

The Tasks Ahead in Comparative Economic Studies: What Should We Be Comparing?

Philip Hanson

Abstract : The field of comparative economic studies has been adapting to the changing circumstances of recent decades, but prospects for the future of the subject merit discussion. The relationship between economic analysis of transition and comparative studies is reviewed. The development of comparative economic analyses of developing and established capitalist economies in “adjoining fields” of study is noted. Two major research issues for the future are put forward. A brief, pilot study of institutional influences on national business climate is described.

[Keywords : comparative economics, varieties of capitalism, transition]

1. Introduction

What should we be comparing these days? I will start by looking back at the subject of comparative economic systems as it was practised in simpler times – during the Cold War. Then I shall consider the consequences for the subject of all the changes there have been. That will lead to a brief review of what we might call adjoining fields of study. I shall try to answer the questions: what is the core of comparative economic studies? Under what headings is such work now being done? What are the main directions of this work? Then I shall outline the leading issues that we should, in my judgement, be addressing, and offer a few preliminary observations on one of those issues: are there sustainable forms of capitalism that differ substantially from the Anglo-Saxon model of shareholder capitalism?

2. Comparative Economic Systems in the Cold War

Like other comparativists of my generation, I began teaching courses in comparative economic systems at a time when the developed world was divided between two competing social and ideological systems, communism and capitalism.

Comparative Economic Systems was quite a popular undergraduate course – if any economics course can be popular – in the US. I started teaching it in Britain, at Birmingham University, in the 1970s. The usual undergraduate course was about countries. We could have studied companies as systems, but that was left to management specialists and others (e.g., Drucker, 1978). We could have studied cities as economic systems but that was left to urban planners and social critics (e.g., Jacobs, 1985). We did nations¹⁾.

More precisely, we studied the consequences for the functioning of national economies of major differences in the institutional arrangements with which they operated. This is a behaviourist’s definition: in other words, it is simply a summary of what we actually did, in research and teaching, under the heading of comparative economic systems, during the 1960s, 1970s and 1980s. We did not usually address the causes of these institutional differences. There were occasional studies of, for example, the role of ideology in Soviet economic practice – which was one possible origin of a distinct set of institutions – but they were not a major part of the field. Economic histories of the USSR, say, or China might have a good deal to say about the origins of a specific set of institu-

tions, but we didn't label them Comparative Economic Studies.

Nor did we, by and large, address the question of how economic institutions changed over time. I think it is fair to say that we were engaged primarily in comparisons of sets of institutions that we treated as given: *Economic Institutions Compared*, to quote the title of a characteristically erudite and unconventional book by the late Peter Wiles (Wiles, 1977). A textbook by Neuberger and Duffy, *Comparative Economic Systems: A Decision-making Approach* (Neuberger and Duffy, 1976), will serve to exemplify a more mainstream exposition of the subject: the authors classified economies, and then analysed their functioning, by reviewing their decision-making, information and motivation structures. They considered the implications of different structures for economic behaviour, and then looked at the outcomes in particular national economies.

Institutions were then, and still are, fundamental to the subject. Let me therefore say at this stage what I understand by economic institutions. Here I will follow Paul Hare, whose discussion of the subject is hard to improve on (Hare, 2001). Economic institutions, he says, are social arrangements that regulate economic behaviour in ways that may not coincide with short-run individual preferences; they are based on shared expectations derived from custom, trust and law; they are best understood if economic activity is seen as a repeated game. Effective institutions (and here I elaborate a little on Hare's original discussion) require that the rules of the game are not constantly amended to fit particular individuals, in other words, that they entail anonymity.

I don't think that in the Cold War period we looked as closely as this at what economic institutions were. But we did try to look closely and systematically at the different consequences of

different national sets of institutions.

Why do I describe all this in the past tense? I do so primarily because the end of the communist-capitalist confrontation made many of our concerns suddenly historical rather than contemporary. And most people in the field were addicted to current affairs, not history. Let me return to the subject of courses in Comparative Economic Systems to illustrate the scale of the changes.

