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Nina Bandelj *From Communists to Foreign Capitalists: The Social Foundations of Foreign Direct Investment in Post socialist Europe.* Princeton and Oxford, Princeton University Press, 2008

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Rationality, uncertainty and macro-economic change

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Nina Bandelj's exemplary study weaves many of the key propositions of economic sociology into an account of one of the largest and most important instances of market formation in recent history. Bandelj examines the social conditions and determinants of variations in foreign direct investment (FDI) in 11 countries of Central and Eastern Europe, all influenced by the rapid transition from socialist economic institutions in the 1990s. As globalization scholars have shown, FDI flows increased rapidly almost everywhere in the late twentieth century. But FDI inflows in post-socialist countries significantly exceeded global rates from 1995, with the FDI share of gross domestic product (GDP) in

Central and Eastern Europe almost twice the global average by 2004. *SER* readers will not be surprised to learn that this was not due to the simple 'liberation' of markets from unnatural state fetters. What makes this book a model work of economic sociology is the theoretical and empirical range and subtlety with which Bandelj shows exactly how FDI markets were socially constructed.

This social constructionist account of FDI flows is ambitious in several ways. First, macro-economic processes captured in national accounts often seem more remote from the influence of network structure, political interests and cultural discourses than the economic action of firms and industries, and Bandelj's cases and her analyses put social and historical flesh on the bones of macro-economic abstractions, providing an accessible approach to macro-level embeddedness arguments for students and scholars new to the field. Second, and in doing so, she does not limit her analysis to cross-national comparisons, but pursues her case against economistic explanation to the firm level and further, developing a model of investor and host firms as 'practical' rather than 'rational' economic actors. Her examination of the social construction of FDI across different levels of analysis is one of the most important contributions of the book. Third, her extended cross-national research addresses debates about varieties of post-socialist capitalism—'recombinant', 'political', etc.—by suggesting that different countries' policy paths to capitalism create different transition outcomes not generalizable across all the post-socialist countries. Her analyses also have important implications for debates about globalization, and her careful construction of empirical measures could be fruitful for future research in this area as well.

Following an overview of the context of post-socialist transformation—simultaneously a matter of privatization, democratization, regionalization and globalization—the first part of the book examines the differential institutionalization of FDI. Considering a variety of potential reasons that states might encourage FDI, Bandelj finds that 'objective economic conditions' such as budget deficits are inconsequential apart from social context, especially compared to external pressures—an EU agreement and mimetic isomorphism. Also important was the issue of whether privatization policies favoured insiders or outsiders. Political commitment to market reform, and patriotic sentiment, have some lesser effect on whether and when FDI is encouraged (however, the proxy measure of nationalism seems to be a conservative one). Neither can standard economic accounts explain FDI flows: what matters is the creation of institutional foundations, such as the extent of privatization, legitimization of FDI, and political commitment to market reform. As Bandelj argues, states create demand for FDI. The direct comparison of the explanatory power of standard economic incentives with that of institutional foundations confirms some fundamental principles of economic sociology in a satisfyingly lucid manner.

But this is only the beginning of the exploration of FDI embeddedness. Next, Bandelj contrasts economic explanations of FDI flows in terms of host country characteristics with explanations in terms of investor–host relations—political alliances, migration and export networks, and cultural ties. Here, the analysis goes beyond an examination of formal institutional frameworks to confirm the independent significance of historically grounded relational practices for which countries invest where. She argues that these results cannot be explained simply as lowering transaction costs—in part because informal relations are more consequential than formal institutions, and in part because historically grounded relational practices may just as well constrain as enhance economic efficiency.

The overall argument is driven further in two chapters, which move beyond aggregate macro-level analysis to consider firm-level processes and are based on interviews and documentation of 26 FDI attempts in 5 countries, along with a further 10 published cases. First, Bandelj analyses a detailed case history of a Slovenian manufacturer's involvement with American and German firms' FDI attempts, drawing out from the contingencies of the story an analysis of the impact on investment relationships of network embeddedness, cultural embeddedness, conventional and organizational politics and macro-institutional policies. Two important conclusions are evident. First, rational risk/return calculation of profit maximization has very little to do with the process. Second, it becomes meaningless to distinguish social context from economic action: rather, social forces constitute the economic action. This detailed case history, and the figure/ground metaphor Bandelj uses to encapsulate the moral of the story, again provides lucid support for a vision of economic action which economic sociologists have been promoting for some time.

