

Analysing the Capitalist State in Post-Socialism: Towards the Porterian Workfare Postnational Regime

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Abstract

This article starts by dealing with the methodological problems involved in analysing the state in post-socialism and proposes a solution that is subsequently employed in the analysis. It then describes the transformation of the state in the Czech Republic after the fall of Communism in 1989. It investigates the role of the state in the mutual constitution of the state project and the dynamic of capitalist accumulation. It proposes a periodization of dominant state projects and dominant accumulation strategies with respect to their functional adequacy in relation to socio-economic reproduction. I argue that, in the late 1990s, the Czech Republic experienced a crisis of a specific post-socialist state regime, or, as I call it, 'the Klausian welfare national state'. This regime co-constituted a specific growth dynamic called Czech capitalism, which, however, failed to reproduce itself. A state form that is emerging from the search for an alternative is described as the 'Porterian workfare postnational regime' (PWPR). This development marks a moment of convergence in the Visegrad-Four region. After a period of distinctive national projects, we are witnessing a relative convergence towards the PWPR.

Introduction

This article provides a regulationist, state-theoretical account of the transformations of dominant state projects, interventions and strategies in relation to their effects on the production and reproduction of the process of accumulation in the Visegrad-Four region (V4). I focus primarily on the transformation in the Czech Republic, which is a case of radical discontinuity and an extreme example of these transformations leading to a moment of convergence towards a distinctive state form, the Porterian competition state. The broad aim is to identify key social relations and institutions 'regulating' or 'governing' the economy. The underlying concern of this inquiry is how the reproduction of capital accumulation, which includes the reproduction of labour-power as a fictitious commodity, can be achieved. Given that the states in Central and Eastern Europe (CEE) have experienced the transformation from state socialism to capitalism only recently, I focus not only on the reproduction but also on the actual production of capitalist relations and forms. Thus, I investigate a state regime that enabled generic forms of the capital relation to institutionalize in CEE. However, my primary concern is to describe

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a *particular* state project that co-constituted a specific economic dynamic in the Czech Republic in the early 1990s, to deal with its crisis, and to investigate a state regime that is crystallizing in the Czech Republic and beyond at the moment. I propose a periodization of dominant state projects and accumulation strategies with respect to their functional adequacy in relation to the dynamic of capitalist accumulation in the Czech Republic, and put it into the context of the development in the V4.

The main argument of this article is that the history of economic policy (in a very broad sense) in the Czech Republic after 1989 can be understood in terms of the transformation from a Klausian welfare national state (KIWNS) towards a Porterian workfare postnational regime (PWPR). The Klausian state focused on stimulating local capital and co-constituted a growth dynamic largely based on the environment of soft credit and state spending, including relatively generous social policies. This project, however, was inherently contradictory and reached a crisis in the mid-1990s. The state project that has become dominant after the crisis of KIWNS is a type of competition state peculiar to the V4. It aims to attract high-quality investment to upgrade its industrial basis. This reorientation of economic policy has been accompanied by a shift in social policy, as the policy makers have become concerned with its implications for the country's competitiveness. I also describe changes in the spatial dimension of the state that these transformations have entailed.

There are few caveats I wish to raise in order to make clear what this article is and is not about.

First, this is not an explanatory account and a history of events. Instead, it is a meso-level characterization of a descriptive nature. It does not attempt to explain the change of policies, but rather to provide an understanding of the nature of the state and its transformation. This thick description is theoretically rich as it helps us to understand the economic dynamics that the state co-constitutes. It identifies the institutional forces and social relations that guide, sustain and transform the process of accumulation (*cf.* Dunford, 1990). Employing the strategic relational approach that emphasizes the reciprocal dialectic of structure and agency (Jessop, 1990b; Hay, 2002: Chapter 3), it is concerned with mapping the strategic possibilities for social action that any given period provides to different actors, identities, interests and potential coalitions, as well as the horizons of action, strategies and tactics.

Second, this is not an exhaustive description of state policies or of the 'actually existing state'. Rather, it is a stylized account of the dominant policy orientations or state projects. Periodization brings out the distinctiveness of the conjuncture by abstracting features relevant for this analysis from the complex flow of events.¹ This characterization of the state is selective as it is concerned with its role in 'regulating' — that is, sustaining and/or transforming — the economy.

Obviously, periodization can occur only when the relative continuity in the concrete-complex flows of events alternates with relative discontinuity. The history of the Czech case allows for this. However, even when emphasizing discontinuity, I do not claim that the transformations of the state captured by this periodization represent a simple, unilinear transition from one form of the state to another. They entail, rather, a path-dependent, contradictory process full of tensions and dilemmas, in which different state projects and the strategies of various social forces, both within and in relation to the state, interact conflictually within different bodies of the state apparatus and at various spatial scales. I claim, however, that it is possible to discern periods when one of the projects becomes dominant. My periodization attempts to identify these conjunctures and turning points, and characterizes respective state projects. This enables me to characterize a new state form that has not been researched and theorized in the V4 so far.

1 For the ontological, epistemological, and methodological principles of periodization, see Jessop (2003).

This article shares the view of the 'transformatory scholars' on the socio-economic transformation in CEE (e.g. Hausner *et al.*, 1995; Stark, 1996; Stark and Bruszt, 1998). These scholars have criticized the 'transition' view, namely that capitalism could be designed for CEE and imposed by fiat, and that the introduction of the market mechanism would automatically lead to the emergence of the institutions, regulations, habits and practices necessary for a market economy to function. They have emphasized the social constitution of the economy and the diversity and path-dependence of socio-economic development, and have studied the way in which the path of extrication from the former regime shaped the socio-economic order of the respective states. This analysis also departs from the transition debate in many respects.

First, 'the transition is over' (Greskovits, 2003). Without any doubt, the method of extrication had a remarkable impact on the shapes of the various socio-economic orders in CEE; however, the latter went through a process of development that cannot be understood solely with reference to the method of extrication in each particular case.² It has, rather, to be understood as driven by later, post-extrication path-shaping strategies (agency) interacting with the environment (structure). Thus, while covering the moment of 'transition', this article focuses on the post-transition evolution of CEE.

Second, many of the authors writing on post-socialism focus on the emergence of the generic features of capitalism and the capitalist/democratic state (e.g. Ekiert, 2001). This is particularly the case with the modernization perspective, which studies the problems accompanying the necessary withdrawal of the state (Genov, 2005). While dealing with the institutionalization of the generic features of capitalism as well, this article focuses on the role of the state in constituting particular economic dynamics. Thus, rather than observing state withdrawal, it focuses on the transformation of the state and its role.

Further, this study does not frame the post-socialist history in a teleological fashion as many, otherwise important, studies do (e.g. Hellman, 1998). By conducting a functional analysis of state policies, it approaches the socio-economic reality from the perspectives of the social agents and does not perceive their projects and strategies as a belated history of reform. Similarly, much of the critical scholarship focusing mainly on the external determination of the developments in CEE (e.g. Holman, 2004) tends to ignore the development before what is described here as the moment of convergence towards the Porterian state. Thus, its analysis necessarily ignores many of the factors determining policy change, the autonomy and complexity of globally produced local determination in particular. In contrast, this analysis emphasizes the convolutions of local history that those scholars tend to ignore.

In sum, rather than providing a competing account to existing ones, this article complements them both temporally and thematically. It integrates many of the recent single-issue approaches, such as studies on different policy fields, the state and economic dynamics. The regulationist perspective allows me not only to analyse the mutual constitution of the economic and the extra-economic, it also brings to the fore the links between the economic, political and social dimensions of the state and its policies. Thus, it aims to enhance the understanding of the nature of the state in CEE.

Apart from contributing another chapter on the political-economic history of the region, this article provides a contribution to regulationist state-theory. While theoretically and methodologically drawing on Jessop's strategic-relational approach, the article expands this framework in order to produce a conceptual apparatus suitable for the study of post-socialism in particular, and social formations in fundamental transformations in general. Rather than mechanically applying form analysis, I propose a functional analysis of the articulation of actually-existing state projects and particular dynamics of capitalist accumulation. The methodological and theoretical discussion

2 This is also reflected in the social scientific discourse, as the 'transition debate' dies out in the studies of post-socialism. Other topics have come into fashion, with Europeanization being very popular at the moment.

shaping such a framework provides a much-needed caveat on the purpose, applicability and limitations of state-theoretical form analysis.

