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Università Carlo Cattaneo (LIUC)
ITALY

COMPARATIVE ECONOMICS
(Sistemi Economici Comparati)

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What is 'Comparative Economics' trying to compare?

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

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”...

But most economic comparisons are just numbers which are gross, inaccurate and de-contextualized.

Therefore, any comparison of economic systems must include also empirical (field/context-level) evidences and explain the hard (numbers) in the proper framework of field/context.

Economics

1520-1530, in French *economie* < from Italian *economia* (= *parsimonia*, thrift)

From Latin *oeconomia*, derived from ancient Greek *oikonomia* = *oikos* (= household) + *nomia* "management," also "thrift"

From ancient Greek **οἶκος**, plural: **οἴκοι** (= house, household) - English prefix **eco-** for **ecology** and **economics**)

Oikonomos (ancient Greek) = "manager, steward," from *oikos* "house" (cognate with Latin *vicus* = district, *vicinus* = near) - old English *wic* "dwelling, village" + *nomos* = "managing"

"Wealth and resources of a country" (short for political economy) is from 1650s.

經濟 (*jing-ji*)

अर्थ-व्यवस्था (*artha-vyavasthā*)

‘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.

Conventional Attributes of Economic Systems, as conceptualized in the late 20th Century

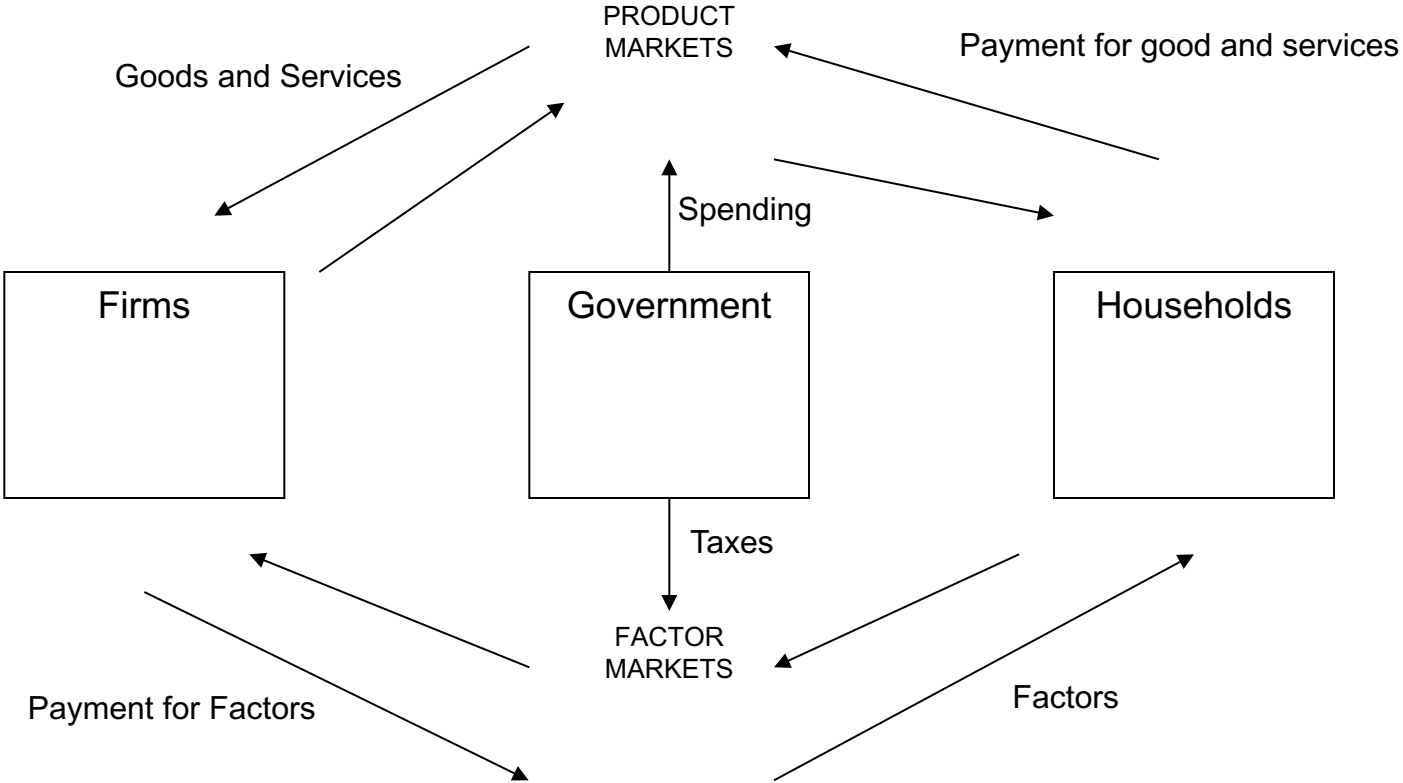
Attributes	Options
Decision-making Structures	◆ Centralization ◆ Decentralization
Provision of Information and Coordination	◆ Market ◆ Central Planning
Property Rights	◆ Private ◆ Cooperative ◆ Public
Incentive System	◆ Moral ◆ Material

