

A Note on Recent Developments in Comparative Economic Studies¹

Ichiro IWASAKI* and Taku SUZUKI**

* *Hitotsubashi University, Japan; iiwasaki@ier.hit-u.ac.jp*

** *Teikyo University, Japan; pc01816@main.teikyo-u.ac.jp*

Abstract: In this paper, we present recent developments in comparative economic studies, focusing on Japan.

After the Cold War period, the scope and research style in this study field changed remarkably. The new entry of researchers, including world-famous scholars from other fields of economics, into the study of post-socialist transition economies had a substantial impact in this regard. In the process of reorienting comparative economics, researchers have established a new field of study called “varieties of capitalism” that offers a novel typology of capitalist economies. These changes might dilute the uniqueness of comparative economics as a single field of economic study. However, we believe in the overall progress of comparative economic studies in the right direction.

Keywords: comparative economic study, socialist economies, transition economics, varieties of capitalism

JEL Classification Numbers: B40, P10, P20, P50, P51

1. Introduction

Comparison is a remarkably effective approach in the pursuit of scientific truth. This assertion may be demonstrated by the popularity of the use of the word “comparative” by academic disciplines and societies. For example, the word “comparative” is frequently used in studies of cultural, social, and natural sciences, such as linguistics, anthropology, politics, law, archeology, endocrinology, clinical medicine, physiology, biochemistry, and so forth. As this journal demonstrates, this concept also applies to the field of economics, in which some economic professions are engaged in comparative studies of national economies, economic policies, economic systems, institutions, business firms, and other organizations. Their research activities are collectively referred to as “Comparative Economics” in the U.S. and U.K. In Japanese, the research activities are mostly referred to as “*Hikaku Keizai Gaku*” or “*Hikaku Keizai Ron*”. For the purpose of promoting academic fact-finding or enhancing knowledge, comparative analysis is one of the most effective study techniques in contemporary economics. In this short essay, we will discuss recent developments in comparative economic studies, focusing on Japan.

2. Comparative economic studies before and after 1989

For a long time, the main aim of comparative economic studies was regarded as the comparison between capitalist market economies and socialist planned economies. This was also true of the academic community in Japan. Of course, there should also have been comparisons between capitalist countries or between socialist countries as part of the comparative economic studies methodology. In fact, a number of such comparative studies have been published. However, there were intense ideological and theoretical conflicts between neoclassical economics and Marxist economics. As a result, comparative analyses of economic systems, industrial structures, and enterprise organizations of capitalism and socialism, which had split the world into two as the organizational structures of national economies, were of great interest in the field of comparative economic studies.

These subjects were treated very seriously in Japanese graduate courses called “Economic Systems” and “Comparative Economic Systems”. The basic textbooks frequently used in these lectures included literature such as that by Leeman (1963), Dobb (1967), Heilbroner (1970), Grossman (1974), Bornstein (1985), and Elliot (1985). In addition, they frequently used a series of books concerning socialist economies or Soviet and Eastern European economies, as reported by Brus (1973, 1987), Nove (1983, 1986), and Gregory and Stuart (1986). Japanese researchers also published a number of similar texts. Researchers who underwent training in the 1980s and early 1990s owe their academic background to such studies.

In 1889, the Second International was inaugurated in Paris as an international federation for socialists. A century later, in 1989, the Berlin Wall, a symbol of the Cold War era, was removed. Approximately two years later, the Soviet Union disintegrated, and countries that then abandoned communism began transforming their economic systems with a full-scale adoption of market mechanisms. During these turbulent times, from the start of the systemic transformation to the present, the circumstances surrounding comparative economics changed dramatically as well. During that time, comparative studies between capitalism and socialism were abandoned, not only in Japan but throughout the world, with a great number of subjects of study to be further explored academically being left behind. A large majority of scholars, who had been engaged in studies on economic systems theory or socialist economies, rushed into analyses of the economic situation and reform policies in specific countries or regions that were undergoing fast-evolving changes after the collapse of communism. As a result, research activities essentially categorized as comparative economic analysis withered rapidly, while at the same time, economic studies related to post-socialist transition economies (so-called “Transition Economics”) flourished to a degree that even the outstanding work cannot be listed in this paper.

