

# INSTITUTIONAL ECONOMICS





NEW

SZÉCHENYI PLAN

# INSTITUTIONAL ECONOMICS

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## Week 7

“Old” Institutional Economics V  
Comparative Economic Systems

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# Contents

- On comparative research
- Systems
- Varieties of socialism
- Varieties of capitalism
- Varieties of capitalism in Eastern Europe
- French regulation school

# On comparative research

- Comparison of Big Systems: the most influential subdiscipline for decades; “old” institutionalist scholars also compared systems/institutions; today, there is “new” comparative economics, too (see presentation No. 9).
- The diversity of institutions is a basic experience; the institutionalist schools discussed thus far came up with a large number of typologies (Marx: social formations, German historicists: stages of development, Ordo liberals: orders, etc).
- Difficulties of classification
  - Types: internal similarity versus external difference
  - Taxonomy and causal comparison
  - Static and dynamic comparison

# On comparative research (cont.)

- Qualitative and quantitative comparison
- Systemic difference as historical difference?
- Comparing rhetoric with reality
- Levels of comparison: economic systems/subsystems/mechanisms and/or constitutions/regimes/institutions
- Pure and mixed types; ideal and real types
- Comparative variables: ownership, centralization, coordination
- Contribution of behaviorism: preferences, incentives, information, interests, environments
- *desiderata and odiosa*

# On comparative research (cont.)

- A short history of comparative research
- Adam Smith, Karl Marx, Max Weber, Joseph Schumpeter, Talcott Parsons, Niklas Luhmann, Anthony Giddens, Richard Sennett, etc: theories of capitalism in the background
- Models of capitalism and communism in the “calculation debate”; the notions of *Wirtschaftsstil* and *Wirtschaftsordnung* in German Historical School and Ordo liberalism; Ludwig Mises, Friedrich Hayek, spontaneous order and *catallaxy*; Paul Hensel and the Marburg School
- Comparative Economic Systems; Károly Polányi, Michel Albert and Gosta Esping-Andersen; Tjalling Koopmans, John Michael Montias, Alec Nove és Peter Wiles; *Varieties of Capitalism* and its Eastern European ramifications; systems of János Kornai

# On comparative research (cont.)

- Transition from one system to another; East-West, North-South comparisons
- "Old" and "new" comparative research; law, politics and culture as comparative variables
- Spectacular comparison of capitalist models:
  - Albert (Rheinland versus Anglo-Saxon types)
  - Esping–Andersen (liberal, corporatist, social democratic and – Mediterranean welfare states)
  - Hall-Soskice (coordinated and liberal market economies)
  - Amable (market-based, social-democratic, Asian, continental-European, South-European capitalisms)

# Systems

- *Comparative Economic Systems (CES)*
- Main authors: Morris Bornstein, Gregory Grossman, William Duffy, Tjalling Koopmans, Egon Neuberger, Alec Nove, Jan Prybyla, Hans-Jürgen Wagener, Peter Wiles
- Journals: *Journal of Comparative Economics, Comparative Economic Systems, Comparative Economic Studies*
- Weber's question (why is there no capitalism in China?) was modified: why is there no capitalism in the Soviet Union?
- Cold War-style discipline: binary approach, political biases, overlapping with Sovietology; despised by mainstream economists
- Failure: unable to predict the collapse of one of its own pillars, communism; its typology of capitalism remains superficial

# Systems (cont.)

- Paradox: CES does not disappear with the end of communism; is taught all over the world: Paul Gregory and Robert Stuart, *Comparing Economic Systems in the Twenty-first Century*, 2004
- Demand for East-West comparisons: surviving communist regimes (above all, China), post-communist transformation in Eastern Europe, BRIC-states, etc
- Moderate changes: less on communism but the “model countries” remain the same (US free-market capitalism versus the European welfare states, Japan)
- The “reform-socialist” countries of Eastern Europe come under the heading of “new capitalisms”.

# Systems (cont.)

- The methodology hardly changes as well:
  - Non-formalized comparison of Big Systems
  - Static view
  - National types as ideal types
  - A few conventional variables (e.g., state versus the market, centralization versus decentralization)
  - Richard Carson, *Comparative Economic Systems*, 1997;  
Stephen Gardner, *Comparative Economic Systems*, 1998,  
Bernard Chavance: *The Transformation of Communist Systems*, 1994
- CES in Hungary after 1989: Bara–Szabó (eds):  
Összehasonlító közgazdaságtan, 2006
- Marburg School: going back to Ordo liberalism and ahead to constitutional economics (from Hensel to Vanberg)

# Systems (cont.)

- A strange development: Kornai rehabilitates system-based comparison
- "System paradigm" as innovation? Returning to Grand Theory?
  - Marx, Weber, Mises, Hayek, Polányi, Schumpeter and Eucken as sources
  - The system as a whole is to be studied; interdisciplinary research; the individual preferences are produced by the system; focusing on Big Transformations; qualitative (non-mathematical) comparison
- System prototypes under communism:
  - Revolutionary transition
  - Classical system
  - Reform system
- Real or ideal types?
- Point of salience: did a classical system ever exist?