The 20th Century Classification of Economic Systems

System Attributes	CAPITALISM	MARKET SOCIALISM	PLANNED SOCIALISM
Decision-making Structure	Primarily Decentralized	Primarily Decentralized	Primarily Centralized
Mechanisms for Information and Coordination	Primarily Market	Primarily Market	Primarily Plan
Property Rights	Primarily Private Ownership	Primarily Collective Ownership	Primarily State Ownership
Incentives	Primarily Market	Material and Moral	Material and Moral

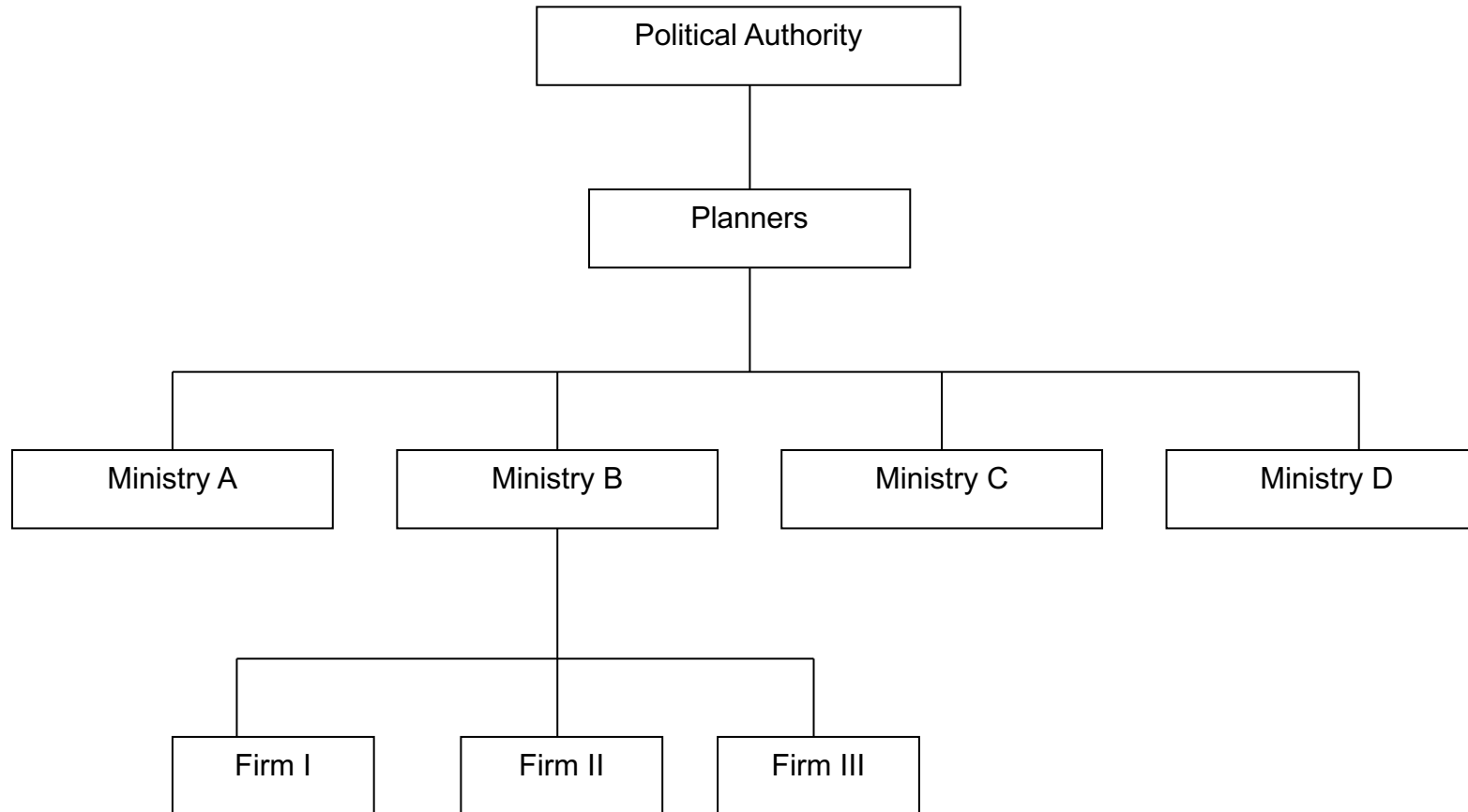
System Variants: Capitalism and Socialism