This article proceeds as follows. In the first two sections, I introduce theoretical and ontological starting points and outline the dimensions of this analysis. I deal with the analytical problems in applying existing regulationist, state-theoretical methodology to the study of post-socialism and propose a solution. In particular, I deal with the problem of generic forms of capital relations and the capitalist state that cannot be taken for granted in the post-socialist states, and I address the impossibility of applying the standard form-analytic methodology in studying social formation in fundamental transformations. In the third section, I describe a state regime that enabled *generic* forms of the capital relation to institutionalize in CEE. I call this regime 'the neoliberal transformational state'. Then, I provide a model of a state project, which I call the Klausian welfare national state. This state project co-constituted a *particular* economic dynamic in the Czech Republic in the early 1990s. However, this regime failed to reproduce itself and soon came to grief. Finally, I describe the Porterian workfare post-national regime, which is a state form emerging as a result of a search for a solution to the crisis of the mid-1990s. I claim that the development in the Czech Republic marks the moment of convergence towards the PWPR in the V4.

Analysing the capitalist state

This analytic endeavour is based on the regulationist ontology (see, for example, Boyer, 1990; Jessop, 1990a; 1995; Boyer and Saillard, 2002). In order to grasp the role of the state in relation to capitalist accumulation, I draw on the strategic-relational approach (Jessop, 1990b; 1996; 2002). Accordingly, the capitalist economy is conceived very broadly as an ensemble of institutions, organizations, actions and social forces organized around the reproduction of capital as a social relation. The economy is not self-constitutive as it depends on essential non-economic elements such as labour, law and the environment. Economic relations cannot reproduce through their own means (i.e. market forces) since the actually-existing economies tend to be contradictory, crisis-prone and accompanied by social conflict. There is a need for extra-economic institutions to compensate for market failure by the provision of important conditions for capitalist accumulation.

Economic reproduction, or the reproduction of capital relations, comprises both economic and social reproduction. As far as the former is concerned, extra-economic institutions are important because market forces alone cannot secure the basic conditions for capital accumulation when these are unprofitable from the viewpoint of individual capitals. Regarding the latter, labour power is a fictitious commodity (Polanyi, [1944] 1957). Even though it is bought and sold in markets, it is not itself directly (re)produced in and by capitalist firms; therefore its (re)production complementary with the requirements of capitalist accumulation is by no means guaranteed. Moreover, unhampered market organization of labour forces may even destroy it (e.g. overexploitation).

Economic growth, crisis and change are contingent upon the intersection of institutional formations in particular societal contexts. In order to achieve relatively stable conditions for the reproduction of an accumulation regime, there has to be a relative degree of structural coherence or compatibility between the ways of securing social and economic reproduction so that different forms, institutions and practices become mutually reinforcing, or at least relatively non-contradictory. This institutional formation is called the mode of regulation. It may secure the relative structural coherence of extra-economic forms in providing conditions for capitalist accumulation and in managing, deferring and displacing the contradictions and dilemmas of the capital relation. Economic reproduction and change is analysed in terms of the mutual constitution (or structural coupling) of systems of accumulation and regulatory practices.

It is important to note that the emergence of a stable regulatory practice is problematic. There is no guarantee that any of these conditions for relatively stable economic reproduction will be performed functionally from the viewpoint of accumulation; instead, it is a matter of an evolutionary trial-and-error search with identifiable actors behind this process. An emergence of a regulatory practice is not a matter of an automatic, functional steering; on the contrary, it is constituted in a particular time and place by social action and institutional structures which interact in social struggles. The state has important capacities that are necessary elements of any regulatory regime — these include monopoly of violence and capacity to enforce the rule of law. Moreover, it is an important site of social struggle shaping the co-evolution of the accumulation regime and its mode of regulation.

Therefore, a comprehensive analysis of the effect of state form on the reproduction of capitalist accumulation goes along the following four dimensions (Jessop, 2002: 53–4).³ The first dimension refers to the role of the state in securing conditions for the *continuation of private business* from the viewpoints of particular firms or sectors (i.e. particular capitals) and for the general requirements of private enterprise (capital in general). This is the realm of economic policy. The second dimension relates to the *reproduction of labour-power* from the viewpoints of particular capitals, capital in general, and the workers (i.e. the realm of social policy).⁴ The third dimension concerns the geographical dimension of structured coherence of economic and social policy, the question of *scalar organization*. In order to achieve relatively stable conditions of reproduction in an accumulation regime, there has to be a relative degree of structural coherence or compatibility between the ways of securing social and economic reproduction so that different forms, institutions and practices become mutually reinforcing or at least relatively non-contradictory. Finally, the fourth dimension refers to the primary *mechanism of coordination* for supplementing market forces in socio-economic reproduction and compensating for their failure (i.e., a question of the means of governance). As noted, there is no guarantee that any of these conditions for relatively stable economic reproduction will be performed functionally from the viewpoint of economic accumulation; instead, it is a matter of trial and error.

These dimensions cannot be analysed separately: only in their mutual articulation. Thus, one tries to identify the dominant logic of state intervention (if any) which, as a part of the mode of regulation, stabilizes and/or constitutes an accumulation regime and gives a structured coherence to the state form. Along these lines, state-theorists conduct historical investigations of the distinctive features of specific accumulation regimes. These may be then turned into abstract, stylized models that aim to bring out the distinctiveness of specific types of capitalist state. It is on the level of ideal types, or more on the level of the abstract-simple (rather than the concrete-complex), that the *formal* adequacy of particular state forms is dealt with.⁵ In other words, one constructs ideal typical state forms that complement the various economic forms and thereby help to secure the structural coherence of a specific capitalist social formation. In this way,

- 3 A form analysis identifies dominant social forms (e.g. commodity form, exchange value, use value, money, capital, the wage form, the price form, legal form, and state form) and their contradictions – i.e. investigates whether and how they correspond to each other (institutional separation of the economic and the political is advantageous but also problematic for capital accumulation and the interests of capital; thus, form problematizes function). It also examines how the dominant forms shape possibilities of action – i.e. identifies their strategic selectivities (Jessop, 1982; 1990b; 2002).
- 4 Social policy is analysed here primarily in the context of the reproduction of labour power, which implies that some aspects of welfare are ignored.
- 5 The distinction between the functional and formal adequacy of the state as capitalist state refers to the Miliband-Poulantzas debate. While Miliband was interested in the functional adequacy of the state, that is, how it substantively functions on behalf of capitalism, Poulantzas theorized a type of state that is formally adequate to the historically specific nature of capitalism, that is, a state form that would complement economic forms and help to secure structural coherence of a capitalist formation.

Jessop provides an account of the post-war history of advanced capitalist states in terms of a tendential and uneven movement from articulations of the Keynesian welfare national state (KWNS) to articulations of the Schumpeterian workfare post-national regime (SWPR). This transformation is structurally coupled to a movement from a Fordist accumulation regime to a post-Fordist, knowledge-based economy (KBE).