# Varieties of socialism

- *Comparative Socialist Systems, CSS*: too little too late?
- In the middle of the 1970s: challenging the binary and static nature of CES (Carmelo Mesa-Lago and Carl Beck (eds), *Comparative Socialist Systems*, 1975)
  - New comparative variables: mobilization, incentives, preferences, etc
  - Introducing the concept of rationality
  - Attempts at measurement: distances and gravitation of the individual models
- Eastern European versions of CSS: historical comparisons (Brus); a four-stage sequence (war communism, NEP, Stalinist planning, market socialism); plan-and-market discourse
- Bauer's and Soós' original attempt: a comparative analysis of business cycles under communism
- Otherwise: static reform typologies (Peter Wiles, Alec Nove, Kornai János, Marie Lavigne, Helmut Leipold, Radoslav Selucky, Joseph Wilczynski, Jan Zielinski)

# Varieties of capitalism (cont.)

- *Varieties of Capitalism (VoC)*: between “old” and “new” institutionalism
- Peter Hall and David Soskice (eds), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, 2001
- After 1989: finally one can make a non-biased comparison between the “really-existing capitalisms”
- Objectives: comparing advanced capitalist institutions; obtaining an empirically rich yet elegant typology; focusing on firms (production)
- Main comparative dimensions: inter-firm relations, governance, capital markets, education, collective bargaining

# Varieties of capitalism (cont.)

- Why does institutional diversity not disappear?
- Identifying patterns of “institutional complementarity” and “comparative institutional advantage” (micro-foundations); well-calibrated institutions; horizontal institutional relations
- In the last analysis: just two main types (liberal versus coordinated market economies); Mediterranean type?
- Continuous refinement: hybrid cases, mixed, regulated, state-centered market economies

# Varieties of capitalism in Eastern Europe

- A fresh research program, experimental phase: Bohle, Cernat, Greskovits, King, Lane, Szelényi, etc
- Beginnings (Stark and Bruszt): “pathways“; critique of neoliberalism; simultaneous study of economic and political institutions; path dependence, *bricolage* and recombinant institutions
- Assumptions: the institutions are fluid; dependence on the world market, the state’s capacity is small, and strong ideologies are at work; thus, new variables should be included in the VoC model: industrial policy, transnational companies, national identity, populism, social policy (Latin-America as analogy)
- New types: state-crafted, world-market-driven and embedded neoliberalism, neocorporativism, “capitalism from below, from above and from without“, “hybrid“, “patrimonial” and “liberal” capitalisms

# French regulation school

- Born in the 1970s, Marxist roots (exchange, wage labor, capital accumulation), post-keynesian influence: Boyer, Coriat, Lipietz, etc
- Boyer, *Théorie de la régulation*, 2004
- Searching for a theory: historical interest (*Annales*, instead of the German and American institutionalists), strong criticisms against neoclassical theory; historical macroeconomics?
- Accumulation regimes and modes of regulation; (endogeneous) crises
- Main institutions/regulations: finances, labor market, competition, foreign trade, etc
- Institutions as institutional compromises; importing institutions, hybridization
- National types of capitalism (VoC?): market-based, corporatist, social-democratic, statist types of regulation

# Readings

## **Mandatory**

Hall and Soskice (eds): Varieties of Capitalism, 2001 (chapters)

Kornai: A rendszerparadigma, 1999

Bohle and Greskovits: Neoliberalism, embedded neoliberalism and neocorporatism, 2007

Szelenyi and King: Post-Communist Economic Systems, 2005

## **Additional**

Amable: The Diversity of Modern Capitalism, 2003 (chapters)

Gregory and Stuart: Comparing Economic Systems in the Twenty-first Century, 2004 (chapters)

Mesa-Lago and Beck (eds): Comparative Socialist Systems, 1975 (chapters)

Boyer: Théorie de la régulation, 2004 (chapters)

# Annex

## Biographical sketches

- Kornai
- Wiles

## Final questions

- Predecessors/successors of the school
- Friends and foes
- Discoveries
- Changes in the research program