The core components of the usual undergraduate course in the 1970s and 1980s were, first, a review of different desirable properties of an economy: allocative efficiency, growth and/or dynamic efficiency, stability and equity were on the standard list; then came ways of measuring national performance according to these criteria; theoretical models of different kinds of economic system: free-market capitalism, capitalism with indicative planning, Soviet-style central planning, workers' self-management, market socialism (without worker management); then case-studies of the working of each of these types of economy in practice; then assessments of their performance against the criteria discussed earlier, and conclusions. I'm not saying that all courses in comparative economic systems followed this pattern, but a great many did – mine included.

Notice that this standard Cook's Tour of the world was a great deal more than a comparative economic study of the US and the USSR. Therefore it is not only the end of the Cold War that has changed the landscape of Comparative Economic Studies. For anyone teaching a course on these lines in the 1970s and 1980s, one development out there in the wider world was particularly striking: the number of alternative economic systems in existence kept declining. Teachers of almost any subject you care to name usually find that their subject is constantly expanding. Ours was shrinking. That was partly, but not wholly, to do with the

collapse of communism.

My Cook's Tour of case-studies originally included French indicative planning, the Japanese employment system, Yugoslav self-management, the Hungarian New Economic Mechanism (as an approximation to market socialism) and Soviet-style central planning. (Like many others, I learnt to steer clear of China. I did include it for a couple of years, but found it impossible to tell a coherent story about post-1978, reformed China – a point I shall come back to.)

3. Changing times

These variants in national economic institutions came to resemble a red list of endangered species.

French indicative planning withered to the point where, by the mid-1970s, the subject was largely historical.

The Japanese employment system seemed more robust, but it was by all accounts considerably weakened in the 1990s. And, as the Japanese economy stagnated, it became harder and harder to make the potential strengths of the permanent employment system – reduced incentives for permanent employees to resist job changes within the firm, increased incentives for the firm to invest in training – seem interesting.

Yugoslav self-management came to an end along with Yugoslavia itself. That suggested it did not have a great deal going for it as a working economic system, once the League of Communists of Yugoslavia lost control. Ljubo Sirc and John Moore had both argued much earlier that the Yugoslav model was more smoke and mirrors than a real instance of devolved worker-management (Sirc, 1979; Moore, 1980). They seem in retrospect to have been justified.

Analysis preceded history in the case of Hungary, too. Janos Kornai's 1986 *Journal of Eco-*

nomic Literature article showed rather convincingly that improvements in Hungarian economic performance under the New Economic Mechanism, such as they were, had come from the new *de facto* private sector, not from the attempted decentralization of the state sector (Kornai, 1986). Three-to-four years later, really existing Hungarian socialism, whether decentralised or pseudo-decentralised, was abandoned.

Soviet central planning, of course, shuffled off its mortal coil in 1989-91. George Soros described its demise succinctly when he wrote in 1989 that the Soviet Union had “a centrally planned economy with the center knocked out” (*Wall Street Journal*, 7 December 1989).

These developments left plenty of scope, of course, for historical studies of dead economic systems and how they had once operated. Work by Paul Gregory, Mark Harrison and others shows that this can still be a subject of great interest, with implications that are not necessarily relevant only to our understanding of the past. Nonetheless, comparative economic studies, as conceived during the 1960s, 1970s and 1980s, had almost disappeared.

4. Adjoining fields of study

If you were a comparativist up to 1990, and you wanted to keep dealing with the world around you, what did you do when all those ready-made “systems” had disappeared or declined? There were a number of options, but before I go on to discuss them, I think a small digression on the university environment is useful.

Many economists who worked on socialist countries before 1990 operated in the “country specialist” tradition. By that I mean that they considered it necessary to have a good knowledge of the history, society and politics of the country or countries they especially worked on, and would

tend in their work to take into account these non-economic influences on economic performance and economic policy. They might do comparative economic analysis involving “their” countries and other nations, but anyone reading their work could reasonably say, “This author is a Russia-watcher (or Poland-watcher, etc.) as well as an economist”.

By 1990 university economics departments had for some time been decreasingly hospitable environments for this sort of specialist. If the Russia-watching or Poland-watching economist could demonstrate advanced analytical and quantitative skills, they might get by: that is, get appointed, get tenure, and even move up the hierarchy of economics departments. But country-specific knowledge counted for little. European and Japanese universities were somewhat more hospitable than American universities to the humble country-watcher, and so were government departments, think-tanks and some banks. But the university trend was strong. This intensification of economics as an academic subject has affected the ways in which comparative economic studies could be undertaken.

