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Peripheral capitalism of the Visegrad group states – selected issues

STUDIA I ANALIZY

Keywords: *economic development, system transformation, peripheral capitalism, dependent capitalism, the Visegrad Group*

Abstract: *The article presents different models of capitalism with special regard to those occurring in the countries of Central and East Europe after 1989. Next the reasons why in the Visegrad Group countries, among others, the model of capitalism called peripheral, dependent, imitative or hybrid was shaped and got strengthened. A separate subject of reflections is the issue of further economic development.*

Introduction

The concept of “peripherality” should be viewed both as departing from the central point and as the fact of lying out of the way or in the background, otherness and dependence. This concept is characterized by relativity, dependence on the adopted criteria, the reference point. What is significant, the social and economic growth very often does not mean the disappearance of the phenomenon of peripherality.

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Considering the division of states into those in the core and those in the periphery, it should be added that the former are the states of, for example, developed, modern economy, with a low level of corruption or a high value of the civilizational development index, including for instance *Democracy Index* – DI, *World Happiness Ranking* – WHR, *Human Development Index* – HDI, (*Index of Economic Freedom* – IEF), (*Corruption Perceptions Index* – CPI) and *Failed States Index* – FSI¹. Peripheral states can be dependent on the core countries in economic, financial, military, political or cultural respects. The core countries above all modernize their own economy and public institutions, they protect international concerns at home and seek the content of regulations in international public law which would be favourable for their own interests. On the other hand, however, they do not avoid corrupting the political elites of peripheral countries with the aim of achieving favourable regulations in the laws or on the market, attractive conditions of privatization or the influence on the media.

The present paper is based on the thesis that the Vysegrad Group states as well as other post-socialist countries of Central and Eastern Europe were from the very beginning of the system transformation doomed to the peripheral model of capitalism and to imitate the solutions already existing in the core countries. A significant role in the appearance and development of peripheral capitalism, dependent or imitative, was played by the political and economic entities of the core-countries. Significantly, the situation did not change after, for example, the Vysegrad Group states joined the European Union. On the contrary, it should be ascertained that the accession process was a continuation or complementation of the earlier activities. In this way the dependence of economic development of Central European peripheral countries on the capital of the core-countries was strengthened.

In connection with the adopted thesis the subject of considerations are different models of capitalism, considering not only those occurring in the core countries but above all in the Vysegrad Group states, or – more broadly – post-socialist Central European countries. The aim of the following parts of the paper is to approach the problems of economic and political causes of the establishment and strengthening of the model of capitalism mentioned in the title and the possibilities of changing it in the present conditions, also including those of epidemiological character.

¹ More on this subject, e.g.: B. Pytlik, *Współczesne państwo – kryteria rozwoju cywilizacyjnego*, [in:] J. Osiński (ed.), *Współczesne państwo jako podmiot polityki publicznej*, Warszawa 2014, pp. 127–143.

Models of Central European capitalism

A lot of common experiences unite the Central European countries, especially after World War II. They are not only limited to the enforced functioning in the reality of an undemocratic governing style or centrally steered economy. After 1989, Poland, Hungary and Czechoslovakia (since 1 January 1993 – the Czech Republic and Slovakia) at the same time experienced severe consequences of the political and economic transformation. The four Central European countries mentioned above adopted as their goal membership in the EuroAtlantic structures and they consistently pursued this goal. After 2004 they have functioned within the reality of the European Union. From the point of view of the present paper, one of the many common conditions is the answer to the question about the model of capitalism occurring in Central European countries composing the Visegrad Group.

The system transformation as well as the accession of the states of Central and Eastern Europe in the European Union made many researchers undertake efforts to modernize the existing typologies of capitalism models in a way which would take into consideration the socialist states. In the literature of the subject with no special problems can we find results of studies conducted on the basis of different indexes which indicate that there is no one typical model of capitalism in the former socialist countries. Among the different studies referring to the principal division distinguishing the existence of liberal market economy and coordinated market economy², those worth mentioning include research conducted by M. Ahlborn, J. Ahrens and R. Schweickert. A special goal of this study was to obtain the answer to the question whether a different model of capitalism was shaped in the states of Central and Eastern Europe as compared to those occurring in West European states. Considering above all such factors as the state's activity, economic results concerning financial stability and division of incomes as well as the process of system transformation, and basing on the method of cluster analysis and the principal component analysis, the researchers included Slovakia in the model of liberal market economy, and Poland, the Czech Republic and Hungary in the model of coordinated market economy. The result of the studies should, therefore, be

² Cf. P. Hall, D. Soskice, *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*, Oxford 2001.

interpreted a the proof that those countries have not created their own model of capitalism³.

