

Foreword

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When I was asked by the editor of *The Journal of Comparative Economic Studies* to write this paper, the letter stated that this particular edition of the journal would deal with two topics. Both of them look to the future. What is the perspective of the research program commonly known as “comparative economic studies”? And what is the perspective of the research program commonly known as “transition economics”, and of the branches which extend from it? I am taking this opportunity to contribute to the discussion of both of these questions.

The past and future of the “comparative studies” research program

Djankov et. al (2003) wrote an article on new comparative economics. The article proposed an interesting new approach, attracting much attention and giving rise to a lively debate. In the introductory pages it gave grounds for the history of the research program to be divided into two periods, the old and the new. The subject of the “old period”, the comparison of capitalism and socialism were only topical as long as socialist economies still functioned. Since these collapsed, and the world could finally rest assured that they bore no other results than poverty, low efficiency and mass-murders, this form of comparison was struck off the agenda for good. The exclusive subject-matter of the “new period” is the comparison of the varieties of the now triumphant capitalism.¹

I position myself between those unconvinced by this periodization.

To begin with, before the great systemic changes of 1989-1990, scholars were already comparing varieties of both the socialist and the capitalist systems. The subject of the decades-long debate on the socialist system’s reform can be summarized as the following: is the only possible form of socialism the red-handed, extremely centralized Stalinist-Maoist formation which drives the masses into starvation? Or could we picture another variety of socialism; in the economic sphere could some form of market socialism work in practice, or in the political-ideological sphere, some form of democratic socialism “with a human face”?

In terms of the date, particularly intense comparisons of the varieties of capitalism variety were already underway in parallel with the socialism-reform debate. In fact, in a Japanese journal’s column it is worthwhile remembering that in the 1970s and 1980s, during the peak of Japan’s economic successes, many in the USA and Western-Europe were turning with great interest to the

“economic miracle” of Japan. They were trying to understand what role had been played in this by the government’s industrial policy, and by the Ministry of Economy’s active intervention in economic processes, most importantly in the allocation of investments.² For many years numerous scholars were inclined to regard Japan as an example, until the Japanese growth rate fell and the long period of stagnation began.

There are compelling arguments in favor of a continued focus on the comparison of the “great systems”, socialism and capitalism, despite the fact that one of them has emerged from the race as the winner and the other as the loser.

- The attributes of capitalism are easier to understand if we set it against the contrast of socialism. Our field of research is not the only one in which a sharp dichotomy can be greatly informative. For example, when the “great” categories are defined and compared in the natural sciences: organic and inorganic materials, living organisms and dead, furthermore within the living world the comparison of newly evolved families of organisms with other families, for example, vertebrates with invertebrates, mammals with the rest of the vertebrates and so on. Regarding the contrasting of the “great systems” I can refer to my own research work. My book entitled *Dynamism, Rivalry, and the Surplus Economy* (Kornai 2014a) draws a comparison between shortage economies typical of socialism with surplus economies typical of capitalism. The comparison helps us to understand the role of system-specific factors. Given that in the two systems the institutional frameworks, motives and behavioral regularities differ from one another vastly, in one there is a general, chronic and intensive presence of shortage phenomena, in the other a general, chronic and intensive presence of surplus phenomena.
- From time to time within capitalist economies “islands” can exist which display attributes resembling certain features of socialism: public ownership dominates rather than private ownership; bureaucracy coordinates activities rather than the market. For example, in many countries health care is financed at public expense. In these islands, as a result of gratuitousness or highly reduced administrative expenses, countless experiences can verify the presence of many symptoms of a shortage-economy, symptoms well-known to socialism: queueing, long waiting times, the “buyer” (in this situation the patient) is at the mercy of the “seller” (the health administration). We can better understand the workings of “islands”, if we know what it was actually like when similar arrangements were not just asserted in “islands”, but when socialism was the dominant social-economic formation.
- Socialism has failed in the historical reality, but it lives on in many people’s heads. Surveys convincingly demonstrate that part of the population remember the period prior to the system-change with some nostalgia; convinced that during that time they lived better. The degree of nostalgia varies from country to country; Russia is among those where it is most prominent. As economic problems increase, the nostalgia gets stronger. It is pointless to

say that – using the Marxist expression – these people value socialism with a “false consciousness”; we have to acknowledge this favorable appreciation of the period before the system-change as a psychological fact. Different “New Left” political trends could build on this distorted collective memory. These trends do not so much build on idealized memories of the past, as attempt to get a glimpse at an imagined, new and better vision of socialism. Their reasoning is based on the following train of thought: “Yes, at the time of Lenin, Stalin, Brezhnev, Mao Tse-tung and other forms of dictator-led socialism there were serious problems. Let’s start afresh, learning from the mistakes, with new and better leadership.” We can effectively engage with this argument if we properly understand the nature of socialism; if we can explain that the serious failures and terrible consequences were not caused by the personal attributes or bad decisions of one leader or another, but by the fundamental attributes of the system itself.

Therefore for my part, I would emphasize the continuity of the “comparative economic studies” research program, rather than the discontinuity linked to the great systemic change of 1989-1990. There is continuity among the ranks of scholars, and of course new generations are constantly joining. There is continuity in the participants of the program’s organizations and publishing bodies as well, all the while new bodies are forming whose titles also refer to the “transition”. And with this we come to the second subject-matter.