The subject has developed, I suggest, chiefly in response to real-world changes such as the collapse of communism and the apparent decline of some variants of capitalism, but also in response to changes in adjoining fields of study.

First, and most obviously, there was in 1990 a brand new subject: the economics of transition²⁾. Then there was the study of economic institutions, coming chiefly from the study of economic history. Finally, from political economy, in works written mostly by people in political science departments, came another expanding field: the study of the “varieties of capitalism”.

The economics of transition appears at first sight to be the successor discipline. It is, after all,

a study of how nations (or societies, if you prefer) move from one kind of economic system to another. Is that not a natural extension of comparative economic studies? Would you not expect the country specialists-cum-comparativists to thrive as transitologists?

You would, but they haven’t. For about a decade “transition” became a hot topic in economics. It was a field in which new discoveries could be made. Many of the analytically most powerful economists around moved into it, and few of them were from the old guard of country specialists on what had been the communist world. Very little of the widely-cited economics literature on transition has been written by people who worked on communist countries before 1990. The role of area-studies specialists from Before the Fall in advising post-communist countries was somewhat larger, but perhaps less than a non-economist might have expected. “Invaders from the mainstream”, in James Millar’s phrase, dominated.

Let me quote Millar at some length, because he saw clearly, in a paper originally presented in 1993, how things were going.

Second, the field of Soviet and East European economics is being invaded from two sides. Mainstream economists, who had displayed little interest in the economies of Eastern Europe because of language and institutional barriers..., are now pouring into the field. The problem of the transition from central planning to market economy is intellectually interesting to them, and their command of both the theoretical and policy models applicable to market economies gives them the confidence to step forward as analysts, consultants and even participants in the transition process.... Meanwhile, students, young economists and even some older poli-

cymakers in Eastern Europe and the successor states of the Soviet Union are busily learning Western economics and gaining seat-of-the-pants experience conducting economic policy. We Soviet economic specialists have lost our monopoly and will have to compete with a growing number of such “interlopers” and “upstarts”. (Millar, 1995, p. 232)

The consequences of the invasion from the mainstream have been a mixture of good and bad. The question here, though, is not about the fate of this or that cohort of specialists, but how the economics of transition fits with comparative economic studies.

It is tempting to say that the economics of transition is just comparative economics transformed from comparative statics to dynamics. But that would be misleading. A good deal of the work done in transition economics has not been either comparative or to do with systems as sets of institutions. Prescriptions for macro-economic stabilization, and analyses of policy attempts at stabilization, are applied macro-economics. It is only if the researcher compares outcomes in different countries and tries to account for different outcomes, not exclusively by reference to differences in policies, but by (say) the differing behaviour of enterprise managers who may or may not face hard budget constraints – it is only in such studies that the researcher is doing something that has much in common with comparative economic studies.

Yet work on transition is treated, quite often, as if it were necessarily part of comparative economic studies. In Appendix 1, to illustrate the point, I list the doctoral dissertations that, over a decade, have received the biennial award of the European Association for Comparative Economic

Studies (EACES). We are advised not to judge a book by its cover. We should certainly not judge a dissertation by its title; but we can probably get a fair idea of what it is about. My guess is that several of these works are policy analyses which are treated as studies in comparative economics because of the region of the world with which they deal. Had a dissertation been about, say, the political economy of pension reform in Western Europe, rather than in Central-Eastern Europe, would it have come under the banner of Comparative Economic Studies? It would not. But would it necessarily have been different in methodology?

I suggest that when it comes to classifying research in this area, a good deal of inertia is involved. This has nothing to do with the quality of the dissertations listed. I am sure the quality is high. But the classification looks as though it works like this: Here is a country that we used to study because it had an economic system different from our own. Here is a study of that country now. Therefore that study must come under the comparative economics heading. I doubt if that classification can survive once “we” depart from the scene – “we” being those in the profession who used to study countries in Central and Eastern Europe and elsewhere when they had economic systems unlike our own.

On the other hand, when studies of transition do involve close attention to differing economic institutions and their differing consequences for economic behaviour, they are in the tradition of comparative economic studies.

Specialists in comparative economics in the Cold War period can claim to have been students of institutions before institutions were fashionable: when East and West were much more visible than Douglass C. North. But the institutions we studied were clustered into large, national economic systems: central planning v. the market,

socialism v. capitalism. We were not, by and large, concerned with differences in the quality of institutions amongst systemically-similar countries. Institutional quality is now understood to be an important topic.