Finally, and perhaps most intriguingly, Bandelj draws on material from her case studies to build a micro-model of economic action which is plausible and well developed enough to provide a genuine challenge to instrumental rational-actor models. To do so, she begins with the postulate that real-world action is always, to some degree, uncertain (and not just risky). She reprizes arguments, such as Fligstein's (2001, Ch. 4), that profit maximization is not necessarily the best way to characterize the goals even of capitalist economic action, which may be much more varied or more modest; and arguments, such as Dobbin's (1994), that what are considered efficient strategies of action are also very varied. Granted, such complications may still be encompassed in a nuanced model of instrumental rational action. However, the real-value added in her argument lies in the point that means and ends are often systematically decoupled in uncertain conditions. [In doing so, she is, I think, showing the fruitfulness of the distinction cultural sociologists make, following Swidler (2001), between culture in discourse and culture in strategies of action.] On this basis, she argues for a typology of economic action which includes not only bounded rationality, but also 'muddling through', commitment and improvization. This theorization helps make better sense of her evidence of firm-level FDI behaviour and seems to provide a theory of economic action to flesh out many other well-known studies of the significance of various forms of embeddedness. For economic sociologists concerned about the micro-level underpinnings of meso-level institutions and macro-level processes, this work provides an important set of directions for future research.

So the overall argument gradually zooms in from macro-institutional foundations to micro-level behaviour, and it is worth canvassing at some length precisely because much of its value lies in the way it reaches across levels of analysis: the whole is ultimately greater than the sum of its parts. Bandelj also resolutely resists restricting her analysis to one type of embeddedness, arguing at several points that such common distinctions as that between network and cultural embeddedness have only limited analytic power. Pushing well beyond the temptation to pursue one line of enquiry at one level of analysis, she sets a benchmark for future empirical studies, suggesting that they will be more powerful when they are more comprehensive.

Of course, a more comprehensive approach risks a certain empirical unevenness, and *From Communists to Foreign Capitalists* does not escape this defect of its virtues. On the one hand, the well-crafted models of the early chapters do make a strong case for the importance of various forms of embeddedness for FDI, but their main point challenges what will be to economic sociologists something of a straw man (although the details of the findings will be productive for future studies of FDI). On the other hand, the later chapters, based on the case studies, are more suggestive than conclusive and could be strengthened with more attention to case selection and generalizability. No case is fully representative, of course, and this is not the point of case analysis, but arguments from cases are more persuasive when they are explicitly situated in a comparative framework which identifies key dimensions of variation. So, for instance, I would have liked to have seen more of an assessment of how the extended Slovenian case in Chapter 5 was likely to be similar and different to cases in other Central and East European countries which varied in timing of EU integration, type of privatization policy and other influential variables identified in the earlier analysis.

Relatedly, the wider selection of cases seems to have been somewhat opportunistic, and the power of the later qualitative analysis—and the typology of practical action—could be strengthened with some explicit reflection on the extent to which the cases and their national contexts capture the range of cross-national variation, which is an important finding of the earlier analysis. Comparative historical methods provide sophisticated tools for strengthening this sort of qualitative analysis, and even where they cannot be integrated into the research design, they can help suggest ways to substantiate claims about generalizability and variability. Future research building on Bandelj's exemplary comprehensiveness should mobilize these tools to avoid the common misperception that qualitative case analysis is 'only' suggestive. Such reflection would also help specify future research questions about how the particular structural, cultural and political threads she finds to be consequential for the outcomes of the case studies might be interrelated under other conditions.

In my view, one of the most important ways Bandelj's argument should be specified and extended in future is by further elaborating on the postulate of uncertainty which underpins her typology of practical action. Unknowable uncertainty is contrasted with calculable risk, of course, and she goes beyond economists' reflections on the problem by noting that uncertainty is not only cognitive but situational. As she makes very clear, a foreign firm investing in a post-socialist economy in the first decade or so after the transition was operating in an extremely uncertain environment. Not only were new exchange partnerships being established, but norms of exchange were in flux (Spillman, 1999). How can we generalize from this rather extreme historical period? Does the empirical focus limit the range of her typology of practical action? Does the instrumental rational actor still flourish in more established or restricted institutional settings [as Smelser (1998) might suggest]? For instance, how would the analysis differ if the relevant norms of exchange were more established and shared, but new partners were being established? And, more generally, whose definition of the situation as uncertain should matter, the theorist's or the actor's?

