



# From Communists to Foreign Capitalists: The Social Foundations of Foreign Direct Investments in Postsocialist Europe

By Nina Bandelj.

Princeton, N.J.: Princeton University Press, 2008.

Nina Bandelj's first book is powerful and persuasive. Its strength comes from the author's personal involvement with the subject matter. Currently an assistant professor at the University of California at Irvine, Bandelj grew up in Slovenia; postsocialist transformation is her family history. It is not by chance that the book opens with a short interview, in which Bandelj's father describes the changes that his workplace underwent after 1989: "The firms had to turn around 180 degrees. Many failed. You survived if you quickly learned the new ways of organizing, the new culture of business, the new standard of success" (xviii). The central argument of the book echoes the experience of Bandelj's father and millions of Central Eastern Europeans: there is nothing natural in the emergence of market economies. Instead, markets are socially created and embedded in institutions and culture. Therefore, Bandelj says, "socialist command economies and market economies are formally very similar, in the sense that they are both socially constructed instituted systems" (3). The book contributes significantly to the literature on postsocialist transformation and builds upon well-known themes that have been developed since the 1990s to analyze the deep changes of the current decade.

The notion of the economy being embedded in a social, cultural, and institutional milieu is not new. The book uses such a well-established approach to analyze the connection between the postsocialist transformation of Central and Eastern Europe and broader trends of economic globalization. Central and Eastern European countries followed a familiar pattern of neoliberal development: they relied heavily upon foreign direct investments (FDIs) to rebuild their industries after the collapse of state socialism. Bandelj's book describes how postsocialist countries embedded FDIs in their societies. It discusses FDIs in the region as the product of social "structures, power and culture, and negotiated by practical actors" (218). In doing so, it analyzes how domestic and foreign actors shaped their inclusion in the normative and institutional framework of Central Eastern European states. It also analyzes the role of various kinds of social networks and cultural understanding in shaping the flows of FDIs. Finally, it argues that firms need social networks and cultural understandings to manage uncertainty by building upon firm-level case studies. In sum, the book provides an insightful analysis of the flows of FDIs in Central and Eastern Europe. It shows that calculations of risk and returns are not effective in the rather unstable environments of postsocialist countries: firms must rely on social networks, cultural understandings, and power relations to make investment decisions.

This book is methodologically robust and theoretically insightful. It compares 11 countries, a width rarely seen in the literature, and reports both country-level and firm-level analyses using a multimethod approach. In doing so, it combines a historical institutionalist approach with an elite-driven, instrumentalist approach: institutionalism allows researchers to account for the legacies of communism; instrumentalism permits researchers to analyze the decisions of politicians who are seeking to win and hold power. The theoretical contributions are directly related to the large scope of the comparative analysis and methodology. Following the work of many economic sociologists, Bandelj distances herself from institutional economists because "even if [they] conceptualize a market as an institution, they spend little time elaborating what that entails" (200).

Moreover, she pushes beyond most analyses of both sociology and economic geography, which usually focus on one single social force: networks of social relations. Instead, she looks simultaneously at networks, institutions, cultural understandings, and distributions of power.

488 Bandelj builds upon, and contributes to, a tradition of scholarship that opposes the neoliberal view of the transition from planned to market economies. Jeffrey Sachs, Anders Aslund, Janos Kornai, and others argued that privatization, liberalization, and democratization would have soon led to a successful transition from state socialism to capitalism. In opposition to their view, more progressive scholars argued that the transformation of Central Eastern Europe and the former Soviet Union was a nonuniform, nonlinear, and highly problematic process. Further work analyzed the constant negotiations between “old” and “new” elites, path dependence, and multiple trajectories of economic and social change. In the past decade, Central and Eastern European countries have turned firmly toward foreign investments as a key development strategy. Bandelj’s book has the merit of analyzing the growing role of FDI in the framework built by the earlier literature on postsocialist transformation. It does so by using an accessible language and without obvious flaws. Definitely, this is a must read for both graduate students who are approaching the study of economic geography, economic sociology, globalization, and Eastern European studies and established scholars who are working on postsocialist transformation.

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