It is important here to mention the concept whose authors are A. Nölke and A. Vliegthart, who suggested including the third category, i.e. dependent market economy, within the aforementioned division. It was proposed having Visegrad Group countries in mind and it aimed to capture the specific institutional features but also to suggest the principal similarities to the models of liberal and coordinated market economies. According to both researchers, the economies in Poland, the Czech Republic, Hungary and Slovakia are characterized by a comparative advantage in the assembly and production of relatively complex durable goods. Due to the fact that the development of the innovation system proceeds outside the region, its results are only implemented to production processes by international corporations. In the opinion of the researchers mentioned above, innovations in the Visegrad group countries are only of imitative character⁴.

Pointing to the significant theoretical concepts referring to the models of capitalism, one cannot overlook the work by B. Amable entitled *The Diversity of Modern Capitalism* from 2003. Taking into consideration two main issues, i.e. what mechanisms ensure the effectiveness of the emerging institutions, how to conceive effectiveness and from whose point of view they should be effective, its author distinguished models of capitalism reflecting characteristic social compromises established in reference to institutions. Thanks to distinguishing the following institutional areas, i.e. the kind and scope of competition on the market of products, the way of labour market organization and the influence of this market participants on the salaries; the system of financial intermediary and corporate governance; the system of social security and the sector of education and knowledge creation, B. Amable ultimately distinguished five currently existing models of capitalism. These are the Anglo Saxon model (Great Britain, USA, Australia, New Zealand, Ireland); the socio-democratic model also called “Nordic” or “Scandinavian” (Norway, Sweden, Denmark); the Mediterranean or “South European” model (Greece, Italy, Spain, Portugal) and the Asiatic model (Japan, South Korea). It can

³ M. Ahlborn, J. Ahrens, R. Schweickert, *Large-Scale Transition of Economic Systems – Do CEECs Converge Toward Western Prototypes?*, «Comparative Economic Studies» 2016, vol. 58 (3), pp. 430–454.

⁴ More on this subject: A. Nölke, A. Vliegthart, *Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe*, «World Politics» 2009, No. 61 (4), pp. 670–697.

be noticed that this division does not take into account the countries of Central and Eastern Europe, which follows from the fact that the models of capitalism in the countries of our region of Europe are not uniform.

The aforementioned work by B. Amable proved to be an inspiration for other researchers who – basing on the adopted methodological frameworks – undertook the task of analyzing capitalism in the states which had gone through the process of system transformation⁵. In this place results of studies conducted in 2011 and 2013 by B. Farkas should be mentioned. They provided the basis to formulate the thesis, which is not very popular in the literature of the subject, that in the Central European countries a model of post-socialist capitalism, common to them, was established. What is significant, the author mentioned above stated that there are no premises to consider this model of capitalism to be a transitory state ultimately leading to one of the models of West European capitalism⁶.

The task of creating a separate classification considering the specific character of former European socialist states was also undertaken by M. Myant and J. Drahokoupil. To this aim, they identified different form of those states' participation in the global economic exchange and adopted the balance value, the structure of the current accounts and the commodity pattern of their export as the most important differentiating criteria. As a result of adopting the ultimate criteria of assessment including the forms of integration with the world economy, the scope of the rule of law and the character of ownership rights, the economic role of the state and the specific character of relations between the state and the sector of enterprises, they distinguished five models of capitalism, i.e. market economy of the second category dependent on direct foreign investments; peripheral market economies; oligarchic capitalism; authoritarian states characterized by post-socialist capitalism and economies dependent on the inflow of cash and foreign aid. Within this typology, the Visegrad group countries were included in the first model, i.e. market economies of second category dependent on direct foreign investments. Making a general characterization, the researchers emphasized that the

⁵ More on his subject: R. Rapacki, J. Gardawski, A. Czerniak, B. Horbaczewska, A. Karbowski, P. Maszczyk, M. Próchniak, *Wylaniające się odmiany kapitalizmu w Europie Środkowo-Wschodniej: przegląd badań*, «Ekonomista» 2018, No. 5, pp. 533–536.

