

## Editorial

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With real pleasure I would like to welcome you to the next issue of the International Journal of Management and Economics in 2018. The pleasure is even greater since the current edition is of a monothematic nature and is devoted to the issues of institutional economics, with particular emphasis on the theoretical and empirical determinants of the shaping and evolution of models of capitalism in the countries of Central and Eastern Europe (CEE). The role of institutional factors in economic analysis has been often neglected, for a number of reasons including the difficulties with incorporating them into formal economic models. However, at the start of the second decade of 21<sup>st</sup> century the role of institutions and the conditions for institutional change are at the core of the economic debate throughout the world. With the outbreak of the global economic crisis in 2008, problems with the quantitative accounting of the major differences in the design, objectives and operation of institutions existing in various countries have to some extent lost their significance. Instead, since the beginning of the last decade a new approach has become increasingly popular; it aims at explaining the diversity of institutional setups in different countries and, based on their empirical description, at classifying the co-existing varieties or models of capitalism.

This issue contains six papers covering various areas in the field of diversity of modern capitalism in CEE countries. Majority of them are based on empirical research and there are also original conceptual works.

Ryszard Rapacki and Adam Czerniak in the first article entitled “Emerging models of patchwork capitalism in Central and Eastern Europe: empirical results of subspace clustering” try to shed a new empirical light on the nature and most salient features of the evolving post-communist capitalism in eleven Central and Eastern European countries (CEE11) against the backdrop of Western European models of capitalism. In contrast to the previous methodologies, the subspace clustering method was used, what allowed to take into account a vast set of 132 institutional measures and to analyze their change between 2005 and 2014. The main finding is that CEE11 countries developed their own, distinct model of capitalism dubbed ‘patchwork capitalism’. Additionally, the paper shows that each CEE11 country followed its own distinct vector of change, which eventually led to a unique patchwork of institutions. Yet, the institutional variance within the region is smaller than the difference between CEE11 countries and other country clusters in the EU.

In the second paper, “Dependent versus state-permeated capitalism: two options for emerging markets” Andreas Nölke raised the question whether comparative capitalism methodological framework can assist us in understanding both, the rise and the current challenges of emerging market capitalism. He pointed out that during the last two decades, scholarship in the field of diversity of capitalism has evolved considerably and brought commonly accepted argument, that the degree of international economic integration is the central strategic choice to be faced by emerging economies. Comparing economies of CEE with the state-permeated economies of China, India and Brazil the core finding is that both types of capitalism have been able to mobilize substantial institutional complementarities during the last three decades but will face considerable economic and political challenges in the years ahead.

The next article overviews and analyses the results of research in the field of institutional arrangements in CEE market economies in connection with crucial methodological issues showing the limitations of institutional analysis. Beáta Farkas in her paper entitled „What can institutional analysis say about capitalism in Central and Eastern Europe? Results and limitations” pointed out that despite all methodological difficulties, with a combination of different methods, institutional comparison is able to provide essential insights on the position and prospects of CEE European Union member states. One of the

most important insights is that the maintenance of economic convergence to western European countries requires substantial institutional changes. According to her view, Central and Eastern Europe is the region of “in-betweenness”, where the legacy of incomplete modernization attempts hinders the optimal institutional arrangement.

In the fourth paper, entitled “Dependent Capitalism and the Middle-Income Trap in East-Central Europe” Martin Myant examined the consequences of post-2008 slowdown in economic convergence by countries of CEE towards the level of Western Europe. Convergence appeared to be rapid up to that year, but then stalled, albeit with differing results depending on the measure used. He commented this phenomenon with the help of a concept of dependent capitalism. Dependent capitalism has meant that the driver for economic growth comes from inward investment by multinational companies. Domestically-owned businesses failed when faced with international competition and their agenda hampers policies supporting an active role from the state. Inward investment is attracted by low wages and has contributed to substantial growth, but – as Myant emphasized – achieving full convergence would require a different growth model following a substantial change in economic policies and institutional environment and according to him this does not appear likely in the near future.

Mariusz Próchniak in the next article entitled “The Analysis of Institutional Environment in the Area of Product Market Competition in the New EU Member States: What Do the Data Say About the Models of Capitalism Emerging in the CEE Countries?” analyzes the institutional architecture and the effects of product market competition in CEE<sup>11</sup>. The aim of his research is to find out how similar or dissimilar are the CEE countries in the area of product market competition compared with the four models of capitalism prevailing in Western Europe. The method used in this article involves calculations of the coefficients of similarity and the analysis of polygons of similarity. The analysis indicates that almost all CEE countries were the most similar to the Mediterranean model of capitalism represented by Spain. However, the variety of results for the individual variables is also a proof that the model of capitalism prevailing in Central and Eastern Europe in the area of product market competition may be called a patchwork capitalism.

The final article of this issue, “The strength and weaknesses of the VoC approach. The case of Central and Eastern Europe” is by Krzysztof Jasiński. The aim of this paper is to characterize selected theoretical and methodological advantages, controversies and limitations of the Varieties of Capitalism (VoC) approach in application to Central and Eastern European (CEE) countries. The analyses led him to some general observations. There are selected weaknesses and limitations of the VoC approach in the application to CEE. Their manifestation is the confusion associated with the use of various classifications of models of capitalism and the functionalistic character of the VoC focusing on explaining the results, but not the causes of the institution’s activities, as well on institutional determinism diminishing the significant role of the social factors of change.

We hope you will find variety of approaches, many interesting facts and a lot of inspiration in the current issue of the International Journal of Management and Economics. Have a good read!