Analysing the state in post-socialism

So far, the research has demonstrated that state-socialism can indeed be analysed along regulationist lines as an accumulation regime with its own contradictions. Its dissolution can thus be seen as the exhaustion of a mode of development and/or a crisis of its regulatory processes, which were not able to secure expanded reproduction (see, for example, Konrad and Szelenyi, 1979; Clarke *et al.*, 1993; Boyer, 1995; Pickles and Smith, 1998). While the perspective as such proved to be fruitful, the validity of the regulationist account of a Fordist crisis in this respect is contentious. The crucial question is whether the state-socialist regimes could have been characterized as Fordist. Some authors claim that it was indeed the case; for instance, Murray (1992) argues that the Soviet Union was a form of Soviet Fordism because it had the Fordist labour process, enterprise management and scalar organization, and because central planning was actually scientific management writ large. Altvater (1993) maintains that state socialism was an underdeveloped form of Fordism as the eastern bloc failed to develop a Fordist virtuous circle of mass production and consumption to complement the existing rationalization and planning of labour in industry. By contrast, Smith and Swain (1998) point out that one should not equate Fordism with some of its surface appearances or fetishize a particular level of analysis such as the labour process.⁶ They emphasize that Fordism was based upon a particular regime of accumulation, whose growth dynamics depended on the intensification of production, whereas the state-socialist economies were based on the extensive regime of accumulation. Thus, the collapse of state socialism was connected to the exhaustion of this regime. While agreeing with Smith and Swain, I believe that it is not necessary to go even that far in the analysis in order to prove that state-socialism was not a Fordist regime, as the fundamental driving principle of state-socialist economies was not the valorization imperative followed by their capitalist counterparts. Thus, the fundamental difference that makes it inappropriate to characterize state-socialism as Fordism is that it simply was not a *capitalist* regime. Its whole dynamic, including the role of its mode of regulation, was very different. This has a fundamental implication for the analysis of the post-socialist state and governance in CEE. We have to deal not only with the state's role in the reproduction of conditions for capitalist accumulation, but also with its role in the very introduction of the fundamental conditions for capitalist accumulation.

As a consequence, Jessop's framework — which deals with the mutual co-constitution of a specific capitalist accumulation regime and a specific capitalist state form, while taking the generic features and functions of the capitalist state and the institutionalisation of basic forms of capital relation for granted — has to be expanded when analysing post-socialist states. One has to bring the taken-for-granted dimension into the analysis. Thus, the analytical framework has to deal with the role of the state in relation to the capitalist accumulation on two levels. First, we have to focus on the *generic* features of the capital relation,⁷ dealing with the questions of whether and how the basic forms of capitalist relation were institutionalized and whether the capitalist state in the generic sense has emerged in post-socialist societies. Second, only after

6 For a complex definition of Fordism and post-Fordism on different levels of analysis, see Jessop, 1992.

7 The generic features of the capitalist type of state comprise institutional separation of state and economy, a monopoly on violence, a tax state, a specialized administrative body, the rule of law and formal sovereignty (see Jessop, 2002: 36-48).

considering the problems on the generic level, can we deal with the *specific* forms of state and accumulation regimes. Jessop's four-dimensional framework is, nevertheless, useful on both of these levels of analysis: the comprehensive analysis has to address the problems of economic and social reproduction, deal with the question of their scalar organization, and analyse the means of compensation for market failure as far as both the generic conditions of capitalist (re)production and specific conditions of an accumulation regime are concerned.

Moreover, Jessop's form-analytic methodology cannot be applied to the analysis of social formations in fundamental transformations. Jessop's construction of ideal types is based on identifying hierarchies of social forms (on the abstract-simple level). A dominant social form may impose structural constraints on the configuration of other institutional forms, which thus organize around the dominant one. For instance, in the Fordist era, the use-value aspect of the wage form, a capital-labour compromise around the wage as a source of domestic demand, became structurally dominant and thus a relatively coherent organization of social forms crystallized. However, when dealing with periods of transformation, such an analysis is impossible. One cannot expect to identify a coherent organization of social forms, especially when we are dealing with situations where the basic social forms are in the process of institutionalisation and thus possibly contested by different social actors and path-dependencies.

There are probably two solutions to this problem. First, one may use form analysis, following Robert Boyer's distinction between two ways of understanding the hierarchies of social forms. Accordingly, in the periods of transformation, '[a]n institutional form may be said to be hierarchically superior to another if *its development implies a transformation of this other form*, in its configuration and logic' (Boyer, 2000: 291, emphasis in the original). In system-theoretical terms, in the period of transformation an institutional form may be ecologically dominant, that is, it may impose its developmental logic on other forms in the process of co-evolution (Jessop, 2000a).

The second solution is to give up the ambition of considering the formal adequacy of state forms, and conduct instead a path-dependent, path-shaping *functional* analysis of state forms in respect to the particular dynamics of capitalist accumulation. In such an analysis, it makes more sense to speak about *state projects* rather than state forms. A state project is a more unstable entity. It refers to an attempt by social actors to articulate the complex ensemble of state institutions in order to achieve some coherence in state activities (Jessop, 1990b). Thus, one would focus on the trial-and-error search for an 'appropriate' state project that would co-constitute a relatively stable accumulation regime. Since an object of regulation and its mode of regulation are mutually co-constituted, one cannot presuppose functionality in advance. A state form would be functional if it co-constitutes with its object of regulation a relative structural coherence that manages to reproduce itself. Therefore, functionality is a descriptive feature of a state project, not an explanation of its existence.

In the analysis that follows, I follow the second solution: I assess the functional adequacy of the actually-existing state projects (and, by implication, state strategies) in respect to the particular dynamics of capitalist accumulation that these forms co-constitute. The analysis on the level of generic forms of capital relation and capitalist state form also follows the functional logic. I do not provide an ideal type of a formally adequate state for the transition from state-socialism to capitalism; instead, I deal with the functionality of the form that has emerged.

Finally, let me note that the fact that post-socialist states have been undertaking the transformation from a non-capitalist regime to a capitalist one does not imply that the insights from the analysis of the crisis of Fordism are irrelevant for the analysis of CEE. The post-socialist transformation and introduction of capitalism did not happen in isolation. Thus, CEE was not only inserted into the 'global' economy at a particular point of time, it also imported practices from the capitalist regimes. These practices were imported in a complex process of recontextualization within which the 'inflows' of such practices were not a matter of simple replication; instead, these were selective processes

whose outcomes depended upon the local history, its path-dependencies, and the strategies pursued by both local and 'external' agents (*cf.* Hausner *et al.*, 1995; on the insertion of CEE into the international economic system, see e.g. Gowan, 1995; 1996). Thus, I see the analysis of the social forms and experience of the advanced capitalist societies as relevant for explaining social change in post-socialism in three respects. First, the CEE capitalisms have been highly integrated into the 'global' economy and political system for at least a decade;⁸ therefore, they are dealing with the problems produced by the Fordist crisis and with the search for its resolution as a result of their positions in the global political economy. Second, some of the Fordist and post-Fordist social forms have been imported into the region and recontextualized in interaction with the legacies of the past. However, we should be wary here, as the mere presence of a form does not guarantee that it has 'real' effects — it may be contested and/or incompatible with the other forms. Finally, CEE states have been *post*-socialist for more than a decade, and their social systems have experienced transformations whose paths were dependent on the socialist experience only to a certain extent. They were shaped by the strategies of local and 'external' actors, by path-dependency on the post-socialist strategy, by transnational forces, and by the wider environment.

Introducing capitalism into East Central Europe: the neoliberal transformational states

The transition of post-communist regimes to capitalism started at a time when the global hegemony of neoliberalism was at its height (*cf.* Bryant and Mokrzycki, 1994). Thus, the neoliberal premises of the Washington consensus and respective advisors shaped the policies aimed at radical, systemic transformation from non-capitalist regimes to capitalist ones (*cf.* Williamson, 1993). The transition to capitalism was designed to be essentially market-led. The policies were based on the assumption that it is sufficient to introduce the most basic, and narrowly economic, preconditions for a market economy. This would give rise to the invisible hand of the market, which would discipline social actors on the way to capitalism. The policies also included the International Monetary Fund's (IMF) one-size-fits-all monetarist panacea of an anti-inflationary policy based on fiscal and monetary restraint. Moreover, for various reasons, it was considered crucial to introduce the conditions for the emergence of the market at once and as soon as possible. Thus, most of the policies implemented in post-socialist states included anti-inflationary measures of budgetary and monetary restraint, shock price liberalization, privatization and trade liberalization. Similar policies were implemented in all countries of CEE and in many other post-communist states. Moreover, in the Visegrad countries, the original neoliberal enthusiasm of reformers for austerity measures was not fully realized. Some form of compensation and compromise soon emerged to preserve social cohesion as an important element of public policy. For instance, Poland experienced a huge political backlash against the downturn caused by shock-therapy and, already in 1991, the Olszewski government 'forfeited shock therapy' and attempted to create social compromise by a more cohesion-oriented strategy (Orenstein, 2001: Chapter 2).