Thinking through these sorts of questions about the contexts in which instrumental rational action might make sense, and the likely much more numerous contexts when it doesn't, would, of course, take us beyond Bandelj's compelling study of FDI in post-socialist Europe. But by building a platform which helps establish the significance of these questions, Bandelj has given us not only a comprehensive, solidly grounded account of one of the most important macroeconomic changes of the late twentieth century, but also a study of much broader significance for economic sociologists.

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Making the invisible hand visible: evaluating the social-constructivist perspective on FDI in post-socialist Europe

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From Communists to Foreign Capitalists is an appealing read for anyone interested in deeper knowledge about how market economies with large shares of foreign ownership of domestic assets emerged in Central and Eastern European (CEE) countries after the fall of state socialism. The book delves into the construction and functioning of the market economy through incoming FDI in order to empirically examine 'claims about spontaneous market emergence and the asocial nature of market exchanges' (p. 3). The book's empirical scope is impressive, covering 11 post-socialist countries: Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia. The author addresses the integration of these countries into transnational FDI flows and the determinants that structure these flows on the side of investors as well as that of host countries. The main argument rests on the premise that FDI is a relational social process in which the economic action of investors and host country actors is embedded in institutions, networks, power resources, politics and culture. Markets in CEE countries thus did not emerge through asocial economic transactions and 'the invisible hand', but through active roles played by post-socialist states in institutionalizing and legitimizing FDI and through the interplay of investors' and hosts' ties, political considerations and cultural perceptions of economic action.

The assertion that social forces do not merely constrain, but rather constitute the economic action of investors and hosts in inherently uncertain conditions lies at the centre of the social-constructivist framework on action, which Bandelj elaborates. This framework is applied in order to explain the three main questions of the book. The first question concerns the creation of FDI markets in post-socialist countries; in particular, the reasons why particular CEE states opted for particular routes towards FDI institutionalization and legitimation. The book's second question is why different countries received different amounts of FDI, and why particular investors invest in particular host countries. The final question departs from macro-level determinants of FDI and asks how FDI attempts are realized at the level of individual investor firms, and which factors constitute the realization of these organizational attempts.

Addressing the first research question, the author argues that markets in post-socialist countries are socially created institutions. Her analysis shows that 'economic prosperity and stabilization of a country do not exert a significant influence on the initial phases of FDI penetration' (p. 101). Rather, it is the active role played by the visible hand of post-socialist governments, coupled with political choices and the influence of peer states and the European Union, which most significantly shaped the legitimization of FDI as the appropriate strategy in these newly emerged market economies.

In response to the other research questions, Bandelj argues that the economic action of investors and hosts is not geared toward the single goal of profit maximization through stable and *a priori* known rational means–end logic, as expected by instrumentalist economic explanations of action. The author reinforces a social-constructivist perspective on economic action with the practical-actor model and argues that 'depending on the context, [...] actors will hold both economic and non-economic motives for action, and their attempts at instrumental calculations will be mixed with, or even replaced by, affect, value judgments and routine, which *may or may not* lead to efficiency maximization' (p. 6, emphasis in the original). Quantitative empirical evidence that FDI unfolds between countries that have political, migration, trade and historical–cultural relations illustrates the general argument. The actions of investors and hosts are thus not instrumental and do not follow a rational profit motive, but rather are constituted through social, structural, political and cultural influences. In consequence, host countries' economic characteristics signalling risk and return to atomized investors fail to explain cross-country FDI patterns, because foreign investors and hosts are situated in a variety of relational settings that determine the actual FDI flows. In conditions of high uncertainty, which undoubtedly characterizes the early post-socialist conditions, social forces then 'help actors to transform the uncertain, complex mess into a manageable transaction' (p. 169).

In addition, Bandelj maintains that social forces not only constitute actors' preferences, but also affect their stability, because 'means, ends or both means and ends can change during the action process' (p. 182). How exactly social forces structure economic behaviour, if the only thing that is certain is uncertainty, is illustrated through a few qualitative case studies of investor strategies. Whereas some investors have opted for commitment-based action and have purposefully subordinated the profit maximization to social concerns when choosing the host country and location, the action of other investors is better described as muddling through situational contingencies, or even improvising action after the logic of social interaction with host country actors has become familiar to the investor. Bandelj argues that in the uncertain conditions of post-socialist transition, selecting investment locations based merely on the invisible hand of the market, or, in other words, on *ex ante* rational calculations of risk and return, would most often prevent investors from investing in CEE countries.