The Circular Flow: Markets

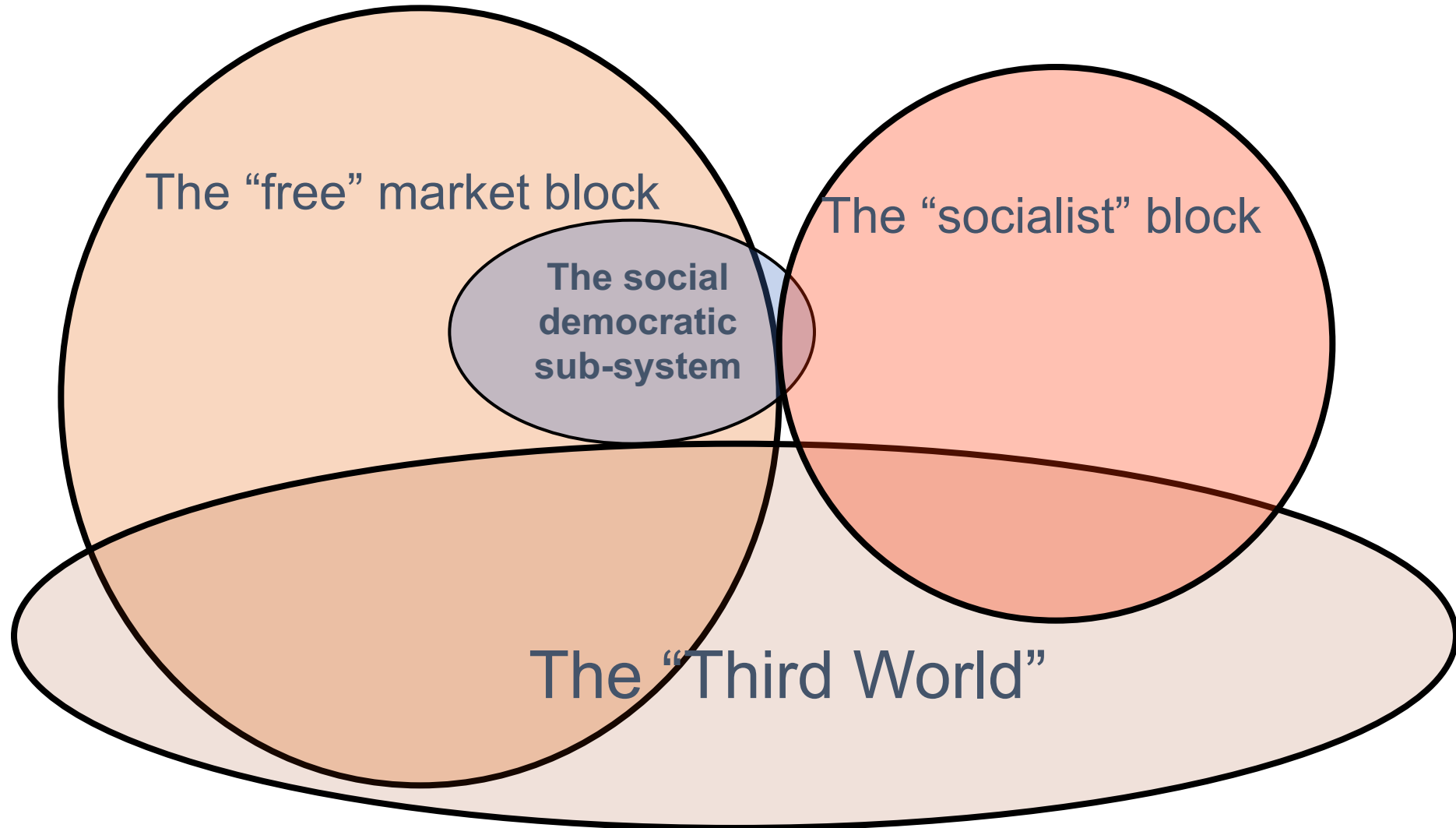


System Variants: Capitalism and Socialism

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



The 20th Century World of Political Economy



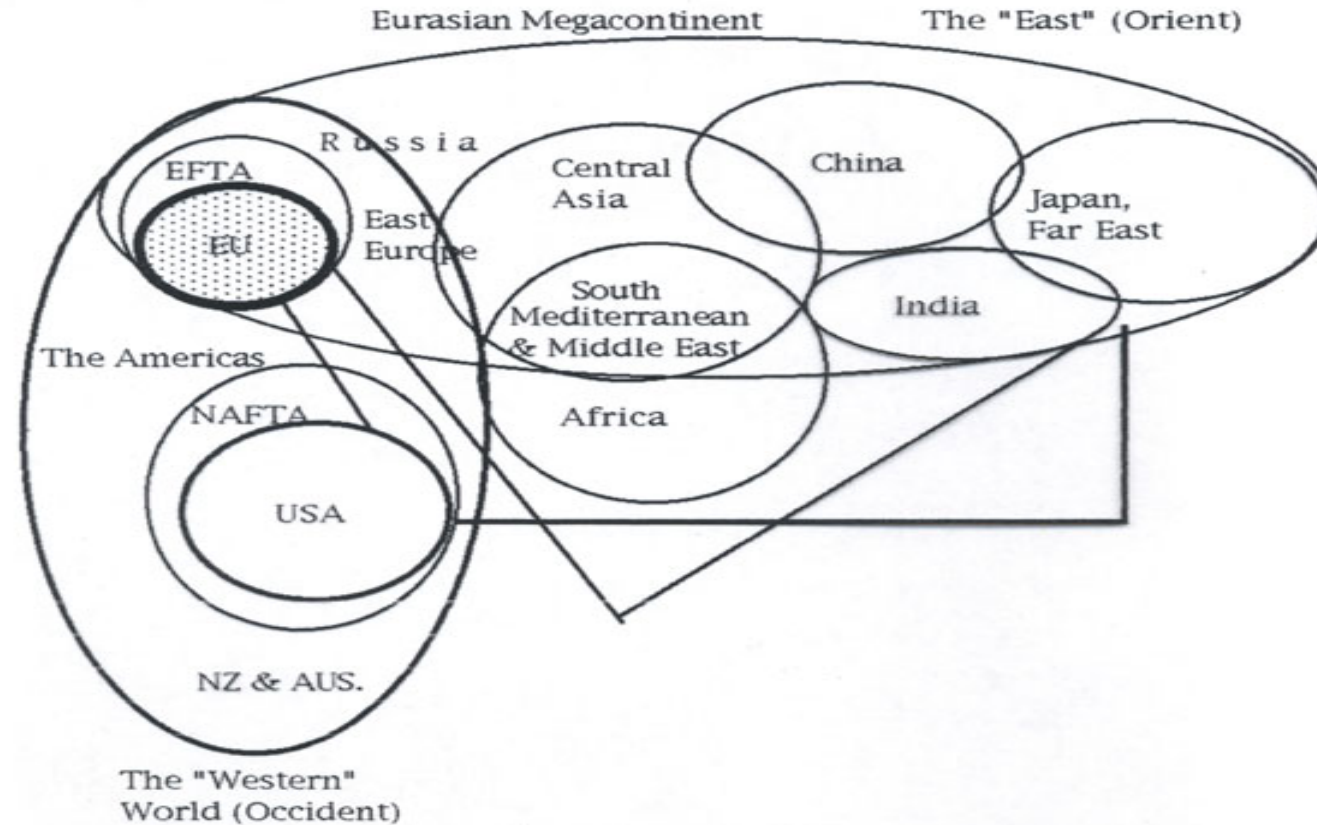
By the end of 20th century, the geo-political basis of conventional **COMPARATIVE ECONOMICS** changed fundamentally. The USSR and most other countries of the “socialist” block (except North Korea and Cuba) headed towards “free” market economic system in early 1990s. So Comparative Economics has entered a new phase.