Thus, in order to characterize the role of the state in introducing *generic* conditions of capitalist accumulation, I speak about the *neoliberal transformational state* (see Table 1). It is necessary to use the word neoliberal with caution as it generally refers to a 'slippery policy space' (Peck, 2001a). The transformational state employed the transition wisdom of local economists and foreign advisers such as Jeffrey Sachs, which can be characterized as 'roll-back neoliberalism' (Peck and Tickell, 2002). Moreover, it reflected the need for basic social protection.

The neoliberal transformational state proved to be functional for the situation in the CEE states. It oversaw the (re-)institutionalization of basic forms of capital relation,

8 One should be aware that they have never been isolated from it completely.

Table 1 The neoliberal transformational state in CEE

| |
|--|
| Shock stabilization |
| Shock price liberalization |
| Shock trade liberalization (+ reorientation) |
| Privatization |
| Some form of compensation and compromise to preserve social cohesion |

such as the money form, wage form and commodification of labour power; moreover, it managed to re-create states that have basic generic features and fulfil basic functions of the capitalist state, such as the institutional separation between the state and the economy, monopoly of coercion, tax capacity, and the rule of law. However, the neoliberal transformational state failed in these respects in the post-Soviet states, leading to what Burawoy (1996) calls 'involution' to a non-capitalist social formation (*cf.* King, 2007). The basic measures of property-rights provision, institutionalization of the wage form, and tax-raising capacity were comparable or similar in the CEE states to the situation in the advanced capitalist countries already in the early 1990s; the figures also show that the turnover in barter, which indicates the institutionalization of the market and the social forms it presupposes, was very low in the CEE states too (World Bank, 2003, 2005; World Bank and European Bank for Reconstruction and Development, 2005). Moreover, the World Bank's indicators of governance, that basically measure the formal adequacy of the capitalist state, cluster CEE states close to the advanced capitalist states — in contrast, the post-Soviet states form a group at the bottom (Kaufmann *et al.*, 2003). The relative success in CEE in contrast to the painful failure elsewhere is usually explained by the initial level of development, by the inherited institutional framework, by CEE's favourable location, and by the presence of foreign direct investment (see, for example, Boer-Ashworth, 2000; Myant, 2004; King, 2007). In addition, it is important to note that the criteria for success employed here are rather formal (i.e. the successful introduction of general capitalist forms) and extremely generous (i.e. the avoidance of the collapse of the social and economic fabric of society). If more ambitious criteria were introduced, such as providing for more efficient enterprise restructuring and avoiding social hardship, the neoliberal transformational state would not fare very well even in CEE (see, for example, Gowan, 1995; Myant, 2004; King, 2007).

The Klausian welfare national state

After considering the successful introduction of basic forms of capital relation and basic features of the capitalist state in CEE, I move to the analysis of specific features of the dominant state project in relation to the specific economic dynamics in the Czech Republic (Czechoslovakia) after the fall of state socialism.⁹ The following sections do not attempt to explain the transformation of the dominant state project and intervention in the Czech Republic; instead, they describe the mutual constitution of the state and its object of regulation and their evolution. Thus, they also map the constraints on and possibilities for social action in the respective periods (the environment of strategic selectivity). This section will describe the emergence of a particular state project in the early 1990s. I call this state regime the *Klausian welfare national state* (KIWNS). After describing the conditions of its emergence and its features, I will show that this state

9 Czechoslovakia ceased to exist on 31 December 1992. It split into the Czech and Slovak republics.

project co-constituted a specific growth dynamic, *Czech capitalism* (Myant, 2003). However, the KIWNS cannot be understood as part of a mode of regulation since Czech capitalism was not able to reproduce itself even in the mid-term perspective. The next section describes the search for an alternative and constructs a model of an emergent regime that has replaced KIWNS.

The state project that became dominant in the early 1990s was shaped by two principal clashes about the reform strategy. In both of these clashes, the strategy of the group of economists and politicians around Václav Klaus prevailed. Klaus, a former research economist and employee of the state bank during state socialism, is a major figure in Czech politics. He is a co-founder of the main right-wing party, the Civic Democratic Party (ODS).¹⁰ He sees himself as a disciple of Milton Friedman. He had major impact on the economic strategy. In December 1989, Klaus became Minister of Finance in the federal government. ODS won the elections in June 1992, which made Klaus prime minister. He had to resign in the autumn of 1997. Klaus was elected President of the Czech Republic in February 2003.

However, there was no one-to-one correspondence between the strategy of the group around Klaus and the Klausian state project. It actually reflects a balance of forces, including the strategies of forces that were marginalized by Klaus's strategy. As far as social protection is concerned, the Klausian project emerged from a strategic compromise between the group of monetarist economists around Klaus and the social democratic-leaning politicians who had a relatively strong position in the post-revolutionary government (Gould, 2001; Orenstein, 2001). As a result, the reform strategy included what Myant (2003: 18) calls an 'incongruous appendage', the social policy section.¹¹ The industrial policy, including the method of privatization, emerged out of a struggle between the people around Klaus and another group within the state. The team of technocratic economists around Klaus — including Klaus's privatization advisor, Dušan Tříška — was promoting a transformation strategy based on large-scale voucher privatization which distributed shares to citizens. Their project was challenged by the 'industrialists', among whom the then Minister of Industry and Trade, Jan Vrba, was a key figure. The industrialists, government officials with experience of managing state enterprises, advocated a programme of gradual, case-by-case privatization through industrial sales that would locate strategic owners — foreign investors — for the most important companies.¹² Despite an initial compromise between Klaus and Vrba, Klausian strategy prevailed and foreign investors were pushed out of the majority of privatization deals (McDermott, 2002).¹³ Among other factors, the political victory of Klaus and Tříška was based on the politics of anti-communism (Gould, 2001; Appel, 2004) and on exploiting the general discursive structure. The anti-statist, 'hands-off' approach of those neoliberal economists very much resonated with the ideas among the people (Appel, 2004: 51). Neoliberalism, or the 'market economy without adjectives', had an enormous appeal as it represented a radical break with, and negation of, the past

10 In Czech *Občansko demokratická strana*.

11 The economic part of the scenario was drafted by Klaus and Dlouhý, the social part by the labour minister Petr Miller.

12 These struggles, however, did not reflect any wider social interests or a cleavage in the society. Instead, it was limited to the respective groups within the state. Shortly after the fall of state socialism, the Czech state enjoyed exceptional autonomy since all social groups were very weak. Labour was paralysed by a crisis of identity (Crowley and Ost, 2001). The industrial managers – compromised by their past careers – were in a very weak position because of the politics of anti-communism (Appel and Gould, 2000). Moreover, they did not have a clear understanding of where their interests were in relation to the transformation strategy. While they were originally quite enthusiastic about cooperation with foreign partners, Tříška convinced them that the 'Czech way' was in their interest, as voucher methods would keep control over enterprises in the hands of managers. Among the main motivations of Klaus and Tříška were ideological beliefs and short-term political considerations (Appel, 2004: 140).

13 There were notable exceptions such as the sale of the Škoda automobile plant to Volkswagen.

Table 2 The Klausian welfare national state, 1990-96

| Distinctive set of economic policies | Distinctive set of social policies | Primary scale (if any) | Primary means to compensate market failure |
|---|---|---|--|
| Klausian <ul style="list-style-type: none"> • Promotion of national capital • Monetarism • Minimal regulation of finance • Bank socialism | Welfare <ul style="list-style-type: none"> • ‘Silent’ welfare provision in order to keep social peace during the transformation • Illusory collective bargaining • Low-wage, low-unemployment policy | National <ul style="list-style-type: none"> • Primacy of national scale (monetarist reasoning of national aggregates) • Centralised administration • Economic nationalism in an open economy | State <ul style="list-style-type: none"> • State favouring market-reliant restructuring |

(cf. Appel, 2004: 162; also Szacki, 1995). Klaus managed to achieve a discursive closure by presenting his specific shock-therapy way to capitalism as the only alternative to Communism. Thus, on the discursive level, there was no ‘third way’ — anyone seeking alternatives to his monetarism presented a threat to the democratization process as a whole and would lead the country back to ‘before November 1989’.