The study of the role of institutions in long-run economic growth is, these days, a thriving business (See, among many examples, La Porta *et al.*, 1999). We also now have quite a lot of ready-made indicators which have at least some bearing on the nature and quality of institutions, country by country. Here are some of them.

- National scores on governance, including voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. (Developed by Kaufmann and others and supported by the World Bank.)
- Ease of doing business scores (World Bank).
- Corruption Perception Indices (Transparency International).
- Investment climate scores (Economist Intelligence Unit).
- For ex-communist countries alone: transition indicators (European Bank for Reconstruction and Development).
- Global Competitiveness Index (World Economic Forum).

I shall come back to these scores, rankings and indicators later. For the present, it is enough to note that, apart from the transition indicators, we have them, typically, for more than 150 countries, and they are potentially very useful for comparative economic studies. I say “potentially”, because they should not be used uncritically; there are questions to be asked about their construction and meaning³⁾.

For the moment, the point to be made about these indicators is that the countries covered – developed, less developed, established capitalist, ex-communist or nominally still-communist – are assessed in these institutional scorecards for the quality of their social arrangements *along a single scale*. It is assumed that they do not differ so widely in their internal organization as to be institutionally incommensurable. They are assumed not to operate with economic systems so diverse that they need different criteria for measuring the quality of correspondingly diverse institutions. I shall argue later that the world does still contain an interesting diversity of national economic systems. But the array of such systems is smaller than it was a generation ago, and comparisons of institutions in different countries are more often comparisons along a single scale. It does indeed make sense now to speak of comparative economic studies, rather than comparative economic systems.

A small sample of such scores is given in Appendix 2, which covers the pre-2004 EU 15 countries (less Luxembourg), the eight 2004 accession states, the two next in line for accession (Bulgaria and Romania) and, for comparison, Japan, the US and Russia. All data are for 2004, 2005 or 2006. I shall make some observations on these data later on.

One question, rarely asked in the past and now on the agenda, is: By what means and at what rate can the quality of a country’s economic institutions improve? From historical evidence, Crafts and Kaiser (2004) argue that significant changes for the better, at a perceptible rate, are rare. The customs, assumptions and attitudes in a country that provide the environment in which a rule of law, for example, either is or is not established, change very slowly, if at all. On the social basis of economic institutions, we can learn a lot from

sociologists and political scientists (e.g., Ledeneva, 2001; Rose, 1998).

The last of the adjoining fields of study that I want to consider is the “varieties of capitalism”, for which one basic reference is Hall and Soskice (2001). I will not try to summarise the theory here but will simply take some of the classifications and predictions that emerge from it.

One key idea in the varieties of capitalism approach is that different capitalist countries can survive and thrive with somewhat different sets of social arrangements for coordinating production. The main distinction is between liberal market economies and so-called “coordinated” market economies. The former approximates to the neo-classical model of a competitive economy. Labour can be hired and fired fairly easily. There is a market for corporate control in the form of a large and liquid stock-market, and stock-market performance (“shareholder value”) is very important for managerial decisions in quoted companies. Other things equal, income inequality will tend to be high. The “coordinated” market economy operates with a greater element of strategic cooperation, both between firms and between banks and firms and between unions and firms. Investment finance depends more heavily on the banks; wage-bargaining may be coordinated at a national level; employees have greater job security, personal and income taxes are likely to be more progressive and income inequality, other things equal, somewhat less.

This corresponds, roughly, to the familiar distinction between Anglo-Saxon and “European” models. Other classifications are possible, such as a four-way split between “Continental”, Anglo-Saxon, Mediterranean and Nordic (e.g., Sapir, 2005).

These comparisons amongst developed capitalist countries are squarely in the tradition of

comparative economic studies. They involve distinguishing between institutional arrangements, hypothesising about the consequences for economic behaviour of those institutional differences and testing divergent national experience against the hypotheses.

Where do comparative economic studies stand amongst these adjoining fields? Some work still labelled comparative economics is not what it says on the label; some work under other labels could equally well be called comparative economics.