I do find the book highly interesting, clearly structured and well written. However, the continuous reiteration of the argument for practical rather than rational actors leads me to question the general explanatory power of the social-constructivist perspective and the practical-actor model vis-à-vis the instrumentalist perspective with a rational-actor model. Although Bandelj presents the two models as *alternatives* and substantiates the appropriateness of the social-constructivist perspective, the questions that remain open are whether and to what extent rational action and practical action are mutually exclusive and thus can be really treated as analytical alternatives. Bandelj does not explicitly discuss their mutual exclusivity. At the same time, she admits that practical action is not irrational action. In my view, the author in fact deals with two understandings of rationality rather than with rationality and its alternative. The first one is a narrow instrumentalist perspective on rational actors which sees them as striving for profits as their only goal and engaging in means–ends calculations of appropriate strategies. In this case, the actors' *universally rational behaviour* indicates that they strive for isolation from the social context. The second perspective presents economic action as pragmatic social action, which I would refer to as *embedded rational behaviour* constructed through social forces. In this latter case, actors make embedded rational decisions that are dynamically responsive to concrete situations and informed by social forces. Based on this reasoning, I perceive the practical-actor model as an operationalization of the functioning of a broadly understood rationality in real social worlds, rather than an alternative to rationality itself. Given this shortcoming, I believe that Bandelj's social-constructivist perspective on economic action can be enhanced by a greater analytical openness to the concept of rationality and its operationalization, referring to the variability of actors' substantive goals as well as to the variability of rational procedural logics of economic action. Such an enquiry could strengthen the interdisciplinary debate and mutual learning between economists and economic sociologists and thus enhance the theoretical foundations of the discipline of economic sociology.

My other point of criticism also relates to the generalization of the practical actor model, in particular with reference to investors' choices of where to invest. Bandelj argues that 'contrary to the general equilibrium theory and race-to-the-bottom thesis, [the] analyses show that individual host country characteristics, such as economic potential and growth, political stability and the policy environment, explain relatively little of the variation in flows between pairs of [investor and host] countries' (pp. 122–125). This argument supports the general social-constructivist perspective on investors choosing their investment locations through social forces rather than through market signals and risk calculations. However, the empirical underpinning of this argument rests on a group of post-socialist countries, which in my view do not capture the genuine variation of world-wide economic contexts for investments. Although Bandelj presents a number of differences that put each post-socialist country on a different path-dependent trajectory of reforming the political and economic system, it is questionable whether these countries vary that substantively in terms of their economic development, market signals and efforts in joining the European Union; and whether, on the basis of their limited variation, one can convincingly argue that FDI flows are largely unaffected by the economic characteristics of the host countries.

This is not to say that social forces do not guide investors' actions in the search for a host country. However, to provide an empirical underpinning of the argument of always-embedded action of practical actors, as opposed to the instrumental action of narrowly defined rational actors, the empirical selection of host countries should be modified to capture a broader variation in economic and political conditions. Empirical analysis of FDI flows and investor decisions in genuinely diverse conditions is necessary to corroborate the general validity of the social-constructivist perspective. Bandelj makes a good start in this endeavour, even if her empirical line of reasoning refers to countries whose economic and political conditions are not that different from one another on the global scale. This task of future research is now relevant more than ever because of the current global financial crisis and the potential economic recession, a time when many of the host countries which had, until recently, been attractive are at risk of stagnation of new FDI or even an exodus of foreign investors.

Despite the points of criticism raised above, the author's elaboration of the social-constructivist perspective on the economy, coupled with original empirical illustrations of FDI in post-socialist countries, makes the book a valuable contribution to economic sociology. In particular, the book makes a two-fold contribution. First, its attempt to elaborate, operationalize, measure and document embedded behaviour directly addresses the renowned concept of embeddedness, which Granovetter (1985, 1992) borrowed from Polanyi (1944). Bandelj succeeds in expanding the vitality of the concept by operationalizing and substantiating the social foundations of economic institutions and behaviour through an innovative combination of qualitative and quantitative research methods. The book's second contribution is the author's concurrent scrutiny of the constellations and interrelations of several social forces. A case study of a realized and a failed FDI attempt in Slovenia shows that social forces operate as a constellation of structure, power and culture, rather than one social force dominating others. I agree with Bandelj that a focus on a multiplicity of social forces and attention to their mutual relations is a viable response to possibly counter-productive debates in economic sociology, which underscore one or the other favoured explanatory factor (i.e. networks, institutions, power or culture).

In summary, *From Communists to Foreign Capitalists* offers a great source of inspiration for further elaborating the social-constructivist perspective on the economy and economic behaviour, as well as empirically testing the practical-actor model in other contexts, other places and other times. I believe such steps are essential in order to the general robustness of Bandelj's comprehensive explanatory framework.