Nevertheless, in spite of the radical neoliberal rhetoric, the Czech strategy of post-socialist transformation can be characterized as social-liberal (Orenstein, 2001; cf. Dangerfield, 1997). The reform package included an anti-inflationary policy based on monetary restraint (essentially the standard IMF package, given a rather indigenous flavour, however¹⁴), price liberalization and the freeing of imports, strict wage control (an anti-inflationary measure¹⁵), internal currency convertibility, a reduction in size and retraining of the labour force, legalization of collective bargaining, and a comparatively very generous and elaborate social and health-care system. However incongruent the social part may have been from the viewpoint of the radical neoliberal rhetoric that it accompanied, it became an important distinguishing feature of the Czech reform strategy (Orenstein, 2001).

Following the four analytic dimensions outlined above, I elaborate on the specific state project, which I call the Klausian welfare national state (see Table 2). This project became dominant in the early 1990s. This, however, does mean that the state was fully subordinated to the logic of KIWNs. On the contrary, there were competing projects being developed within the state apparatus, which did cause tensions and contradictions. One of the sites where an alternative project was being developed was the investment-promotion agency CzechInvest. These efforts, however, were marginalized because of the dominance of KIWNs.

I call the state project that became dominant in the early nineties *Klausian* because Czech post-socialist economic reform and economic thinking were dominated by Klaus, who promoted, for various reasons, a very specific mix of economic policies. But Klaus’s individual agency is not crucial here; instead, he is important as an emblematic figure whose thinking was very much reflected in policy-making in the early 1990s. As the KIWNs was an integral part of the broader project of the neoliberal transformatory state, the ultimate mission was to create conditions for capitalist accumulation and to

14 On a ‘complete meeting of minds’ between the reformers on the one hand and the IMF and the IBRD on the other, see former GATT official Drábek (1995). However, it seems that the influence of the IMF and the World Bank made an important contribution to the success of the monetarists in imposing their philosophy on the economic reform (Adam, 1993; cf. Bockman and Eyal, 2002).

15 There was a fear that the state-owned enterprises would not keep wages (investment spending) under control (cf. Lipton and Sachs, 1990: 101).

break from the past.¹⁶ The rationale was that in order to achieve economic recovery and development, it was enough to introduce the most basic and narrowly economic preconditions for a market economy, in particular private ownership, free prices, and macroeconomic equilibrium. The 'invisible hand of market' would give existing enterprises and new actors signals that would guide them in adapting to the environment.

Klausian strategy was *monetarist* and based on the diagnoses of economic problems and corresponding precepts of the IMF economists (such as Lipton and Sachs, 1990). These economists did not fear a fall in output, but were fixated on avoiding inflation and trade deficits (*cf.* Myant, 2003: 22–6). In addition to these neo-classical and monetarist assumptions, Klausian strategy was also based on *economic nationalism*. It took a rather naïve view of the country's economic level compared with the EU, which included an exaggerated notion of the level of industrial development, its prowess and competitiveness. It built upon the interwar period and on its legacy of (once) famous brands. The Czechoslovak, subsequently Czech, economy was approached as a distinct entity and internal solutions, including domestic ownership, were preferred (Orenstein, 2001: 76–9; Myant, 2003: 13–15). Economic interventions sought to create a local bourgeoisie, which would subsequently provide organic support for the new regime. In sum, the rationale of 'nationalist monetarism' saw no need for a positive industrial policy since the actors were assumed to 'know how' and if they did not they would be taught by the market. Moreover, the economic subjects (though yet to be constructed as capitalist) did have a nationality, which very much mattered. Policies of the time very much reflected this way of thinking. The therapy started with the macroeconomic shock of price liberalization and fiscal and monetary restraint, and resulted in the decline of output (Myant, 2003). Most medium and large enterprises were included in the process of 'large-privatization' (regulated by the privatization act of February 1991) which was centred around the voucher method (launched in February 1992) (see, for example, Shafik, 1995).¹⁷ The idea was not only to denationalize industry (of which more than 80% was state-owned) but also to 'educate' citizens, inculcate in them capitalist reasoning, and gain political support for the transformation strategy. Moreover, it was aimed to prevent foreign investors from buying out the disorganized and undervalued Czech economy. Thus, most of the shares of the companies were distributed among the population (of which 80% participated) virtually for free. However, most of these shares soon ended up in the privatization funds that were led by state-owned banks. This produced a structure of corporate governance involving multiple conflicts of interest. The four largest state-owned banks owned six of the largest investment privatization funds, which in turn owned enterprises that were indebted to the state-owned banks. The ownership structure, bank socialism, guaranteed the environment of soft credit. The state-owned banks would support inefficient firms in their portfolios (see Kudrna *et al.*, 2002). The politicians were aware of that and were unwilling to privatize banks, fearing a chain of insolvency (Gould, 2001). Governed by certain strategic considerations and by their belief in the superiority of an unhindered market mechanism in identifying particular private owners, Klaus and his followers vehemently opposed regulating and/or introducing any control mechanisms into the financial market and corporate governance. This enabled the management of enterprises and investment funds to 'tunnel' out the assets for their private gain (see Cull *et al.*, 2002). Moreover, in spite of rejecting any effort to develop positive policies for industrial development, Klausian

16 From today's perspective, it is interesting to note that the aim of introducing capitalism was rather problematic at the beginning of the transformation. Petr Uhl of the dissent fraction of Civic Forum provocatively proposed to include introducing capitalism to the programme of the Civic Form (without agreeing with it) in 1991 – the proposal was rejected (Uhl, 2004).

17 Before the large privatization act was passed, a few large foreign takeovers/mergers and joint ventures had occurred involving state-owned enterprises. The most important was the takeover of Škoda by Volkswagen (see, for example, Pavlínek, 2002).

strategy included both the explicit industrial policy of a weak bankruptcy framework and implicit industrial policies to provide for ad-hoc intervention to help strategic enterprises threatened with bankruptcy (Myant, 2003: 188–93).

As far as the second dimension of state intervention is concerned, KIWNS was a *welfare* state. An elaborate system of welfare provisions was introduced in order to guarantee social peace during the process of post-socialist transformation. Social protection was introduced into the original strategy as a result of the strategic compromise with the social democratic-leaning dissidents in the early 1990s. This ‘unwanted baby’ became a distinguishing feature of the Czech reform strategy. The social measures included a universal and unified system of social welfare with universal compulsory health and social insurance, cash unemployment benefits, active unemployment policies, pay-as-you-go pension-security benefits, family allowances, social-care benefits, a social-services system and a universal health-care system. The collective bargaining mechanism was established within a tripartite structure in January 1991. It was, however, corporatist only in form and not in content. This ‘illusory corporatism’ (Ost, 2000) was not sought by labour, but rather by the elites to share the burden of transition policies and guarantee support for, or acceptance of, these policies. On this platform, the government negotiated a wage-control system which meant that prices could rise faster than wages, but it was guaranteed that the latter would not fall by more than 12% in real terms per year as a whole. The government also committed itself to various safeguards for the lowest paid, such as a minimum wage. Wage controls were envisioned to end by 1992; however, they actually continued until 1995 (Myant and Smith, 1999). Moreover, the social policies included the above-mentioned soft policies to keep large enterprises from failing. There was an implicit soft policy towards loss-making large enterprises. Concerned to demonstrate the success of privatization, the government encouraged the expansion of credit use by keeping banks in state hands. In addition, managers often welcomed protest from employees over social issues as a convenient bargaining issue in their quest for help from the government (Myant, 2000). This helped to maintain very low unemployment during the first half of the 1990s. Together, these unemployment and social policies played an important role during the transformation, particularly as they won the support of vulnerable classes for the economic reform; as inequalities increased dramatically, living minimums were guaranteed (Večerník, 1998).