A good deal of work that is currently labelled “comparative economic studies” is wrongly put in that particular box out of inertia: it is so labelled (or, rather, it is discussed at conferences and published in journals that are so labelled) because it deals with countries that used to be communist and therefore used to have economic systems radically different from those of the developed west. Part of transition studies – that part that attends to institutional differences and their effects – can reasonably be thought of as comparative analysis. But much analysis of policy and reforms in ex-communist countries is applied micro- and macro-economics, and not especially concerned with international comparisons of institutions and their effects.

The economics of institutions, particularly when it is used to help account for differences across countries in long-term growth, is again clearly in the tradition of comparative economic studies. And the literature on “varieties of capitalism” is manifestly about comparing economic institutions; it just happens to be written by people who have little or nothing to do with comparative economics as it used to be.

Labels, of course, are not important in themselves. But it may be useful, when the classic subject-matter of a field of study has been trans-

formed, to ask oneself where the work in that tradition is now being done. In our field comparative economics was mainly the preserve of a group of country specialists whose expertise was on communist countries. Since the fall of communism the work of those specialists has less often been comparative than it used to be. But comparative economic analysis goes on under other headings – perhaps most strikingly under the heading of varieties of capitalism. And that comparatively new label for a body of research says something about the way the world has changed. Economic history apart, we now have to deal with a smaller range of economic “systems”, and a variety of institutional arrangements that lends itself to measurement along a single scale: that of more or less successful and more or less developed capitalist institutions.

5. Two big issues for comparative studies

I believe there are two big issues for us to tackle – again, leaving the economic history of communist systems to one side. First, how far can the Chinese economic system be expected to go on thriving? I put it as a dumb question because I am aware both of my own profound ignorance about China and also of its enormous importance to the world at large. Anyone who has studied the European communist countries, their fate, and the successful re-creation of many of them as capitalist countries can only wonder at China’s success over the past almost three decades.

On the surface at least, China seems to operate with a whole set of arrangements that was found not to work in Central Europe and the former Soviet Union: a large state sector and a large private sector co-exist; property rights are unclear; a single party of power still presides in an authoritarian polity. To a veteran Russia-watcher, this looks awfully like the mess that Gorbachev presided

over: *catastroika*. But catastrophic it isn’t. Perhaps China-watching economists understand perfectly well how it works. If so, I for one would very much like to be told. One can see that Arthur Lewis’ economic development with unlimited supplies of labour is part of the story. But even that assumed a fully-capitalist environment. What are, in Neuberger and Duffy terms, the decision-making, information and motivation structures in which this curious mix of state, commune, village and private producers operate? How does it compare with other systems with which we are familiar? Is it a robust system for the foreseeable future?

The second issue is one that has been addressed directly by Ronald Dore, and by very few others. It is this: what exactly are the influences for change that are at work on the diverse institutions of “shareholder capitalism” and “welfare capitalism” in established capitalist countries, and is there in fact a convergence on shareholder capitalism? I use here Dore’s own terms (Dore, 2000). For practical purposes, his categories approximate the “competitive market” and “coordinated market” categories in the literature on varieties of capitalism. Dore’s labels are, in my view, more to the point, though it may be that further sub-division would be useful – in particular, distinguishing the Nordic model from the Continental and Mediterranean models, within the category of welfare capitalism.

The varieties-of-capitalism literature assumes that coordinated-market economies are viable and will continue to operate, that they are a set of institutions that will deliver employment and growth at rates acceptable to their populations in the future, as they have in the past. Dore chronicles the processes of change as they affect Germany and Japan. He suggests that those countries show a tendency to adapt towards shareholder (An-

glo-Saxon, competitive-market) systems, under the pressure, in part, of the internationalization of capital markets. He considers this tendency to be likely, but not certain, to continue.

Sluggish output growth in Germany, France and Japan, together with the relatively high levels of unemployment in the first two of these countries, has dented confidence in Dore's "welfare capitalism" – capitalism with a human face, I would call it. On the other hand, any idea that Anglo-Saxon shareholder capitalism provides the best of all possible worlds is just another utopian doctrine, and we ought to know by now how dangerous utopias are. Perhaps, since capitalism is an evolutionary process, evolution will leave just one species of capitalism standing. Perhaps not. Meanwhile, we should try to get a better understanding of the ecology of the different varieties of capitalism, and their capacities for long-run survival.