All economies, not just the ex-socialist ones, are in transition. No economic system is a fixed frozen reality. Economic differentiation proceeds along with the social change.



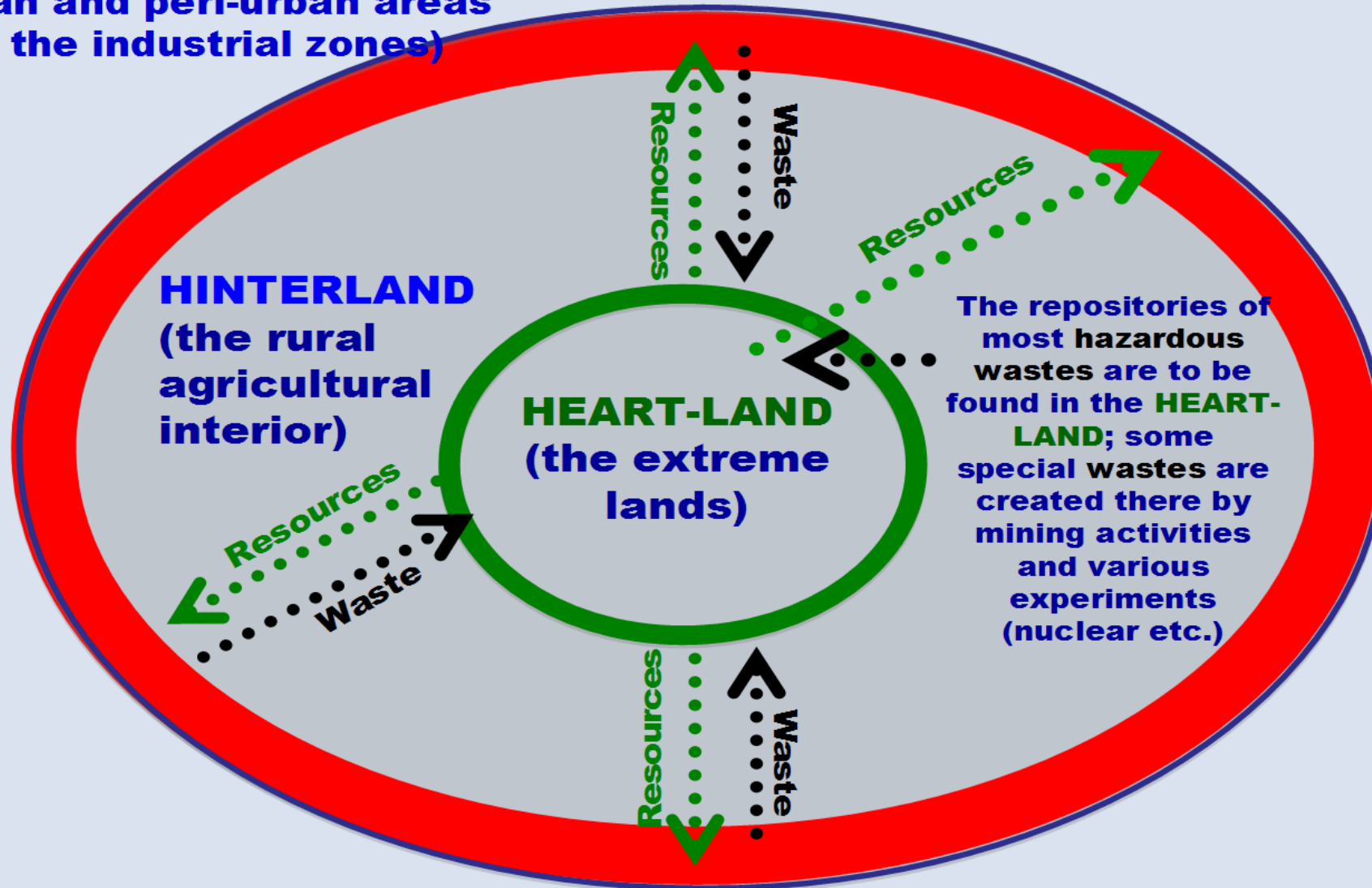
New global economic reality (early 21st Century)