When he consolidated and acquired full power after the elections in June 1992 and after the split-up of Czechoslovakia in January 1993, Klaus waged an assault on this welfare system. He began by reducing social benefits, raising eligibility criteria, and moving away from universal benefits toward targeting. Klaus let the minimum wage devalue and opposed corporatist negotiations in the tripartite councils. His efforts were, however, only partially successful because of the institutional path-dependency of the welfare state introduced by the strategic compromise of the early 1990s (*cf.* Pierson, 1994). Moreover, his liberalization policies did not attempt to change low-wage, low-unemployment policies, housing subsidies or wage controls. Not surprisingly he faced resistance to his attacks on social welfare, and this certainly enabled the Social Democratic Party to muster support by mobilizing against Klaus’s attacks on welfare. The result was that the overall trends in welfare expenditure were surprisingly stable throughout this period (Potůček, 2004).

KIWNS was a *national* state as the national scale was the primary scale of intervention. The monetarist reasoning of national aggregates combined with some elements of economic nationalism made the national economy and national society taken-for-granted objects of intervention. It was the national economy with its prized enterprises that competed in the wider environment. Foreigners were generally not welcomed in the privatization. Industrial relations were negotiated on a national tripartite platform. And policy-making was highly centralized, with anecdotes relating that during the ‘large-scale’ privatization, Klaus and his colleagues and friends would sit for days and nights in the office making enormous decisions about the destiny of all medium and

large enterprises in the country (Husák, 1997). Characteristics of KIWNS's state spatial selectivity are summarized in Table 4.

Finally, KIWNS is a *state* since the main means of supplementing the market mechanism, compensating for its failures and providing conditions for capitalist accumulation was the state. Even though the market had the primary and superior role in the discursive construction of a desirable governance mechanism, both direct state intervention and indirect steering through personal networks had an important role in economic governance. The Czech Republic relied primarily on state-induced market organization of privatization and industrial restructuring resulting in frequent market failures (McDermott, 2002).¹⁸ At the same time, the state was actively taking care of both moderating and compensating for the social cost of economic transformation (Greskovits, 1998).

I have described the dominant state project in its economic dimension in the Czech Republic (Czechoslovakia) in the first half of the 1990s. This project was based on a specific combination of both economic and social policies. It co-constituted a specific growth dynamics that Martin Myant termed 'Czech capitalism' (Myant, 2003). After 1993 the Czech Republic experienced accelerating, low-wage, low-inflation growth and an economic boom, which was often interpreted as a 'Czech economic miracle' proving neoliberal prescriptions right. But this was not the 'non-hyphenated capitalism' that Klaus had sought to construct, but was largely based on particular driving forces produced by KIWNS's policies that can hardly be interpreted as 'laissez-faire'. 'The . . . boom embodied trends several of which soon exhausted themselves, in some cases leaving a legacy that held back recovery. It was linked to activities where the *new private sector* was strong, to some *state-led investment and spending* and to successes in some *established sectors* which soon approached limits' (Myant, 2003: 52, my emphasis).

KIWNS was only to a very limited extent functionally adequate to the growth logic of Czech capitalism. It compensated for limited adjustment in some enterprises by securing conditions of soft credit. KIWNS investment projects (such as the rebuilding of infrastructure) and social spending also played an important role in stimulating demand. Further, KIWNS secured low-wage, low-currency value and a low-inflation environment. Among other things, this environment enabled existing enterprises to adapt quickly, which was one basis of recovery from the depression.¹⁹ Moreover, KIWNS played a crucial role in securing social reproduction by socializing the costs of transformation.

However, the Klausian project could not institutionalize as a relatively stable mode of regulation. Indeed, in the mid term, Czech capitalism was not able to reproduce itself. The functional adequacy of KIWNS had narrow limits, and the factors that caused the downturn were largely produced by the very driving forces of the Czech capitalism. In 1996, the Czech Republic experienced an economic downturn which was accompanied by a serious current account deficit. In April 1997, the government reacted by introducing two 'little packages' of restrictive economic measures. These were unable to avert the crisis, and, instead, undermined one of the economic driving forces. 'The downturn reflected partly the exhaustion of specific sources of growth, partly the effects of a changed approach from commercial banks following an over-extension of credit and partly the effects of the "packages" of mid 1997 which had a strong impact on household spending' (Myant, 2003: 52).

In addition, 1996 and 1997 saw a series of bank failures and frauds in the financial sector. These failures were clearly caused by a lack of regulation in the banking sector and equity market. What is more, some of these transactions were explicitly approved

18 In contrast, Poland constructed 'deliberative governance structures' that helped public and private actors learn from and monitor one another (McDermott, 2002).

19 This often happened, however, by regressing to exporting products associated with lower level of development (Myant, 2003: 42).

by the government. A crisis of legitimacy following a stream of party-finance scandals provided a final blow to the governing party. It revealed massive corruption in the privatization processes.²⁰ The political and economic crisis culminated in Klaus's resignation in November 1997. A search for an alternative then began.

The crisis of 1996/1997 enables us to consider the form-analytic question of whether there was some form of ecological dominance in the process of post-communist transformation. It seems that both Boyer's (2000) understanding of structural dominance of forms in periods of transformation and his insight that it is international finance that has become ecologically dominant in the present are relevant for understanding the Czech case. Even though the causes of the crisis of Czech capitalism were inherent in its own dynamic, the major impetus for the policy adjustment was concern with external financial stability. The beginning of 1997 saw increasing nervousness in long- and short-term finance about the shape of the Czech economy, in particular about the problems in the Czech banking and financial sectors, corruption and the lack of regulation. Another blow forcing policy change came with a speculators' attack on the Czech currency in May 1997. The crises peaked with the decisions of Czech capital and households to sell their holdings of Czech currency (Myant, 2003: 93–100). Yet the crisis would have unfolded even without the crisis of external financial stability as the environment of soft credit had approached its limits and the banks had ceased to be able to borrow since they were no longer able to manage the burden of non-performing loans.

The Porterian workfare postnational regime

The political and economic crisis of the mid-1990s, which resulted in extraordinary elections in July 1998, brought the Social Democrats to power. The year 1998 marks a sea change in thinking about economic policy and in the actual orientation of Czech economic policies. There was a shift from an internally oriented economic nationalism towards externally oriented competitive policies of supply-side intervention. The government fundamentally changed its attitude to foreign investors, introducing an ambitious investment-attracting scheme, and generally preferred foreign investors in the remaining privatization decisions. It consolidated the banking sector and sold state shares in banks to foreign investors. Moreover, it attempted to introduce a positive industrial policy. Social democrats also changed the attitude of government to social policy, putting it back on the political agenda, implementing some workfarist measures and addressing some 'post-materialist' issues such as equal opportunities and gender mainstreaming. The change of the dominant state project of the Czech economy was achieved by further embedding the circuits of European and/or global capitalism. This change cannot be understood in pluralist terms as it goes across the political spectrum. Thus, after the Social democrats took power, ODS has started to frame its economic policy in terms of promoting competitive supply side intervention.²¹ The political change may have catalysed the pace and 'radicalized' the policy change, but even so it was not a decisive factor. The Klaus government had already accepted proposals made by CzechInvest and reconsidered its 'neutral' approach to FDI. The decisive moment came in 1996 when General Motors and Ford were looking for investment sites in Europe and explored possibilities in the Czech Republic.²² Investors' projects as presented by CzechInvest made the government accept the idea that it had to offer investment

20 For an overview of corruption in privatization, see Orenstein (2001: 106–9).

21 ODS opposes governmental policy by promoting different, market based means of promoting competitiveness (Říman, 2003).

22 Interviews with the founding director of CzechInvest, Jan A. Havelka (Prague, 30 December 2005), CzechInvest advisor to CEO and former director, Radomil Novák (Campbell, CA, 29 March 2006), and Martin Kavka of Ministry of Industry and Trade (Prague, 21 November 2005).