6. Varieties of capitalism in an expanded Europe: some observations

Before concluding, I will illustrate some of the issues involved in assessing performance amongst capitalist countries – primarily in Europe – and covering both some ex-communist and some established capitalist countries. In this exercise I shall also raise a question about the effects on Central European countries' institutions of the EU accession process: did it produce convergence towards some European institutional norm?

The data are in Appendix 2, where each variable is defined. They are for 2005 or for a year either side of 2005. The countries covered are 14 "established" EU countries (the pre-2004 EU 15 excluding Luxembourg, on which some data were not available), the eight ex-communist countries that joined the EU in 2004, the two expected to join in 2007 or 2008 (Bulgaria and Romania) and,

for comparison, Japan, Russia and the US. Most of the data are ready-made series for Ease of Doing Business, Governance, per capita gross national income at purchasing power parity, the Corruption Perception Index of Transparency International, and a measure of change in that index over time.

In addition there is one set of indicators derived by Mark Knell and Martin Srholec (Knell and Srholec, 2006) to represent the overall position of a country on the competitive market-coordinated market spectrum ("coordination"). Some of the components in the Knell-Srholec "coordination" measure come from the Ease of Doing Business country data. I have listed separately a "redistribution" indicator, which is one component of the coordination score that does not overlap with the Ease of Doing Business measure. Knell and Srholec call this "social cohesion"; I have re-named it "redistribution" to eliminate any implicit message of approval.

As is explained in Appendix 2, I have tinkered with the scaling of some of the ready-made indicators to make for ease of manipulation.

There is a reasonably close correspondence between Ease of Doing Business (EoDB) and Governance (gov): the simple correlation coefficient (r) is 0.768. There is also a reasonably close relationship between Governance and per capita GNI: $r = 0.785$.

What do these figures suggest about the EU accession process as a creator of an extended "European" model? The first point to note is the considerable diversity both within the 14 established EU states and within the eight accession states. If the Ease of Doing Business score is any sort of guide to a nation's adaptability and (in the absence of future institutional change) to its medium-term economic prospects, it may be worth paying particular attention to it. If one does so, it

is striking that the EoDB score for Greece is little more than half that for Denmark or the UK, and below that of any of the accession states and Bulgaria and Romania, while the EoDB score for Italy is also below those for all the accession states and Bulgaria.

It appears that high coordination or redistributive arrangements (related to Dore's welfare capitalism, though not identical) are not necessarily a barrier to a high EoDB score: Austria, Germany, the Netherlands, Spain and Sweden all come out looking more or less "coordinated" but have very respectable EoDB scores; all the pre-2004 EU member-states in the table, except Ireland, come out as tending to be redistributive, but if this is a problem for the business climate it is *prima facie* a substantial problem only for Greece and Italy.

It can be accounted a success for the EU accession process that EoDB scores for the accession states might be judged to be rather good, in light of their modest per capita national income levels. That is less obviously the case with their governance scores. But it is also striking that most of the eight accession states (five out of eight) have coordination indices suggesting they are towards the competitive (Anglo-Saxon) end of the spectrum, while the majority of the established EU countries (nine out of fourteen) are towards the coordinated end. That suggests that reference to the *acquis communautaire* as a benchmark for accession did not have the result – somewhat surprisingly – of bringing the newcomers close to a predominant EU variety of capitalism. The change between 2001 and 2005 in national Corruption Perception Indices (ΔTI) is also intriguing: for most of the accession states this indicator improved during the final years of the accession process – which one might expect – but for Hungary and Poland it showed significant deterioration.

Table 1 shows averages (unweighted) for se-

Table 1. Selected European Countries by Group: Unweighted Average Scores on Selected Indicators, c. 2005.

	EoDB	Gov	ΔTI	coordn
Established EU 14	125.4	55.7	2.14	1.8
Accession 8	117.0	32.3	3.13	-0.8
Bulgaria+Romania	85.5	4.0	1.50	1.3

Source and definitions: Appendix 2.

lected scores for the European countries, on some of the indicators.

One more observation: if ease of doing business really is a clue to future adaptability and economic resilience, what do the figures in Appendix 2 suggest about the influences on that indicator?

It appears that the variance across these 27 countries in the Ease of Doing Business score is quite well accounted for (coefficient of determination just under 70%) by variance in governance and redistribution scores, with the two other explanatory variables tried here – per capita GNI and the change in Transparency International's Corruption Perception Index not playing a significant part, when the first two factors are adjusted for (Table 2). Good governance appears to have a highly positive effect on the business climate and redistributive arrangements a significant negative effect.