⁶ According to B. Farkas, institutional differences between post-socialist states and the old states of the European Union representing the Anglo Saxon, socio-democratic, European continental and Mediterranean models are larger than between the former socialist states. B. Farkas, *The Central and Eastern European Model of Capitalism*, «Post-Communist Economies» 2011, No. 23 (1), pp. 15–34.

states included within this model of capitalism were characterized by “(...) a democratic political system, «an institutional matrix» modeled on the EU countries and a growing share of highly processed goods produced mainly by the local branches of international corporations in export”⁷.

The typology whose authors are L.P. King and I. Szelényi is interesting and not without importance in the problems discussed here. While analyzing the paths of development followed towards free market economy, they distinguished bottom-up capitalism, top-down capitalism and capitalism from the outside⁸. And Poland, Hungary and the Czech Republic were included within the last model, while Slovakia only partly. Still other researchers, namely D. Bohle and B. Greskovits⁹, basing on the analytical scheme by K. Polanyi and considering such criteria of assessment as governance, corporatism, state of welfare, macro-economic coordination, market effectiveness and democracy, distinguished four models for Central and Eastern European countries: pure neoliberal type (so-called Baltic), embedded neoliberal type (so-called Visegrad type), neo-corporatist type (so-called Slovenian) and the countries of an indefinite profile of capitalism. Poland as well as the Czech Republic, Hungary and Slovakia were classified within the second model, the embedded neoliberal one. The major feature of his model is seeking a compromise between marketization and the maintenance of the feature of the welfare state.

Considering the results of research conducted by the Polish experts on these problems, results of studies by K. Jasiecki¹⁰ deserve to be mentioned. In reference to Poland he proposed introducing the name “liberal model with elements of post-socialist etatism and neo-corporatism”. The problems discussed here were dealt with in the past both by Polish sociologists and economists who focused on the character of the emerging socialism in Poland or in former socialist states. Special attention should be directed here to the results of relatively recent studies conducted by a team of researchers from the SGH Warsaw School of Economics. Summing up the most important results obtained by this team, the research-

⁷ R. Rapacki, J. Gardawski, A. Czerniak, B. Horbaczewska, A. Karbowski, P. Maszczyk, M. Próchniak, *Wylaniające się odmiany...*, p. 537.

⁸ L.P. King, I. Szelényi, *Post-Communist Economic Systems*, [in:] N.J. Smelser, R. Swedberg (eds.), *The Handbook of Economic Sociology*, Princeton 2005, p. 218.

⁹ D. Bohle, B. Greskovits, *Capitalist Diversity on Europe's Periphery*, Ithaca and London 2012.

¹⁰ K. Jasiecki, *Kapitalizm po polsku. Między modernizacją a peryferiami Unii Europejskiej*, Warszawa 2013.

ers – referring to the countries of Central and Eastern Europe – stated that one common type of post-socialist capitalism was not established there. In former socialist states, and hence in the Visegrad Group countries, capitalism shows strong symptoms of hybridity or heterogeneity of the institutional architecture, which is a mixture of elements from various models of capitalism. Referring to the typology introduced by B. Amable, it was established, for example, that capitalism in Poland, Hungary and Slovakia shows the greatest similarity to the Mediterranean model (Spain, Italy). A certain difference is encountered in this sphere in case of the Czech Republic, which is closer to the German model of capitalism¹¹. Therefore, it should be acknowledged that in case of the Visegrad group states and generally the countries of Central and Eastern Europe we have to do with hybrid capitalism.

