Objectives

1. To introduce an inter-disciplinary approach in economic studies

2. To provide international/cross-cultural understanding of some of the contemporary economic realities around the world

3. To enhance strategic thinking (grasping complexity, exploring the future through strategic foresight, scenario planning...)

What is Comparative Economics?
What is Comparative Economics trying to compare?

In the general public imagery and in mass media, almost everywhere, countries are classified as “rich” or “poor”, “highly developed” or “developed” or “developing” or “underdeveloped”, “advanced” or “backward”...

Economy is perhaps the most forceful element in defining the position of a (any) country in public opinion.

Culture, politics, law, art, science or technology do not enjoy the same status despite their vital importance and despite their direct and often determinant role in the economy.

But most economic comparisons are just numbers which are gross, inaccurate and de-contextualized.
‘Comparative Economics’ in 20th Century

In the last half of 20th century Comparative Economics was born and developed on a very different political ground-reality: the dichotomy of “capitalism” vs. “socialism” “free-market” vs. “state command”, as occupying opposite ends of an economic spectrum.

The economic systems were compared through a combination of attributes and policy options:

1. decision-making - centralize or decentralized
2. provision of information and coordination - market or state planners
3. property rights - private or public or cooperative
4. Incentives - moral or material.
## Conventional Attributes of Economic Systems

<table>
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<th>Attributes</th>
<th>Options</th>
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<td>Decision-making Structures</td>
<td>♦ Centralization</td>
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<td>Provision of Information and</td>
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<td>Incentive System</td>
<td>♦ Moral</td>
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<td>♦ Material</td>
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# The 20th Century Classification of Economic Systems

<table>
<thead>
<tr>
<th>System Attributes</th>
<th>CAPITALISM</th>
<th>MARKET SOCIALISM</th>
<th>PLANNED SOCIALISM</th>
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<tr>
<td>Decision-making Structure</td>
<td>Primarily Decentralized</td>
<td>Primarily Decentralized</td>
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<td>Mechanisms for Information and Coordination</td>
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<td>Incentives</td>
<td>Primarily Market</td>
<td>Material and Moral</td>
<td>Material and Moral</td>
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</table>
System Variants: Capitalism and Socialism

The Circular Flow: Markets

- Firms
- Government
- Households

Goods and Services
Payment for good and services
Spending
Taxes
Payment for Factors
Factors

PRODUCT MARKETS
FACTOR MARKETS
System Variants: Capitalism and Socialism

The Hierarchical Command Economy (e.g. Soviet Gosplan)

- Political Authority
- Planners
- Ministry A
- Ministry B
- Ministry C
- Ministry D
- Firm I
- Firm II
- Firm III
The 20th Century World of Political Economy

The “free” market block

The social democratic sub-system

The “socialist” block

The “Third World”
Union of Soviet Socialist Republics and other countries of the “socialist” block
The World-system: Culture Areas, Trade Links
(il Sistema-mondo)
The “socialist” block after 1991 (in transition)
New Geo-Economics

Rim-land (global economic mainstream: urban, peri-urban and industrial areas)

Hinterland (the rural interior)

Waste brought from the rimland + waste created in loco (mining, experiments); special repository of nuclear and other serious wastes

Heart-land (the extreme lands)

Resources

Waste

Resources

Resources

Waste
Economic Differentiation and Social Change
Socio-economic systems change all over the world (as an anthropologist views it)

- **Innovation**
  - **Institutionalization**
  
  Modification and/or re-combination of the existent elements of culture (continuity, evoluzione)

- **Attempt**
  - **Invention**
  
  Trial-and-error learning, induction of new elements in culture (discontinuity, revolution)

- **Imitation**
  - **Interaction**
  
  Introduction of elements from the outside (other cultures) and their elaboration within (acculturation)

- **Assimilation**
  - **Adaptation**
  
  Interaction of endogeneous and exogenous elements (search of a functional equilibrium)

- **Breakdown**
  - **Breakthrough**
  
  Rapid discontinuous changes, search of adaptive strategies, new visions, new ways...
Factors Underlying the Broadest Pattern of History

ULTIMATE FACTORS

HABITAT

many suitable wild species

ease of species spreading

many domesticated plant and animal species

food surpluses, food storage

large, dense, sedentary, stratified societies

technology

PROXIMATE FACTORS

horses

guns, steel swords

ocean-going ships

political organization, writing

epidemic diseases
‘Comparative Economics’ in the 21st Century

The new Comparative Economics has begun its course moving around “transition” (referring to ex-socialist economies), “national variations” (national policy-making), “cultural and institutional frameworks” (social system), “new and emergent” (referring to rapidly developing, economies) and “performance” (output).