The World-system: Culture Areas, Trade Links (il Sistema-mondo)



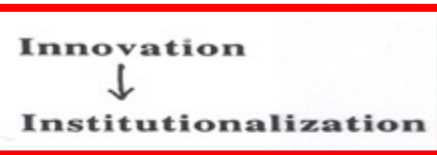
New Geo-Economics

RIM-LAND (the global economic mainstream: urban and peri-urban areas and the industrial zones)

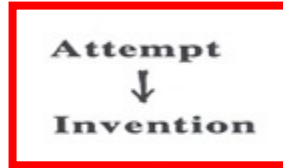


Economic Differentiation and Social Change

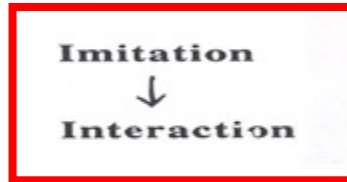
Socio-economic systems change all over the world (as an anthropologist views it)



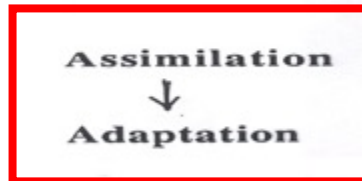
Modification and/or re-combination of the existent elements of culture (continuity, evoluzione)



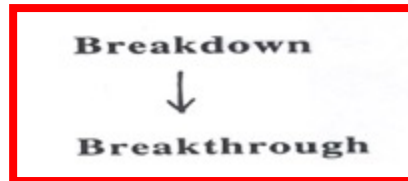
Trial-and-error learning, induction of new elements in culture (discontinuity, revolution)



Introduction of elements from the outside (other cultures) and their elaboration within (acculturation)



Interaction of endogeneous and exogenous elements (search of a functional equilibrium)



Rapid discontinuous changes, search of adaptive strategies, new visions, new ways...

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.

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. There is often a strong correlation between ideologies, political systems and economic systems.

Many economic systems 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 "capitalist" systems)**
- **Mixed economy (arguably the "centrist" economic system)**
- **Planned economy (the basis for several "socialist" system)**
- **Traditional economy (a generic term for the archaic and pre-modern economic systems)**

An economic system should be considered a part of the social system closely knit with environment, legal system, politics and cultural traditions.

