises* that shook the region. The transformational recession of the early 1990s, the financial crises in the second half of the 1990s and the post-accession political crises after 2004 all empowered an array of domestic and international actors to test—and reinforce or correct—initial economic and political choices. In the Baltic states, the initial preferences for reform radicalism and social and political exclusion have been reinforced throughout all three crises, whereas Bulgaria and Romania were forced on the path of market radicalism by the financial crisis in the second half of the 1990s. In the Visegrád regimes, the initial decisions favouring social cohesion were challenged throughout all three crises. However, it is their political instability after the EU accession that most clearly demonstrates this regime's contradictions and fragility. The interplay of international pressures and domestic factors might force them to either dismantle their welfare states or lose some of the liberal aspects of their democracies. Finally, Slovenia was hit least by the three crises, and, consequently, could weather them at little loss. Gradual rather than radical adjustments helped Slovenia to continue its initial reform choices.