Table 3 The Porterian workfare postnational regime [accentuation of trends]

| Distinctive set of economic policies | Distinctive set of social policies | Primary scale (if any) | Primary means to compensate market failure |
|--|---|--|--|
| Porterian <ul style="list-style-type: none"> • Manages insertion of the locality to 'global' economy • Supply-side intervention • Emphasis on skill-intensive, technology-rich activities | Workfare <ul style="list-style-type: none"> • Subordinates social policy to economic competitiveness • Emphasis on employability • Downward pressure on the 'social wage' and attack on welfare rights | Postnational <ul style="list-style-type: none"> • Shift of power upwards, downwards and sideways • New role of the national scale • Equalizing/compensating spatial project | Regime <ul style="list-style-type: none"> • [Shift to governance] |

subsidies in order to stimulate investment inflows.²³ It is to this new state project, the Porterian workfare post-national regime (see Table 3), that I now turn. I construct a stylized model of the state form based on a one-sided extrapolation of shifts in economic and social policies and in respective discourses.

As far as economic policy is concerned, I call KIWN's successor *Porterian* as it engages in competitive policies which are very much based on the notion of competitiveness promoted by the emblematic thinker and management guru Michael Porter. PWPR is competitive as it aims to secure economic growth by promoting competitive advantages for capital based in the country. It engages in supply-side intervention in order to manage the insertion of locality into the 'global' economy. It attempts to manage this insertion by discriminating among investors in terms of their potential contribution to the local economy. This management follows a Porterian logic of competitiveness which is achieved from the high and rising levels of labour productivity associated with high-tech production processes and the intensive use of highly qualified labour (Porter, 1990). In contrast to Jessop's (2002) account of state transformation in the advanced capitalist states, I do not call this regime Schumpeterian since it does not engage primarily in promoting permanent innovation and enterprise as SWPR would. Instead, it focuses mainly on attracting high-quality investment to upgrade existing industrial bases. Thus, PWPR's policies aim at supporting skill-intensive and technology-rich projects. In the Czech case, it actively secures competitive advantages primarily for capital that invests on a larger scale in the country. In addition, the Porterian orientation implies that it emphasizes the importance of clusters, which are groupings of firms and public bodies such as universities or research institutes. Clusters are considered crucial for innovation and long-term development of a locality (cf. Benneworth and Henry, 2004). Nevertheless, PWPR's characterization as Porterian needs a qualification. Porter's original conceptualization of competitiveness prioritized indigenous firms (cf. Myant, 2003: 245–62) or saw local development as conflicting with foreign capital (Rugman and Verbeke, 1998: 115–36). The Czech version of Porterian competitiveness is largely foreign-investment based; thus, PWPR attempts to network foreign investors with local suppliers.

The main instruments that the PWPR uses at the moment are the scheme of incentive packages for potential investors and the emerging project of cluster promotion (see CzechInvest, 2004). The package to attract investors includes tax relief, land transfers to the investor (which often means conveyance of land for free), substantial subsidies

23 The Czech Republic was receiving very little foreign investment at that time. Since it reoriented its policies, the FDI inflow has surged.

for training the labour force, and monetary bonuses for creating jobs.²⁴ As far as the quality of supported investment is concerned, the actual investment support tends to over-emphasize its quantity targets (*cf.* Mallya *et al.*, 2004). Thus, PWPR engages largely in promoting a kind of neo-Ricardian static comparative advantage (in contrast to the dynamic competitive one).²⁵

As far as social policy is concerned, the Social Democrats actually stopped the retrenchment of Klaus's era. Tending to be more generous in this respect, they brought social policy back on the political agenda (*cf.* Potůček, 2004). The unions have gained greater access and influence in policy making.²⁶ However, the institutional role of tripartite negotiations remains weak (Fassmann and Čornějová, 2003). Budgetary and political constraints have prevented substantial expansion of the welfare system. Instead, reforms follow a *workfarist* logic, aimed largely at motivating welfare recipients to actively look for jobs and discouraging them from passively consuming benefits (*cf.* Peck, 2001b). The competitive orientation of economic policy remains a challenge for welfarist and redistributive measures, as policy makers at all levels remain focused on the implications of social policies for the country's competitiveness. It is very important that the welfarist and redistributive orientation is *perceived* as being at odds with the locational preferences of mobile capital. Potůček, one of the important participants in the discussion on social policy that the government initiated, notes that '[m]ost outcomes of such . . . negotiations resemble the centre-left recommendations well known from the contemporary British Labour Party' (Potůček, 2004: 256). The New-Labour-minded people are currently dominant in the social democracy. In the meantime, the oppositional ODS is mobilizing for a radically neoliberal workfarism (e.g. Páralová, 2004).

As far as the primary scale of socio-economic intervention is concerned, recent rescaling trends allow characterizing the PWPR as *post-national*. The power of the national state has shifted upwards, downwards and sideways. The accession of the Czech Republic to the European Union represents a decisive shift of state power upwards. Other international governmental and non-governmental organizations, such as CEE Bankwatch network, play important roles in decision-making and political struggles (Drahokoupil, 2004a; 2005). As far as the shift downwards is concerned, the government established regional self-governing units in 2000. These units have rather limited power; however, there are some areas, such as attracting FDI, where their power is significant or about to grow.²⁷ Further, workfarist social reform shifts some of responsibilities to the municipal scale.

In comparison with the general trend of spatial restructuring of governance in Western Europe (Brenner, 2004), a distinctive feature of Czech supply side intervention is its spatio-social dimension (see Table 4). The state spatial strategy aims to compensate regions with relatively higher unemployment or regions otherwise 'structurally handicapped'. Thus, the extent of state investment support varies according to the region.²⁸ The location of actually supported investments, however, suggests that this equalizing or spatio-compensating project is trapped in its contradiction. Most of the investments are realized in the localities where one would expect them to be placed anyway, based on the 'standard' location decisions of the respective corporations.

These scalar transformations make the ability of social actors to 'jump scales' an important asset in the social struggle. Moreover, rescaling, along with the shift of power

24 The Czech Republic, along with other CEE states such as Slovakia, provides the maximum subsidies that EU regulations allow.

25 Static comparative advantage refers to 'natural' factor endowments (e.g. raw materials, cheap labour power). Dynamic competitive advantage relates to 'social' factors – basically, to the overall efficiency of resource allocation. Long-term competitiveness would be based on developing competitive advantage (Jessop, 2002: 119–23)

26 Interview with Martin Fassmann of the Czech-Moravian Confederation of Trade Unions (Prague, 26 October 2005).

27 Interview with Pavel Mertlík (Prague, 24 October 2005).

28 However, investment projects even in the capital of Prague can be and are supported by the state.

Table 4 State spatial selectivity

| | State spatial project | State spatial strategy |
|-----------------------|--|---|
| Scalar dimension | <ul style="list-style-type: none"> • KIWNS: national state • PWPR: new state spaces (EU, regions), primacy of the national | <ul style="list-style-type: none"> • KIWNS: privileging of national capital, open economy (triadic/global) • PWPR: focus on FDI, open economy (triadic/global) |
| Territorial dimension | <ul style="list-style-type: none"> • Both KIWNS and PWPR: uniform and standardized administrative coverage | <ul style="list-style-type: none"> • KIWNS: no explicit spatial project, ad-hoc intervention (actual concentration) • PWPR: equalizing/spatio-compensating project, spatial contradiction: actual concentration |

Source: Adapted from Brenner (2004: 97, Figure 3.9)

sideways (see below), has created important informal networks, which can be utilized as a mechanism of interscalar steering and governance. As the case studies of the process of investment promotion show, the increasing autonomy of the political process on the municipal and regional scales made it more complex to coordinate the political process on different scales of action. Often, the coalition of social forces supporting a particular investment employs various informal channels in order to enforce investment in a particular locality (Drahokoupil, 2004a). Thus, the scalar steering becomes clan-like. A clan is a mechanism of governance consisting of informal networks based on mutual trust and confidence, which is upheld by preferential, particularistic, mutually obligated and legally non-enforceable relationships (Hollingsworth and Lindberg, 1985; Lindberg *et al.*, 1991; *cf.* Ouchi, 1980; and Streeck and Schmitter, 1985). These relationships ‘may be kept together either by value consensus or resource dependency — that is, through “culture” and “community” — or through dominant units imposing dependence on others’ (Hollingsworth *et al.*, 1994: 6).

