

INSTITUTIONAL ECONOMICS

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Week 7

“Old“ Institutional Economics V Comparative Economic Systems

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
- 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*
- 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
- 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
- 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“.
- 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)
- 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 (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
- 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