Peripheral capitalism as a consequence of system transformation

In the literature on the subject there are a number of attempts to answer the question concerning the reasons for the emergence of peripheral capitalism (and, at the same time dependent and imitative ones) in the countries of the Visegrad Group. J. Kleer analyzed this issue in a perspective view, basing on three main and multi-dimensional complexes of problems, where he above all included a double collapse of the state continuity in the 20th century, resulting in changing the institutional and legal order of the state, changing the rules of the economic game (*de facto* – the economic system – annot.), changing the location of particular social groups and classes and changing the cultural system with trust in the institution of state first of all. Secondly, he considered the economic and technical peripherality of the countries of Central and Eastern and Southern Poland, which he analyzed both till 1945 and after World War II. Thirdly, it was diversity of the cultural systems including the language, traditions, history, religion and trust to the state¹². Considering the enumerated complexes of problems, it can be assumed that Central European countries were doomed to liberal economic reforms whose

¹¹ M. Próchniak, R. Rapacki, J. Gardawski, A. Czerniak, B. Horbaczewska, A. Karbowski, P. Maszczyk, R. Towalski, *The Emerging Models of Capitalism in CEE11 Countries – a Tentative Comparison with Western Europe*, «Warsaw Forum of Economic Sociology» 2016, vol. 7, No. 14, pp. 42–45.

¹² Cf. J. Kleer, *Europa Środkowo-Wschodnia: peryferyjny i imitacyjny kapitalizm*, «Przyszłość» 2016, No. 3 (35), pp. 23–29.

consequences could not be fully predicted. It can also be assumed that due to the reality in which the states of interest to us found themselves after 1989, they were in some degree forced to imitate the solutions already existing in the states of free market economy¹³.

However, adopting a different point of view it can be said that the decision to create market economy in Central European states was not accompanied by aiming at a planned model of capitalism. Secondly, different directions in the development occurring in the states under discussion before 1990 do not seem to be of no importance. Thirdly, the initial conditions of system transformation and the heritage after the period of centrally planned economy had their influence. And fourthly, external factors such as accession to the European Union but also the position of a given country in relations with global trans-national corporations or the pressure put by international organizations on those countries, especially at the beginning of the process of their system transformation proved important, too¹⁴.

It is also worth mentioning other factors which significantly determined the establishment of capitalism from the outside, also called neoliberal embedded capitalism, in the Visegrad Group countries. Due to the frameworks of the present paper, only some of them will be indicated. Considering the paths of development followed towards free market economy, it should be emphasized that in Poland, Hungary and Czechoslovakia (and then in the Czech Republic and Slovakia) the elites of social structures which could or would wish to oppose the interests of the foreign capital were not established. It was even more difficult because foreign investors rather quickly acquired the position which was strong enough to effectively influence the reality in many aspects of social and political life. This fact proved the weakness of the domestic political and economic institutions¹⁵. The actual consequences of economic transformation, where international institutions and foreign investors predominated, provided the basis to plan the strengthening of many forms of dependence limiting the states' sovereignty and possibilities of economic growth.

¹³ This imitation would include institutions of political and economic character; the economic model of market economy; technique and ways of spreading it; organizational models in the sphere of managing larger economic entities and territorial units as well as educational models and the sector of research and development. *Ibid.*, pp. 34–36.

¹⁴ R. Rapacki, J. Gardawski, A. Czerniak, B. Horbaczewska, A. Karbowski, P. Maszczyk, M. Próchniak, *Wylaniające się odmiany...*, p. 545.

¹⁵ K. Jasiołcki, *Polityka publiczna wobec kapitału zagranicznego. Kapitalizm zależny?* «Studia z Polityki Publicznej/Public Policy Studies» 2014, No. 4, p. 14.

The issue of the strategy of development in post-socialist countries was presented in an interesting manner by T. Żukowski, who distinguished, for example, the strategy of “imported modernization.” It was realized in the 1990’s by the political and intellectual elites and the subjects mediating between politicians and foreign capital. The essence of this concept was based on the assumption that in the name of broadly understood development of the state the latter should facilitate foreign investors taking over control in those branches which generated big profits as well as in the key sectors of the internal market¹⁶.

A lack of investment capital, the necessity of restructuring the economy and aspirations for accession to the European Union created favourable conditions for foreign investors and corporations to create the directions of development of economic policy in Central European countries. Neoliberal activities by foreign entities and supposed to modernize the economies of post-socialist states in fact led to the takeover of successive markets. The dominating position of international corporations also had to lead to the strengthening of the position of Central European countries on the periphery of capitalism. Significantly, the aforementioned corporations arranged cooperation with both state-owned and private entities in the way favourable to themselves. With time they also acquired influence on a number of decisions made on different levels of the decision-making process in numerous issues of economic and social life.