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)

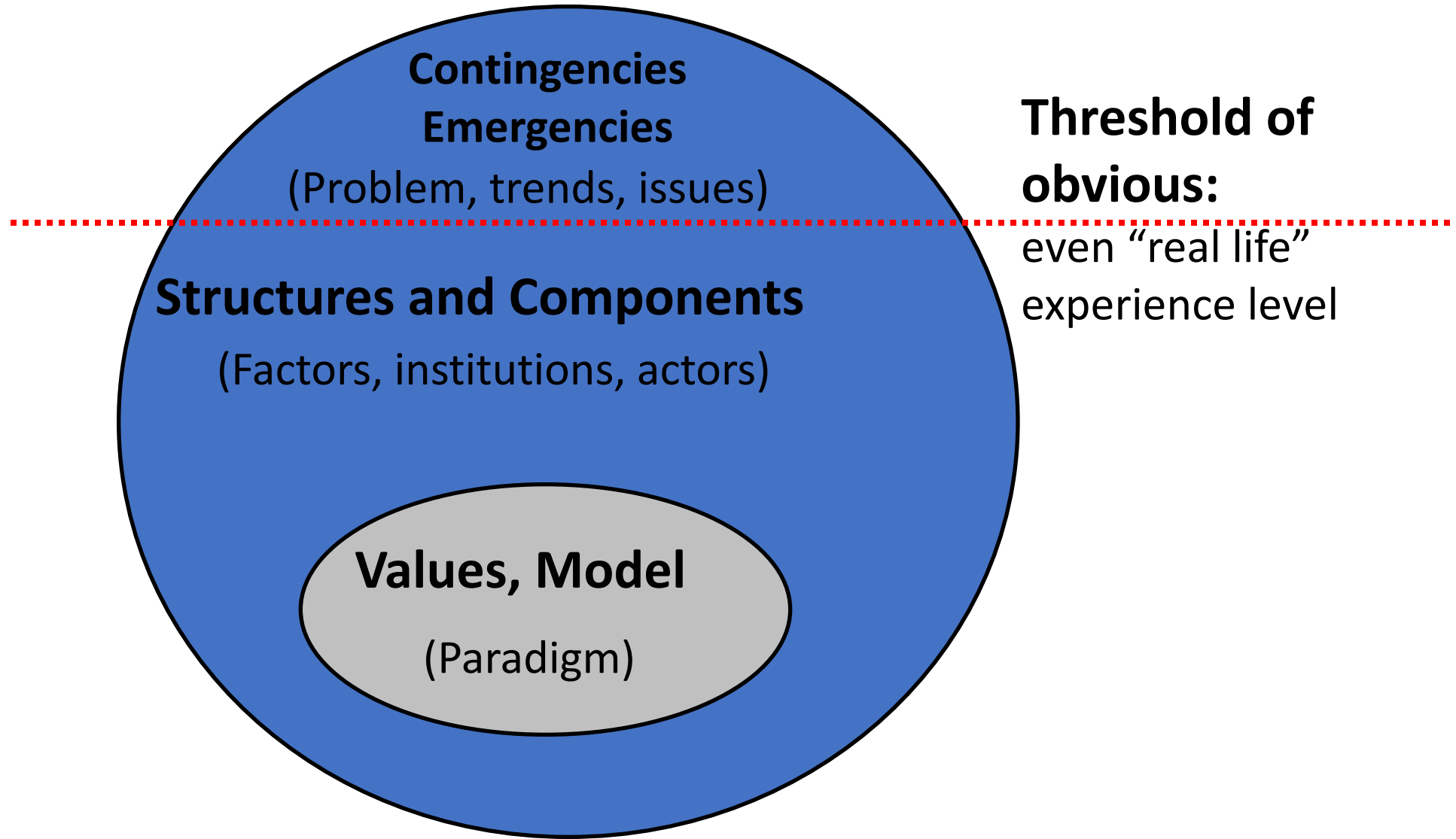
The Corporate System (business companies, characters and governance)

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)