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The new economic sociology of FDI—still much to be done

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Nina Bandelj's *From Communists to Foreign Capitalist* exemplifies the work of the new cohort of sociologists that was trained and influenced by the leaders of the New Economic Sociology: DiMaggio, Fligstein, Granovetter, Block and Evans, among others. It provides a valuable exercise in the study of the vitally important subject of FDI in post-communist countries. It is distinguished by its clear argumentation, rigorous statistical analysis and an appreciation of the importance of culture, networks and power in shaping economic action. It is carefully and thoughtfully written, full of compelling quantitative and qualitative data.

The comparative sociology of capitalism in Central and Eastern Europe has recognized the overwhelming importance of FDI in the transition (Eyal *et al.*, 1998; Burawoy, 2001; Staniszkis, 2001; King, 2000, Hanley *et al.*, 2002; King and Sznajder, 2006). Even Stark's theory of recombinant property has been reformulated to emphasize this ownership form (Stark and Vedres, 2007). While a consensus has emerged over its importance, there still exist serious disagreements over its long-term consequences.

FDI was seen by many as a possible solution to the unique challenges facing the transition to capitalism in Central and Eastern Europe. The challenge was how to manage a transition to capitalism in societies that not only were industrialized, but were in fact completely obsolete, in a situation where there was no domestic investor class. Privatization via foreign ownership would solve all of these tasks. Foreign owners would restructure the old outdated industries and integrate them into the world economy. They would provide money and connections to the core of the capitalist world economy and all that entailed—access to the best technology, lowest cost capital, established distribution networks and new managerial talent. Of course, nationalists on both sides of the spectrum drew attention to the possible disadvantages of FDI, including a loss of economic independence, worsening balance of trade deficits, loss of markets for industrial goods and even the privatization of firms to shut down local production and take their market. Despite some resistance, over time FDI has come to dominate the industrial order of the Central European economies. In the 11 countries in Bandelj's book, FDI as a per cent of GDP was 32% in 2003, compared to 21% for developing countries (p. 216). The Central European and Baltic cases are higher still—Estonia with an astonishing 79% and Hungary the second highest at 58%. Of course, while the smaller the country, the greater the likelihood of dominance by FDI, the level in this region still seems exceptionally high.

What Bandelj sets out to explain is not the effect of FDI on growth or restructuring, but rather the determinants of FDI. Theoretically, she aims at neo-classical economics, which she sees as having a drastically under-socialized model of human action, and which posits a rationality which bears little resemblance to actual human cognition, which is of course bounded and influenced by culture and emotion.

The book has three key empirical chapters. The first attempts to explain the legitimation of FDI practices, which is operationalized as establishing an agency for foreign investment plus privatizing large natural monopolies to foreign companies (as a high profile signal of a willingness to privatize to foreigners). I think the variable is fine, since the latter practice strikes me as a good marker of this indeed. However, the mere establishment of an agency doesn't necessarily mean anything (some of the earlier established agencies were in Poland and the Czech Republic, which were much less pro-FDI in their early policy than elsewhere). Bandelj shows that these state actions were explained by external pressures in the form of EU agreements and mimetic isomorphism (measured as the average score of the other countries), as well as by whether the country is 'pro-market' (measured as a dummy with 'Communist' and 'Nationalist' as 1, all other regimes a 0). Newly established states (a proxy for 'nationalism') have a negative effect, as does privatization strategies that favour insiders (this last reason seems a bit tautological, as insiders are by definition opposed to outsiders, foreign or domestic).

Bandelj includes foreign debt, budget deficit and GDP per capita as economic variables which are not statistically significant. She thus concludes that FDI policy is not economically determined, but socially and institutionally determined. I am convinced of the correctness of this analysis, and indeed agree that privatization policy generally was politically determined, and the key considerations concerned political legitimacy (King and Szelényi, 2005).

The next substantive chapter deals with determinants of FDI inflows over time. There is a similar set-up. We have the economic variables, this time GDP per capita, inflation and country credit rating. Then the institutional variables: extent of privatization, legitimation of FDI practice and 'pro-market' regime. As before, the three economic variables have no effect, while the institutional effects are large and statistically significant.

These results are all believable. However, in this case I am not sure that the economists' variables were perfectly represented in the regressions. That is, most economists, I believe, would want to see GDP per unit of territory and level of tariff protection (the higher the level, the greater the incentive to invest via FDI). Still, I don't expect that would change the results very much.