3. The “new entry” and its impacts

Interestingly enough, even economists who had seemingly given socialism no thought became involved in great numbers in economic studies on China, Central and Eastern European countries, and the former Soviet Republics. They started to compare these countries from the viewpoint of theoretical and empirical disciplines, which are strengths of these disciplines. The primary researchers include Professor Jeffrey Sachs at Columbia University, who is famous for his research on macroeconomics and international finance theory (Sachs and Woo, 1994; Sachs and Warner, 1995; Sachs, 1996), Professor Andrei Shleifer at Harvard University, an expert on financial economics (Murphy *et al.*, 1992; Shleifer, 1997, 2005; Shleifer and Vishny, 1998; Blanchard and Shleifer, 2001), and Professor Joseph Stiglitz at Columbia University, who won the Nobel Prize in 2001 for his highly acclaimed research on the economic theory of asymmetrical information (Stiglitz, 1996; Stiglitz and Ellerman, 2000; Hoff and Stiglitz, 2004). These world-famous economists and other influential researchers expanded their interest into the study of post-socialist economies, and as a result, their books and papers have been published by renowned publishers and journals. This has also had a considerable impact on comparative economic studies in Japan.

In our view, this “new entry” of researchers has had a positive influence on comparative economic studies, as summarized in the following five points. First, the distinctive academic heritage inherent in conventional economic systems theory and socialist economic study were dismissed, and the ideological and methodological barriers against other fields of economics were dramatically removed. Second, while the number of descriptions and analyses that relied heavily on aggregated official statistics or anecdotal evidence has substantially declined, findings from self-help studies and rigorous empirical analyses using raw data from various statistical offices have received wide recognition as a research style that requires more attention. Third, researchers in Western countries have become more active in joint research activities with local researchers in former socialist countries. This is probably in an attempt to overcome their limitations regarding local language skills in the transitional states and their basic knowledge of the countries under study, but also allows them to conduct field studies in a smooth and efficient manner. Fourth, the failure of socialism and the bitter experiences during the systemic transformation towards a market-oriented economy brought forth a research stance in which the emphasis is placed on the form of institutions or organizations as the building blocks of the economic system framework. The stress on institutions and organizations in the study of transition economies has made a significant contribution to the current rise of institutional and organizational economics. Fifth, although conventional researchers were for a time immersed in studies on each nation’s economy, they were strongly inspired by the brilliant research activities of “new entrants” and turned their interest again towards comparative economic analyses in an

inherent sense.

4. Changes in the scope and content of comparative economic studies

As argued in the previous section, the people involved in comparative economic studies and their research style dramatically shifted. As a result, the scope and content of comparative economics have also experienced significant changes. With respect to this point, Professor Daniel Berkowitz at the University of Pittsburgh and Professor Gérard Roland at the University of California, Berkeley, issued an interesting statement about the editorial orientation of the *Journal of Comparative Economics (JCE)*, which is a guiding academic journal in this field, as both professors have been on the editorial board since 2007. Although long, their statement is worth including here.

“The most important thing we want to emphasize is that the *JCE* must evolve both to fit and to lead the new orientations of research in comparative economics. Before 1989, the core of comparative economics was the comparison of economic systems that focused primarily on the economic analysis of socialism in its different forms. In the last fifteen years, the main focus of interest of comparative economics has been the transition from socialism to capitalism. In recent years, mostly as a result of the transition experience, a new orientation of comparative economics has emerged that focuses on the comparison of the economic effects of the various institutions of capitalism, be it in the legal sphere (common law versus civil law), in the political sphere (different types of democracies and electoral regimes) or in the sphere of culture, social norms, etc. This new orientation is a natural development following the very diverse experience of transitions from socialism to capitalism. The transition experience has indeed shown with a vengeance the importance of institutions in the process of economic development.

Questions raised along these new orientations include: what institutions are critical (courts, credit markets, good regulations, etc.) for successful growth; how should institutions be measured (subjective surveys, particular laws on the books, etc.); why are certain institutions, such as courts and regulatory culture, slow-moving while others, such as constitutions and electoral procedures, are relatively fast-moving; why is there so much cross-sectional variance in the quality of institutions; and what kinds of initial conditions or historic natural experiments can be employed to estimate the causal impact of institutions on economic performance? In post-socialist economies, policy makers have grappled with the problem of designing reforms in countries where market complementing institutions such as courts, credit markets, equity markets, regulatory bodies, and land registries are often highly underdeveloped or even nonexistent. The need for a

large-scale design of new institutions has sparked a debate about the appropriate design of institutions between what we call, for lack of better terms, “institutional universalists” and “institutional pluralists.” Put simply, the institutional universalists argue that countries with underdeveloped institutions should simply adopt “best practice” institutions, while the institutional pluralists are more sensitive to history and initial conditions and insist that countries with different histories and different institutional traditions must find their own path. These debates will develop more in the future and we need to take a proactive role in pushing for these new orientations in comparative economics. This debate is all the more important in light of the spectacular growth of the Chinese economy since the beginning of its transition. This experience raises intriguing questions of which institutions are appropriate in a given country in a given period and how they evolve. The *JCE* has a reputation for publishing the best papers on the Chinese economy and for being a major outlet for economies in Eastern Europe and the Former Soviet Union, and we want to continue to reinforce that tradition while enlarging the interest of the journal to other emerging market economies.