While giving some attention to concrete methods of activity affecting the processes of modernization, we should mention, for example, consultancy of Western experts who prepared projects of normative acts. The activity of those experts frequently coincided with the expectations of international financial institutions and corporations as to the creation of favourable conditions for foreign investors or accelerated privatization of state-owned enterprises. In such a situation important international corporations could effectively hamper the development of domestic industrial groups capable of competing on foreign markets. It can be said that the asymmetry of political influences, which was visible almost from the beginning, led to the privileged position of Western economic interests and uneven distribution of gains between foreign investors and domestic economies¹⁷. The fact should be emphasized

¹⁶ Ibidem, p. 17 and T. Żukowski, *Potęga tożsamości*, [in:] J. Szomburg (ed.), *System wartości i norm społecznych podstawą rozwoju Polski*, Gdańsk 2005.

¹⁷ More on his subject: T.G. Grosse, *Egzogeniczna gospodarka w Polsce. Model kapitalizmu wynikający z przemian politycznych*, «Nierówności społeczne a wzrost gospodarczy» 2012, vol. 24, p. 21.

that the process of taking over potential competitors, or conquering the markets of Central European states was continued, not accidentally, after the enlargement of the European Union in 2004.

From the time perspective one can agree with the opinion that the Visegrad Group countries were doomed to peripheral capitalism. However, this situation resulted not only from the neoliberal model of economic reforms but also from the weakness of the organs of state authorities which – while accepting the conditions imposed on them – did not strive at strengthening the competitiveness of domestic enterprises. Other causes which should be named in connection with the birth of peripheral capitalism are political crises, a lack of experience of the domestic economic elites as well as a lack of strong groups of entrepreneurs, including the local ones.

Considering the two decades of the 21c. it should be said that successive governments in the countries of the Visegrad Group did not realize an effective policy of abandoning peripheral, dependent or imitative capitalism. Political declarations were not accompanied by thorough modernization of domestic economies. It also needs to be acknowledged that the solutions adopted at the beginning of system transformation and imported from the outside proved, not accidentally, to be extremely lasting. Hence, the scheme got strengthened which consisted in importing technologies, using one's own reserves and establishing new business connections which were favourable for narrow groups of persons. Therefore, a low level of innovativeness or considerable dependence of economic development on foreign capital should not be surprising.

The Visegrad Group countries, like other European post-socialist states, still do not have effective mechanisms of accumulating domestic capital which would enable economic development without the participation of foreign capital¹⁸. Due to the existing political and economic

¹⁸ Basing on the UNCTAD data, it should be observed that the accumulated value of foreign direct investments (FDI) in Central and Eastern Europe in 2000 was over 103.7 billion USD. Till the end of 2015 this amount grew to 637.4 billion USD. The highest capital in the form of FDI came to Poland (33.4%), then to the Czech Republic (17.7%), Hungary (approx. 14.5%) and Slovakia (7.6%). The value of direct foreign investment in 2019 was as follows: in Poland 13 220 000 USD, the Czech Republic 7 577 000 USD, Hungary 5 205 000 USD and in Slovakia 2 449 000 USD. Cf. <http://unctadstat.unctad.org/wds/TableViewer/tableView.aspx> (29.01.2021). It should be added in this place that basing on the Global Best to Invest 2019 study conducted by Conway Analytics, the order of Central European countries creating the best conditions for foreign investors was as follows: (1) Poland, (2) the Czech Republic, (3) Hungary. Slovakia was not classified within the first 10 places. In the Global Best to Invest 2020 study the order was the following: (1) Poland, (2) Hungary,

reality, the states in out part of the continent are not characterized by the ability to achieve the goals declared by politicians, which means that the passage from imitative to innovative capitalism is not possible.

The future of economic growth in the Visgrad Group countries

Basing on the results of empirical studies it can be said that in the years 1990–2019 the Visegrad group countries as well as others post-socialist states of Central and Eastern Europe decreased the distance in the level of economic growth in relation to the so-called old Union countries (UE-15). The appearance of new technologies, the inflow of investment capital, strengthening of national currencies, increased budget incomes, increased employment, improved balance of current transactions, higher qualifications of domestic staffs are examples of only some benefits which were observed after 1989.