In the next empirical analysis, Bandelj cleverly explains FDI flows between investor and host country dyads, thereby increasing the number of cases and the statistical power of the analysis. Again, the story is the same. Institutions trump economics—the determinants of FDI flows between countries are political alliances, the existence of migration history, trade relations and historical–cultural ties. GDP per capita has no effect. Political stability has a small effect with marginal statistical significance. Trade relations (EU agreements and bilateral investment treaties) lose significance in fixed effects models, leaving the other institutional variables as the explanation. Again, I believe these results, although I would like to see them with the controls I mentioned above to satisfy the economists (although again I doubt they would matter).

In the final empirical chapter, Bandelj shows her versatility by reporting on some qualitative studies of firms in two Slovenian firms and one Polish firm. These show the 'embeddedness' of FDI decisions, in what Bandelj calls Structure–Power–Culture configurations. In short, investment decisions have a lot to do with network connections (instead of rationally weighing options as utility maximizers are supposed to do), which interact with power struggles among coalitions within firms, who in turn call on cultural discourse during this struggle (e.g. Slovenian hatred of Italians and relative tolerance of Germans). These findings are totally believable. They are also a nice balance to the very excellent quantitative analyses.

Bandelj claims that this Structure–Power–Culture framework is superior to the economic model. Most economic sociologists have never doubted this. However, the evidence in the book would also not much bother economists. They would hardly be surprised that some expatriate Slovenes in Canada or Poles in Chicago want to invest in their prior homeland for identity reasons. Nor would they be surprised that people make investment decisions somewhat based on personal connections. In a situation of high uncertainly, such as the first decade after the collapse of Communism, it seems entirely logical for a utility maximizing agent to work through a local comprador to get things done in an unfamiliar environment.

Indeed, the economists would emphasize that Bandelj's case studies are clearly cases of firms trying to find opportunities for profitable activity in the future. They do not resemble the utility maximizing computers of neo-classical theory, of course, but they do resemble rational actors who are trying to, eventually, make a profit. The people are operating under bounded rationality, since they are only human. So, especially in small firms, networks are bound to be crucial in gathering information. Larger firms, with huge resources, come much closer to making the utility maximizing decisions of neo-classical theory. Economists would also say that these institutional variables are like so much randomness injected into the system, and that they are ultimately of no particular consequence. So they contribute to determining which particular firms might go to which countries initially; but in the long-run, they will have just been a blip on the map with global flows of capital and credit recreating the new post-communist capitalist economies constantly as private market actors seek to maximize profits. While some countries were slow to privatize to foreigners, they seem to sell to foreigners eventually. For example, the Czech Republic, which implemented a voucher-based mass privatization plan, had initially low levels of FDI as a result. However, the state had to eventually re-nationalize many firms and re-privatize them, this time to foreigners. But this convergence is occurring in all the countries in Bandelj's study (see the graphs on p. 90).

While *From Communists to Foreign Capitalists* makes a substantial contribution to the economic sociology of post-communist countries, there is much work left to be done on this topic. Let me suggest a partial agenda for researchers on FDI and transition. I would like to see:

(1) A traditional comparative explanation of country trajectories. Bandelj uses pro-FDI policies as the cause, but she makes no attempt to systematically explain the sociological causes of these policies in the different countries.

It would have been nice to explain why Hungary and Estonia were much earlier than their neighbours in attracting FDI. Or why the Central Eastern European countries have higher levels than Southern Eastern Europe or the Former Soviet Union. I think to answer this question would not require additional regressions, but traditional comparative political sociology to explain FDI policy. My strong hunch is that the answer to this would have a lot to do with elite competition (especially the relative power and history of the enterprise managers), a process bound to be influenced by nationalism, and the relative power of reconstituted nomenklatura networks.

(2) Better measures of mechanisms linking FDI to positive or negative outcomes over time. For example, the change in backward and forward linkages to the domestic economy needs to be carefully measured.

(3) Resolving the problem of endogeneity and FDI performance. For example, do the best firms get sold to foreigners, explaining their superior performance? Bandelj's work can be useful in constructing selection models for such analyses. However, I think this question will require firm-level analysis to be decisively answered.

(4) Measuring the interaction of FDI and state/social structures. Do the effects of FDI systematically differ based on the characteristics of the home state or some other social structure? For example, perhaps FDI is only positive in strong states that can make foreign investors keep their promises.

Bandlej's book should serve as an exemplar for economic sociologists when tackling these and other topics on FDI in the post-communist world and around the globe.

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