Taking into account some of the observations on individual countries, one might interpret these results as follows: (a) countries with an apparent leaning to income redistribution can have favourable business environments if they also have strong governance; (b) strong governance is difficult for poorer countries to put in place, so for them free-market arrangements may more easily facilitate the development of a good business environment; (c) the process of joining the EU has not required the accession states to become redistributive in their arrangements – only the Czech

Table 2. Business Climate and Factors Influencing It

(27 countries; Ease of Doing Business scores as the dependent variable; OLS regression)

<i>Regression Statistics</i>	
Multiple R	0.8612
R Square	0.7416
Adjusted R Square	0.6946
Standard Error	13.4769
Observations	27

ANOVA

	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	4	11468.29	2867.071	15.78551	3.14E-06
Residual	22	3995.79	181.627		
Total	26	15464.07			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>
Intercept	72.14237	8.65372	8.33658	2.96E-08	54.1957	90.0891
Gov	1.01781	0.19050	5.34273	2.31E-05	0.6227	1.4129
pcGNI	0.13664	0.19747	0.69193	0.496217	-0.2729	0.5462
Redistribn	-4.59972	1.30725	-3.51861	0.001936	-7.3108	-1.8886
ΔTI0105	0.69337	0.60460	1.14683	0.263774	-0.5605	1.9472

Republic and Slovenia show up here as redistributive.

These are only trial analyses and conjectures. I include them simply to illustrate how the second of my big questions might begin to be addressed.

7. Conclusions

In this paper I have spent a lot of time fussing over the labelling of different kinds of research. What I hope I have shown is that comparative economic studies have been radically altered by events around us: primarily by the collapse of communism but, secondarily, by the decline of some variants of capitalism, too. I have tried to show that if one is picky about what is and what is not comparative economic analysis, then it continues in a number of directions, and often under other labels, but, conversely, by geographical and historical accident some papers discussed at conferences of comparative economics associations and published in their journals are not in fact comparative studies; they are located under our umbrella because they are to do with countries that used to be communist.

Is this a trivial matter? If good work gets done somewhere, should it matter how it is labelled? *Sub speciem aeternitatis*, perhaps not. It is however of some importance that we be aware of good work that is related to what we do, and if it appears under an alien label we are more likely to miss it. So we should try to keep up more with what is going on in these adjoining fields – more than we would do if we focussed simply on “our” journals and “our” professional associations. And we should not become too fixated on “transition”, but recognise that there is a lot of interesting and worthwhile comparison to be done amongst capitalist countries whose institutions can and do vary substantially.

If, as I suggest, we try to improve our understanding of the long-run strengths and vulnerabilities of Chinese economic institutions and of the long-run viability (or lack of it) of non-Anglo-Saxon versions of capitalism, we shall not be short of things to do.

(Chatham House, Associate Fellow)

Notes

*) The author is indebted to Vlad Ivanenko and to participants in the 2006 Conference of the Japanese Association for Comparative Economic Studies for comments on an earlier draft.

1) Jane Jacobs' argument that cities, city-regions, supply regions and stagnant regions (her terminology) are more useful units for study than are countries (Jacobs 1985) is a powerful and unfairly neglected view. It deserves extended discussion that would have to go beyond the bounds of this paper.

2) For reasons that have been well rehearsed by others, I consider the word "transformation" to be a more appropriate word for the enormous social and economic alterations involved in post-communist change. In fact, looking around the Commonwealth of Independent States, I would be inclined to prefer "post-communist mutation" to either "transition" or "transformation". But "transition" is the term that is now entrenched in the literature.

3) Vlad Ivanenko (2005, and personal communication of 14 May 2006) points out that several of these indicators are measures of perceptions, and these may diverge – and even systematically diverge – from the reality they are supposed to measure. Ivanenko has shown that data on the perceived quality of physical infrastructure in various countries do not fit well with data on the probability of the technical failure of that infrastructure: perceptions of Russian infrastructure are unduly pessimistic compared with perceptions of Brazilian or Chinese infrastructure. In some elite interviews in Poland in June 2006 I asked for comments on the marked worsening of Transparency International's Perceived Corruption Index for Poland in 2001-05 – just when Poland was preparing for accession and then joining the EU. One plausible suggestion I was offered was that during this period Polish politicians had made "corruption" a salient political issue. It was more often discussed in public than before; this, my respondent suggested, had made it more salient as a problem, in people's perceptions.

