

New Horizons of Comparative Economic Research

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It is a great honour and pleasure for me, the former president of the European Association for Comparative Economic Studies and current Chair of the Committee on Economics of the Hungarian Academy of Sciences, to announce the foundation of a new international journal in the field of comparative economic studies.

For some time, particularly in the 1980s, it seemed that economics was to undergo a transformation into, what my American students rightly dub, an ‘advanced calculus in disguise.’ This implies that institutional and comparative approaches were inclined to be displaced from the academe and policy advice alike. With the onset of the post-communist transition, it seemed that all that the ex command economies required was to replace the former bad textbooks with modern, good textbooks—a move that was expected to work miracles. However, as the ill-fated story of transformation indicates, this has not been the case.

One of the reasons for this failure was that the nature of modern academic economics is abstract and formal and, at least in some interpretations, deeply contemptuous of applications. In contrast, the changes that accompanied post-communism created a unique opportunity typically missing in social sciences, that is, of an experimental laboratory facilitating the empirical testing of competing theories. With the passage of time, this testing has proved to be a demanding one. The erstwhile socialist economies accounted for a much slower recovery and higher social costs than expected. In the global economy itself, embarrassments have multiplied. I wish to mention the financial crises of 1997–99, which widely swept areas from Thailand to Argentina and were affected by factors totally unrelated to the fundamentals. Likewise, the grossly limited progress in poverty reduction has prompted the United Nations to launch the Millennium Development Goals, aiming at reducing the share of people living in absolute poverty to half by 2015. In a similar vein, the idea of participatory development has been placed on the agenda of the World Bank during the Wolfensohn Presidency. Further, the new president Paul Wolfowitz, a representative of ‘compassionate conservatism’ has left no doubt with regard to his intentions of extending the broader aspects of development beyond the traditional quest for quantitative growth. Last but not at all the least, the accounting scandals, ranging from Enron to Parmalat, have shaken the foundations of every theory other than those based on imperfect information. Furthermore, the quality of enforcement, the morals that guide the guardians have attained as much significance as the precise figures we attach onto individual assets when pricing them.

In a nutshell, the fundamentals of economics have been shaken such that policies and institutions, which were apparently exorcized by the Walras-Samuelson line at one time, have been returning through the backdoor. The focal role of institutions is no longer questioned in any of the policy-relevant analyses. The role of the comparative method is, to a considerable degree, an inevitable by-product of the return of the institutional factor into economic analyses. Why do certain countries privatize more efficiently than others? Why do certain arrangements, which seem to have worked extremely well in some countries, not deliver when transplanted into different environments? Why does the practice of benchmarking, being so fashionable in management sciences and all international agencies, encounter serious difficulties when applied to anything more complex than trial tasks, such as ensuring the quality of Big Mac? How is it that China, whose development seems to defy all theories, is the fastest growing economy in the last quarter of the century? How have some African countries, primarily in the North as well as in the Sub-Saharan region such as Botswana and Mauritius, been delivering quite promisingly despite the clichés about the ‘inevitability’ of decay in the black continent? How is it that Luxemburg, the richest country of the EU, continues to grow, as does Ireland, having significantly overtaken Great Britain in terms of per capita GDP?

All in all, issues of development as well as unforeseen changes in the global market economy operations call for fresh approaches. These approaches will inevitably build on the results of preceding generations, mainstream and institutionalist alike. Likewise, the controversy on functionalism area studies seems to have ebbed, with most analysts reaching a consensus on the requirement for a methodologically sound, but historically informed approach as the most promising avenue for meaningful research.

In a nutshell, reality challenges the view that considers the closed economy model as the criterion of serious, solid science. As a result, comparative analyses have returned in a burgeoning section of academic, business, and policy literature. The international community of researchers, therefore, faces an important duty to contribute new, analytical, and academic insights into the understanding of the complexities of the contemporary global economy. As such, I am honoured to be able to join the initiative of the Japanese Society for Comparative Economic Studies to establish a new international forum for exchanging ideas and research output on a high academic level.

Contributions to the first issue of the journal reflect the emphasis on relevant economics, that is, the study of those aspects of systemic change and development that received insufficient attention in mainstream thinking. Military conversion, corporate governance, bankruptcy, or regional aspects of change figure infrequently in the broad generalizations regarding economic change.

Publishing these papers may, and I trust will, actually invite criticism, commentary, and further reflection. I also believe that the need for broad international comparisons and the incorporation of the Asian experience in theory that generalizes basic European transitions may be particularly productive. Japanese scholars have a particular edge due to their familiarity with both Russian and

Chinese experiences, enriched by the peculiar and instructive history of their own country's economic development, the second largest development experience. I am also convinced that the *Journal of Comparative Economic Studies* will thus establish a niche in the burgeoning publishing market and will be an outlet for the best and brightest of the young and established scholars from Japan and the global academic community alike.