Above all, however, the phenomenon of income convergence came to existence. In the Visegrad group countries this process proceeded at varying paces, in Poland being the fastest. The observed economic growth resulted first of all from the comparative advantage obtained due to the production at lower costs than in case of the competitors, which means due to cheap and relatively well qualified labour force and low prices of exported goods. This caused transfer of the places of production to the countries of the discussed region of Europe. Considering the fact that prices and wages in the countries of Central and Eastern Europe approach the level in UE-15 countries, it should be said that low costs of labour perceived as the main source of further economic growth are losing their importance.

Taking the present reality into account (and not considering the effects of the coronavirus pandemic), it should be said that the Visegrad group countries do not have a possibility of reaching a lasting comparative advantage since their economies are not characterized by, for example, a fast rate of technological development which would result in a high ability for innovation and added values in the produced goods. Despite the passage of time, the level of innovativeness and the export of advanced technologies in the Central European countries are far lower

(4) the Czech Republic, and (9) Slovakia. Cf. <https://siteselection.com/issues/2019/may/cover.cfm> i <https://siteselection.com/issues/2020/may/cover.cfm> (29.01.2021).

then in the UE-15 countries¹⁹. Such a situation must mean further difficulties with maintaining the present rate of economic growth in the states which are of interest to us.

To achieve and use the comparative advantage is especially important for the states of low and average level of economic growth, which invariably include the states of the Visegrad Group. The solutions which were successful in the period of economic growth based on imitation and the use of the arriving foreign direct investments cannot be considered optimal in the conditions of switching from the production of components to the production of final products included within the group of cutting-edge technologies.

Referring to the model of capitalism in the states of Central Europe it should be added that till 2020 in Poland, among other countries, it was “compensated for by an expansive fiscal policy, a favourable economic situation in the EU countries and an inflow of EU funds, which made it possible to maintain a relatively high – as least for the European standards – rate of economic growth”²⁰. Thinking about the creation of an effective model of future economic development, experts in these problems emphasize that a principal correction of the institutional order is necessary, the latter characterized by a lack of fallibility typical of the Mediterranean model of capitalism²¹. It should be remembered that the institutional order in the Central European countries emerged as a result of the system transformation and membership in the European Union is characterized by incoherent institutions adopted from different models of West European capitalism and frequently also coming from the political reality of the past. What characterizes capitalism in post-socialist Central European states is not only system entropy but also susceptibility to changes in political preferences, which does not lead to increased institutional effectiveness, either.

Another problem which affects economic development of the country is, for example, the level of economic freedom stimulating the develop-

¹⁹ In the up-to-date comparison of the EU countries considering their innovativeness, the Czech Republic occupies 16th place, Slovakia 21st, Hungary 22nd and Poland 24th. Cf. European Innovation Scoreboard 2020 – main report, <https://ec.europa.eu/docsroom/documents/42981> (29.01.2021).

²⁰ M. Próchniak, J. Gardawski, M. Lissowska, P. Maszczyk, R. Rapacki, A. Sulejewicz, R. Towalski, *Ścieżki rozwojowe krajów i regionów Europy Środkowo-Wschodniej*, Raport SGH i Forum Ekonomicznego 2020, p. 33.

²¹ More on this subject: R. Rapacki, J. Gardawski, *Istota i najważniejsze cechy kapitalizmu patchworkowego w Polsce i krajach Europy Środkowo-Wschodniej*, [in:] R. Rapacki (ed.), *Kapitalizm patchworkowy w Polsce i krajach Europy Środkowo-Wschodniej*, Warszawa 2019.

ment of small and middle-size enterprises. The level of production and export of technologically advanced products still remains a significant drawback²². The same refers to the number of applications submitted in the European Patent Office²³. In both these issues the leader is the Czech Republic, followed by Hungary, Poland and Slovakia. The Czech Republic also tops the list in the sphere of expenditures on research and development work, significantly outpacing Poland, Hungary and Slovakia in this respect²⁴.