Even the new course is quite problematic.

All economies, not just the ex-socialist ones, are in transition.

The national policy variations and cultural and institutional frameworks reflect local history, interests and consensus which are difficult to universalize and categorize.

Economic performance (output) is difficult to measure because the quantitative monetary terms are insufficient.
Purely capitalist (free market) or purely socialist (state command, centrally planned) systems never really existed.

The features and ingredients of different economic systems do co-exist within a single system in varying combinations and prevalence.

Consequently, we have some questions to consider:

**What are the central features that distinguish an economic system?**

**Why do they differ?**

**How different economic systems (co)exist?**

**How can we measure the performance of an economic system? What is relevant and, at the same time, measurable?**
• **Economic system – Conventional Definition**

• An **economic system** is a mechanism (?) which deals with the **production**, **distribution** and **consumption** of **goods** and **services** in a particular **society**. The economic system is composed of **people**, **institutions** and their **relationships**. It addresses the problems of **economics** like the allocation and scarcity of the resources. **The division of economic systems**

• There are several basic questions that must be answered in order to resolve the problems of economics satisfactorily. For example, the scarcity problem requires answers: what to produce, how to produce it, and who should get what is produced. An economic system is thus a way of answering these basic questions. Different economic systems answer them differently. Please note that there is often a strong correlation between certain **ideologies**, **political systems** and certain economic systems (for example, consider the meanings of the term "**communism**"). Many economic system overlap each other in various areas (for example, the term "**mixed economy**" can be argued to include elements from various systems). There are also various mutually exclusive hierarchical categorizations. The four most basic and general economic systems are:

• **Market economy** (the basis for several "capitalismt" systems)
• **Mixed economy** (arguably the "centrist" economic system)
• **Planned economy** (the basis for several “socialist” system)
• **Traditional economy** (a generic term for thearchaic and pre-modern economic systems)

• An economic system should be considered a part of the social systemm closely knit with **legal system**, political system and culture
The concept of ‘economic system’

Economy is closer to ‘system’ (organic, vital, evolving, not totally controllable…) rather than to ‘order’ (construct, structured, controlled…).

An economic system contains a complex set of interactions among some key-components:

**Factors** are the given material and geographical conditions (resources, limits, environment, population, neighbourhood, geopolitics…). They have a strong influence on society’s adaptive response and thus to the economic policies and performance.

**Actors** are the human subjects who make choices and take decisions that affects economy; they are producers, consumers, regulators, traders, savers, investors etc.

**Values** are the non-material conditions (memory, identity, weltanschauung, beliefs, customs, taste…) constitute the basis of social consensus and the blueprint for behaviour, therefore they exert strong influence on policy and decision-making processes.

**Institutions and policies** are the conscious and voluntary arrangements that reflect the adaptive response of a society vis-à-vis factors and values.

**Rapid discontinuous changes** are the unforeseen happenings that affect people’s lives, and are usually beyond human control (e.g. epidemics, accidents, disasters…). They defy forecast and preparation based upon knowledge and judgements of the past and present.