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Appendix 1. Doctoral dissertations winning the European Association for Comparative Economic Studies Award

Wim Swaan, *Behaviour and Institutions under Economic Reform. Price Regulations and Market Behaviour in Hungary* (1994).

Bert van Selm, *The Economics of Soviet Break-up* (1996).

Klaus Meyer, *Determinants of Direct Foreign Investment in Central and Eastern Europe* (1998).

Katharina Mueller, *The Political Economy of Pension Reform in Central-Eastern Europe* (2000).

Daniel Piazzolo, *The Integration Process between Eastern and Western Europe* (2002).

Blasz Eggert, *Le taux de change réel dans la transition des pays d'Europe centrale et orientale. Aspects théoriques et empiriques* (2004).

Source: eaces.gelso.unita.it/eaces/work/EACESAward2006.pdf.

Appendix 2. Development level and some indicators of “institutional quality” and “variety of capitalism”, selected countries, around 2005

	EoDB	Gov	pcGNI	redistribn	Δ TI00105	coordn
Austria	123	65.1	79.9	4.1	9	3.8
Belgium	137	55.0	79.2	3.9	8	-3.4
Denmark	147	73.3	79.6	1.6	0	-1.6
Finland	142	76.5	74.8	1.6	-3	-5.4
France	111	45.8	74.0	4.5	8	8.0
Germany	136	56.9	70.7	2.4	8	4.8
Greece	75	28.9	55.8	1.4	1	11.6
Ireland	144	59.1	82.7	-1.0	-1	-5.8
Italy	85	28.8	70.4	2.5	-5	4.5
Netherlands	131	67.8	78.8	5.0	-2	2.7
Portugal	113	45.5	48.3	1.1	2	6.5
Spain	125	44.7	62.2	2.9	0	4.7
Sweden	141	69.4	75.0	5.6	2	0.9
UK	146	62.5	78.9	1.4	3	-5.8
Czech R	114	29.7	46.3	2.4	4	4.4
Estonia	139	42.5	34.2	-4.4	8	-5.7
Hungary	103	36.1	39.7	-1.8	-3	-3.3
Latvia	129	28.3	29.7	-1.8	8	0.6
Lithuania	140	30.9	31.9	-1.3	0	-3.8
Poland	101	21.7	32.0	-0.6	-7	-1.8
Slovakia	118	29.7	36.4	-0.4	6	-2.8
Slovenia	92	39.5	52.3	3.0	9	6.3
Bulgaria	93	8.3	19.2	-1.8	1	-0.8
Romania	77	-0.3	20.9	-2.0	2	4.0
Japan	145	45.3	75.1	1.0	2	-1.5
Russia	76	-25.3	32.4	-4.5	1	-9.6
USA	152	54.1	100.0	-1.3	0	-8.3

Notes: EoDB = country ranking on “ease of doing business”, out of 155 countries, with scores reversed from those published (here 155 = easiest, not 1); measures for 2006.

Gov = sum of governance scores (voice and accountability, political stability, effectiveness of government, regulatory quality, rule of law, control of corruption), converted into % of maximum possible score; possible range from +100 to -100. Refers to 2004.

pcGNI = per capita gross national income in international dollars at purchasing power parity, 2004, US = 100.

TI 05 = corruption perception index (CPI) for 2005, expressed as a % (100 = perception of no corruption at all).

Δ TI0105 = percentage point change in CPI, 2001-2005.

Redistribn = score based on GINI coefficient, highest marginal rates of personal and corporate income tax and government consumption spending as % of GDP; + indicates redistributive end of the scale; - indicates (relative) lack of redistribution.

Coordn = score (based on multiple indicators) on strategic coordination versus competition; + tending towards coordination; - tending towards competition. The redistribution score is one component of this.

Sources: www.doingbusiness.org/EconomyRankings;

info.worldbank.org/governance/kkz2004/year_report.asp?yearid=1; World Bank(2006);

www.transparency.org/cpi/2005/cpi2005.en.html; Knell and Srholec (2006).