The future model of economic growth must avoid the dangers associated, for example, with “strong regional differentiation, little pro-innovation orientation, the trap of the average level of development, immature industrial policy and barriers for the development of the private sector”²⁵. We cannot, however, forget about the necessity of preventing other negative phenomena which became visible in the past. Here I mean, for example, corporations transferring their profits abroad, the possibility of affecting political decisions with the aim of enforcing the solutions favourable for investors, limiting motivation to save money, inflow of speculative capital, too low taxes paid by foreign investors, decreased balance of trade and payments, limitation of research and development facilities, transfer of highly qualified staffs to foreign headquarters of economic entities, inflow of old-fashioned technologies, tolerating dishonest competition toward domestic enterprises, forcing out domestic producers from foreign markets or foreign entities absorbing domestic credit resources.

The actual correction of the institutional order is also, or perhaps above all, connected with changes of political character. In other words, it can be said that no objective causes can suffice to change the model of capitalism occurring in Central European countries. As long as entities drawing measurable profits from the existing model of management exist, defenders of the peripheral and hybrid model of capitalism will exist and they will continue arguing for its superiority and a lack of an alternative.

²² In 2018 export of technologically advanced products was 17.8% for the Czech Republic, 15.6% for Hungary, 9.6% for Slovakia and 8.4% for Poland. Cf. <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do> (29.01.2021).

²³ Cf. <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do> (29.01.2021).

²⁴ In 2019 the Czech Republic spent USD 4 348 346 on research and development work, Poland USD 7 046 910, Hungary USD 2 158 621 and Slovakia USD 776 590. Cf. <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do> (29.01.2021).

²⁵ M. Próchniak, J. Gardawski, M. Lissowska, P. Maszczyk, R. Rapacki, A. Sulejewicz, R. Towalski, *Ścieżki rozwojowe krajów...*, p. 55.

While making up potential scenarios in the economic development of Central European countries we should not forget about the phenomena that can considerably slow down or even stop this process for some time. I mean here potential political crises, natural disasters or epidemic dangers, like for example the existing coronavirus epidemic. Facing such events, it is difficult to predict further events since they depend on both the development of, for example, the aforementioned pandemic and the implemented institutional solutions.

Focusing attention on the first issue, i.e. the coronavirus pandemic, it should be assumed that it will cause a decline of production, consumption outlays, investments, trade or capital movement. This is, of course, the beginning of a very long list of the consequences of this phenomenon. One cannot forget, for example, about decreased employment, increased budget deficit or lowered currency rates and stock indexes. Additional conflicts and divisions are also elements of the “new normality” and economists frequently mention the approaching “deglobalization” and uncertainty concerning the international division of work.

Conclusions

The problem of economic growth of the Visegrad Group countries as well as other countries of the world should be now perceived above all in the context of the present coronavirus pandemic. Its appearance in the first quarter of 2020 made the existing prognoses on the level, directions and rate of economic changes out-of-date. The activities undertaken by governments to overcome the existing situation have serious consequences related both to demand and supply²⁶. The economies of the Visegrad group countries, which in January 2020 were assumed to continue the developmental trend, nowadays experience effects of the pandemic connected with the restrictions lowering the demand and leading to the slowdown of production processes and caused by the decreasing foreign trade. The possible disturbances in global supply chains should also be mentioned. Costs of those disturbances can prove very high for the Central European countries participating in those chains and basing their economic growth so far on export.

²⁶ More on this subject: E. Adamowicz, S. Dudek, G. Konat, K. Majchrzak, E. Ratuszny, K. Walczyk, *Koniunktura gospodarcza w Europie Środkowo-Wschodniej w dobie COVID-19*, Raport SGH i Forum Ekonomicznego 2020, pp. 68–70.

Considering the speed, range and complexity of the situation nowadays it should be said that the coronavirus pandemic revealed both the fallibility of market mechanisms and a very large scale of interference of national states whose authorities are trying to keep the balance between limiting the losses of the human capital and the loss of the economic potential. Independently of the activities undertaken, economic slowdown is the fact and its negative consequences will touch the labour markets. The costs of combating the effect of the pandemic remain a significant issue. Because of the observable subsidization of labour by national states and transfers of the capital assigned to maintain the financial liquidity, we should not only expect financial imbalance but also deepened lability of the models of consumption and production, including those occurring in Central Europe.

Times of crises usually reveal the flaws of the existing social and economic policy and they provoke searching for new solutions. The coronavirus pandemic will probably hasten certain economic and social processes. It is important, however, that the future changes should above all serve the social and economic development and not only a chase after an increasing economic growth.

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