As far as the fourth dimension of our analysis is concerned (the primary mechanism of supplementing market forces), I call the nascent PWPR a regime with some hesitation. There has been only a limited shift of state power sideways so far. However, some trends and governmental plans indicate that the transformation will follow this direction. For instance, in 2003 the government introduced an institutional reform to promote public-private partnership (PPP) ‘as known from the countries like the United Kingdom, France, Canada, and Australia’ (MF, 2003: 132). The year 2004 saw further development of this policy, including the launch of the Centre for Implementation of PPP (MF, 2004). Non-governmental agencies and forms of public-private partnership have gained in importance and are about to gain much more. Moreover, the state is seeking to have an active role not only in its promotion but also in its metagovernance.²⁹ This shift and rescaling are most significant in the process of attracting investment, in which economic, state and non-state actors operating on different scales meet, and where the governmental agency CzechInvest, a regional self-governing body, a municipality, a ‘partly-public’ regional developmental agency, the public-private Partnership for Support of Foreign Direct Investment, and an investor (mostly a multinational corporation) work together (Drahokoupil, 2004b).

Can the PWPR secure expanded reproduction in the longer term and provide a social fix to a nascent accumulation regime? The PWPR has resolved some of the problems of Czech capitalism and its intervention addresses one key element of the renewed expansion of 2000 — foreign direct investment. ‘The “successful” capitalism in the Czech Republic by 2002 appeared to be foreign rather than Czech-owned’ (Myant, 2003:

²⁹ Metagovernance refers to organization of the conditions of governance in a broad sense (Jessop, 1998).

3). Thus, it seems that 'foreign capitalism' is the motor of Czech economy after the exhaustion and dissolution of the Czech one (*cf.* Zemplinerová, 2004).

The second boom coincided with some renewed growth in personal incomes, following some restoration of government spending. It was also boosted by strengthening growth in branches of manufacturing that depended on inward investment: this was important for its contribution to GDP and even more important as a factor holding back the balance of payments deficit, thereby enabling the government gradually to relax its restrictive policies. (Myant, 2003: 52)

However, a thorough assessment of the potential of the PWPR to be a part of a mode of regulation would have to leave the national scale. The potential object of regulation of the PWPR would be the Czech economic space as inserted into the globalizing, knowledge-based economy. Thus, PWPR may be functional in securing growth within the national economic space. However, as a mode of regulation, PWPR has to be conceived as part of the European triadic governance regime. This is the level on which the emergent principal contradiction and dilemma of the globalizing economy can be addressed.³⁰ Thus, as a potential social fix, the PWPR can be nothing more than a local articulation of a complex European regime of governance. In this context, it is important to note that the shift towards PWPR in the Czech Republic marks a wider moment of convergence in the V4 region. Thus, after a period of distinctive national projects, we can witness a moment of relative convergence towards the PWPR in the region (Drahokoupil, 2007).

Conclusion: the limits of the analysis and questions for further research

In this article, I have provided an account of the transformation of the dominant state project and intervention in the Czech Republic after the dissolution of state-socialism. This account has been written from a regulationist, state-theoretical perspective. I was concerned with the effects of state intervention on the reproduction of capital accumulation. In order to do this, however, I have developed a methodology applicable to the social formations in transition. Thus, I analysed the role of the state in post-communist transition at the level of creating generic conditions of capitalism and at the level of mutual constitution of specific state regimes and specific dynamics of accumulation. On the generic level, I have described the neoliberal transformational state that managed to introduce basic forms of capital relations in the V4. Consequently, I have provided a periodization of dominant state projects and accumulation strategies with respect to their functional adequacy in relation to the dynamics of capitalist accumulation in the Czech Republic. I have described the crystallization of a distinct state project of the early 1990s, which I have called the Klausian welfare national state. This state project constituted, and was presupposed by, a distinctive growth dynamic: Czech capitalism. However, Czech capitalism failed to reproduce itself. The crisis of Czech capitalism in the mid-1990s allowed the Porterian workfare post-national regime, to become the dominant state project. This emergence marks the moment of convergence in the V4 region.

It is necessary to be aware of the limits of this analysis.

First, while investigating the scalar interplay, this analysis is essentially methodologically nationalist. Thus, the common criticism of regulationist research (fetishizing the national scale) applies to this article as well (e.g. Peck and Tickell, 1995). Here, methodological nationalism is partly justifiable by the continuing prominence of the national scale in the political process. I have been able to show that PWPR has a potential to produce economic growth in the locality in the mid-term perspective.

³⁰ On the new contradictions and dilemma of the knowledge-based economy, see Jessop (2000b; 2002: 138-9, 271-5).

However, this analysis did not allow me to deal with the underlying questions of the regulationist research project. As a regulatory regime, PWPR can function only as part of a broader European regime of governance. It is a question for further research to deal with the implications of the emergence of PWPR for such a regulatory framework.

Second, it is important to be aware of the implications of employing the regulationist, state theoretical perspective for reading the case. This article has attempted to understand the role of the state in constituting the process of accumulation. The regulationist perspective made it possible to show the important links between social and economic policies, scale and governance. In order to understand key processes and mechanisms, I have provided a thick description, which is selective and abstracts from the concrete-complex reality. Subscribing to the critical realist ontology, I believe that it is necessary to move from the really-existing, concrete-complex reality towards stylized, meso-level conceptualization in order to understand the working of key processes and mechanisms relevant for this inquiry. However, this analytical move has its limits and blind spots. Thus, for instance, in order to explain the political process and strategies of concrete social agents, it would be necessary to go back to the concrete-complex. Moreover, there is a risk of overlooking continuities in the real world by constructing a periodization. It is necessary to be aware that any periodization is relevant only in relation to its purpose. For instance, it may be misleading if (mis)used to interpret the strategies of various social forces and may impose discontinuity on this problem. At the same time, the transformations described here have important implications for the strategic possibilities of particular social forces in their struggles; hence, it is important for understanding the political process. Moreover, as I have mentioned, given the relative discontinuity in the history of economic policy in the Czech Republic, the price paid for this analytic strategy is not too high as the periodization corresponds to the temporality in the real world.

This article did not aim to provide a complete explanation for the emergence of PWPR. This is, however, a necessary agenda for future research (see Drahokoupil, forthcoming). While the politics of the emergence of what I call KIWNs is well researched, the political account of the transformation toward PWPR is something that is missing in the literature. The functionalist methodology of this article carries a risk of reading history in a teleological fashion. Contrary to this, however, the emergence of PWPR is not a matter of automatic steering, but must be perceived as one of the possible and relatively contingent outcomes of the search for a solution to the problems of post-socialist capitalisms in the V4. The PWPR is a political project with social forces underlying it. It is a challenge for future research to illuminate the conditions of its existence. While not offering a full explanation, this article has provided grounds for such an endeavour by mapping the constraints and possibilities for social action in the Czech Republic. Moreover, it has identified some explanatory blind alleys, such as the poverty of the pluralist explanation.

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Résumé

Cet article commence par les problèmes de méthodologie que pose l'analyse de l'Etat postsocialiste, avant de proposer une solution elle-même appliquée à l'analyse qui suit. Il décrit ensuite la transformation de l'Etat, en République tchèque, après la chute du communisme en 1989. Ce faisant, il examine le rôle de l'Etat dans l'élaboration commune du projet étatique et dans la dynamique d'accumulation capitaliste. Une périodisation des projets étatiques dominants et des principales stratégies d'accumulation est proposée en fonction de leur pertinence fonctionnelle par rapport à la reproduction socioéconomique. Vers la fin des années 1990, la République tchèque a subi une crise spécifique à un régime d'Etat postsocialiste que j'appelle 'l'Etat national klausien de protection sociale'. Ce système a bâti conjointement une dynamique de croissance particulière, le capitalisme tchèque, qui n'a toutefois pas assuré sa reproduction. De la recherche d'alternatives, émerge une forme d'Etat désignée comme le 'régime postnational porterien d'allocation conditionnelle' (PWPR, Porterian Workfare Postnational Regime). Cette évolution marque une convergence dans la région des quatre pays de Visegrad: passée une période de projets nationaux distincts, on assiste à un relatif rapprochement dans le sens du PWPR.