While maintaining the existing strengths of the *JCE* in socialist economies and transition economies, we thus want to put a lot of effort into publishing top quality articles along the lines of this new orientation. This represents a broadening of comparative economics to other regions and also an inclusion of comparative economic history”. (Berkowitz and Roland, 2007, pp. 1-2)

In fact, a review of articles in past issues of *JCE* reveals that the number of studies with a broader scope of analysis that include more countries or regions around the world has been steadily increasing, although empirical studies concerning post-socialist transition economies still form the majority of the articles since 2007.² In addition, their empirical methodology is becoming more sophisticated year after year in tandem with fast-evolving developments in statistical and quantitative computer software. In this regard, the South African economy was featured in the October 2008 issue of the *Economics of Transition*, which is another representative academic journal on par with *JCE* in the field of comparative economics. This surprised many Japanese researchers, because South Africa has never been regarded as a target region of comparative economic studies. Furthermore, the Japanese Association for Comparative Economic Studies, which is recognized as the centre of comparative economic studies in Japan, has also been striving to enrich the contents of its scholarly journal, *Japanese Journal of Comparative Economics*, in response to new orientations set by the above-mentioned guiding international journals.

5. Varieties of capitalism – a new frontier of comparative economic studies

In addition to the editorial statement by Berkowitz and Roland referred to in the previous section, we would like to point out that the typology of capitalist economies has come to the forefront in recent years as an important research topic in comparative economic studies. The controversial book “*Capitalisme contre capitalisme*” written by Dr. Michel Albert (Albert, 1991) caused quite a stir with its description of the conflict between Anglo-Saxon-type (Neo-American) capitalism, which values individualism and short-term economic efficiency, and the Rhine-type capitalism, which respects collective interests and long-term economic development.

Nowadays, the dispute over the typology of capitalist economies has overcome the dichotomization between the Anglo-Saxon-type capitalism and the Rhine-type capitalism. As a result, comparative economists have established a new field of study called “varieties of capitalism” (VOC).³ The VOC approach is firmly linked to the conventional economic systems approach at its root, as both of them share the same purpose of a comparative understanding of national economic systems. However, the research style of the former approach places greater emphasis on the theoretical bases of applied microeconomics and institutional economics as well as quantitative empirical analyses. Therefore, we can say it has been strongly influenced by the changes that comparative economics are now undergoing.

6. Concluding remarks

The subjects of comparative economic studies are expanding from advanced capitalist countries and post-socialist transitional countries to other countries or regions in the world. Moreover, its scope and research style have also become broader and more diversified when compared to the traditional scope and style of the Cold War period (Hanson, 2007). In addition, the quality of empirical analyses has improved markedly, and continues to do so today.⁴

The above changes might dilute the uniqueness of comparative economic studies as a single field of economic study in the future, especially when compared to the era when comparisons between capitalism and socialism were emphasized. Despite this potential problem, we take a positive view of the future of comparative economic studies, believing in their overall progress in in both Japan and the rest of the world.

Notes

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² For instance, see Licht *et al.* (2007), Mirza and Verdier (2008), Naceur *et al.* (2008), Coşgel and Miceli (2009), Feldmann (2009), Brückner (2010), and Kali and Sarkar (2011), among others.

³ The recent VOC-related literature includes Hall and Soskice (2001), Amable (2003), Boyer (2004), Coates (2005), Hancké *et al.* (2007), Elsner and Hanappi (2008), Mizobata (2008), Hancké (2009), and Macartney (2011).

⁴ It may happen that this tendency is recognized as expulsion of old comparative economics. However, we are sure that there is a misunderstanding among some scholars engaged in comparative economic studies, a part of which may stem from their adherence to a traditional method or prejudice against the econometric approach. We believe that both the traditional way of investigation and the econometric approach are, or should be, essential to comparative economic studies.

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