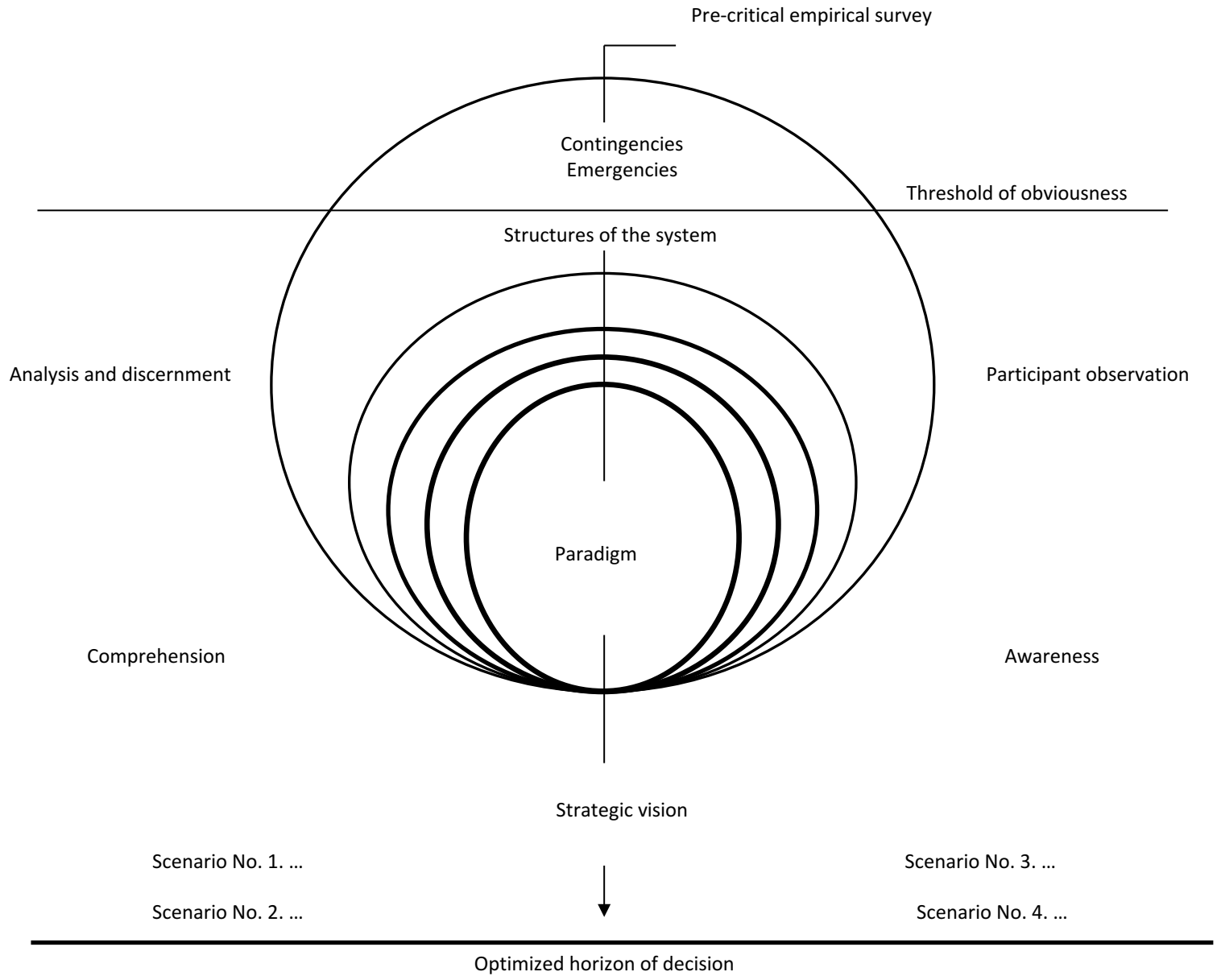
The Family-Household-Individual (the ultimate economic unit that follows patterns of culture, identity, organization, collective imagery and behaviour)

Economic Life “As Lived”



Economic System “As Analyzed”

Economic system survey



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.

Focal points to survey a system

- **Habitat** (factors, conditions)
- **Business** (activities and actors)
- ***Comunitas*** (demographic trends, society, institutions)
- ***Ethos*** (culture, aspirations, values)

Figure 1
Total Productive System of an Industrial Society
(Three-Layer Cake with Icing)