Any economic system is the ever-changing outcome of the interplay among these key-components, therefore an economic system manifests itself as a complex magma containing many unintended consequences.
Economic Life “As Lived”

Contingencies
Emergencies
(Problem, trends, issues)

Structures and Components
(Factors, institutions, actors)

Values, Model
(Paradigm)

Threshold of obvious:
even “real life”
experience level

Economic System “As Analyzed”
Figure 1
Total Productive System of an Industrial Society
(Three-Layer Cake with Icing)

GNP-Monetized
1/2 of Cake

Top two layers
Monetized, officially measured GNP generates all economic statistics (15% "underground" illegal, tax-dodging)

Non-Monetized
Productive 1/2 of Cake

Lower two layers
Non-monetized altruism, sharing "caring economy" subsidizes top two GNP-cash sectors with unpaid labor and environmental costs absorbed or unaccounted, risks passed to future generations

Official Market Economy
All Cash Transactions

"Private" Sector
Production, employment consumption, investment, savings

Defense, state and local gov't
"Public" Sector
Infrastructure (roads, maintenance, sewers, bridges, subways, schools, municipal government)

Cash-Based "Underground economy" tax dodges

"Sweat-Equity": Do-it-yourself, bartering social, family, community structures, unpaid household & parenting, volunteering, sharing, mutual aid, caring for old and sick, home-based production for use, subsistence agriculture

Mother Nature
Natural resource base - absorbs costs of pollution, recycles wastes if tolerances not exceeded.

GNP sectors' "external" costs hidden (toxic dumps, etc.)

GNP "Private" Sector
rests on

GNP "Public" Sector
which rests on

Social Cooperative
Caring Economy
which rests on

Nature's Layer

GNP–Monetized ½ of Cake

Top two layers
Monetized, officially measured
GNP generates all economic statistics (15% underground illegal, tax-dodging)

Non–Monetized Productive ½ of Cake

Lower two layers
Non monetized altruism, sharing “caring economy” subsidizes top two GNP-cash sectors with unpaid labour and enviromental costs absorbed or un-accounted, risks passed to future generations
Official Market Economy

1. "Private" Sector
2. "Public" Sector
3. Cash-based
4. Sweat-equity

Mother Nature

GNP "Private" Sectors rests on GNP "Public" Sectors which rests on Social Cooperative Caring Economy which rests on Nature's Layer
Official Market Economy

“Private” Sector

“Public” Sector

Cash-based

Sweat-equity

Mother Nature

All cash transactions

Production, employment, consumption, investment, savings

Defence, state and local gov’t, investment, savings.

“Public” Sector Infrastructure (roads, maintenance, sewers, bridges, subways, schools, government)

“Underground economy” tax dodges
Do-it-Yourself, bartering social, family, community structures, unpaid household & parenting, volunteering, sharing, mutual aid, caring for old and sick, home-based production for use, subsistence agriculture

Natural resource base - absorbs costs of pollution, recycles wastes if tolerances not exceeded. GNP sectors’ “external” costs hidden (toxic dump, etc…)
UNDERSTANDING THE ECONOMIC SYSTEMS

The Global System (human societies beyond the borders of nations, and their planetary ecosystem effects)

The International System (including evolving treaties, agreements and unions between nations)

The Nation-State (sovereignty and domestic economic domains)

The Corporate System (business companies, characters and governance)

The Provincial and Local Systems: small businesses, entrepreneurial districts (business clusters), local governments, community organizations…

The Civic Society (voluntary, non-profit groups, the civil sectors from local to global)

The Family-Household-Individual (the ultimate economic unit that follows patterns of culture, identity, organization, collective imagery and behaviour)
The ultimate ground for Comparative Economics is the economic system in its total context, i.e. habitat, business, comunitas and ethos. As for the uniqueness of the total context, any economic system is a singular and peculiar reality that can not be compared as a whole with/against any other economic system.

So the safe course is to conduct empirical understanding of the inter-system reality (the world-system) first so the role and place of each single system is properly contextualized; then a thorough empirical survey of individual systems of interest, and only then to attempt a parallel overview between/among the selected systems.

Inter-system reality, system survey and parallel overview may enable us to discern the ‘comparables’ from the ‘non-comparables’. Once the ‘comparables’ (themes) are sorted out the process of comparison (thematic) becomes easier.

One day, perhaps, we may go beyond the thematic comparison and to venture inside the diverse paradigms (ultimate idea-force) that sustain different economic systems and political orders.

Paradigmatic comparison after thematic comparison? Well, then, we will be crossing away the boundaries of economics.