The future of “transition-economics”

In 1987 there were 28 countries living under communist rule.³ Following the collapse of the Soviet Union, across the 28 countries 48 successor states emerged.⁴ From these 28 only one, North Korea, could be said with complete certainty to have kept the main attributes of the socialist system; perhaps Cuba as well, yet the faint signs of transformation are already under way. In the rest of the countries the institutions of the economy have radically transformed, and they now bear the main attributes of the capitalist system. This is undoubtedly true of the once socialist countries of Central and Eastern Europe, furthermore of the Soviet Union’s successor states. Some would not accept this portrayal with regard to China and Vietnam.⁵ I place myself among those scholars who see the two most important institutions of capitalism, private ownership and market coordination, as being dominant in the Chinese and Vietnamese economies as well.

I am aware of the considerable strength and influence of public sector corporations in China and in Vietnam, nevertheless, I would hazard the assertion that throughout the entire post-socialist region’s economic sphere the “transition” period is completed. The transformation of the political sphere differs entirely. Paul Huntington in his classic studies, his article (1991) and in his book (1991), coined the name the “Third Wave” for that radical transformation of the political

form of government, and for the transition from a dictatorial or autocratic regime to a democratic regime which took place in numerous countries from 1974 through to 1991. The final phase of the Third Wave spread across the late Soviet Union and countries of Central and Eastern European under communist rule but never reached China and Vietnam. Huntington warned that the new democracies are fragile; we cannot rule out the eventuality that these democracies may not stabilize.

This is what has happened in Russia. When historians divide history into periods they like to link the period's beginning and end to events and dates of the calendar. Bearing that in mind, we could say that Russian history's short democratic phase began with Jelcin's presidency in 1991 and finished with the end of Jelcin's presidency in 2000. However turbulent and however dubious the economic policy was at that time, in those few years the Russian political formation bore all the essential marks of democracy. The situation changed when Putin took power in 2000. The political institution of autocracy developed from that point onwards.

Huntington's sense of danger proved correct in Hungary as well; a form of reversal took place in the political sphere since 2010. In the twenty years between 1989-1990 and 2010 – amid many serious failures, mistakes, torment and economic problems – a system of democracy had still established itself. Since Viktor Orbán and his party came to power, several democratic institutions have been methodically liquidated, while new autocratic institutions have emerged and are already rather stable.⁶

This slipping backwards fits well with the image of the “waves”, the visual metaphor used by Huntington. Sitting on the beach we can see that one wave reaches further up the shore than another. While a third wave might break with a lot of foam and pull back out.

In terms of the political sphere, we can divide the ensemble of countries in the post-socialist region into three groups.

A) The democracies. Here I would list the following: Albania, Bosnia and Herzegovina, Bulgaria, the Czech Republic, Estonia, Croatia, Latvia, Lithuania, Macedonia, Poland, Romania, Serbia, Slovakia, and Slovenia. None of them meet the dreams of advocates of democracy, but in their institutions all of them bear the main attributes of this form of government.

C) The dictatorships. China and Vietnam certainly belong here.⁷ Much change has taken place in these two countries as well, not just in their economies, but in the political sphere as well. In the time of Mao Tse-tung's and Ho Chi Minh's leaderships genuine communist parties were in power, whose political platform was the liquidation of capitalism. This was perceivable not just in the party's rhetoric, but in its actions as well: the liquidation of private ownership, the introduction of a coordination mechanism based on central command. Later the party gradually began to transform in parallel with the economic reforms. It kept its name and there are still words mentioned on communism and socialism. Its actions however show that not only is it no longer opposed to capitalism, it actually supports its development. The party's highest ranks

intertwine with the business sector along many threads. If we compare these changes with the horrors of the earlier period the repression has lightened. Yet, we still have to classify the political system as a dictatorship. There is no mention of either free elections or a multi-party system. Only one party can legally operate. The opposition forces opposing the power cannot freely organize themselves. And where they make attempts, the state's instruments of oppression bear down on them hard.

The countries of group B), the autocracies, lie between groups A) and C). The main characteristic of the autocracy is that it falls in the middle: it is not a democracy and it is not a dictatorship. Both "not's" should be stressed here in order to fully understand their nature.⁸

Putin's Russia and Orbán's Hungary are not democracies, due to the liquidation of numerous basic democratic institutions. Allow me to list a few: the consistent separation of the branches of power, the parliament's effective control over the government, in every respect completely independent courts, including the independence of the constitutional court, a system of effective checks and balances contending the power, elections in which, from a legal perspective, competing parties set out with equal opportunities. The political forces in power have "cemented themselves in" and cannot be dismissed in free parliamentary elections.

At the same time, it should be made perfectly clear that autocracies are not dictatorships either. There are absolutely essential attributes which distinguish an autocracy from a dictatorship. The multi-party system remains; opposition forces are free to organize themselves and there are representatives of the opposition parties in parliament. Let us consider Russia's example. Protests are beaten down but it is not impossible to protest; protestors are not brought to prison en masse or shot down in crowds. A few prominent opposition politicians are imprisoned for long periods of time, sentences are based on false accusations, and this has an intimidating effect. And yet society has not been overcome by that deathly fear which characterized the time of the show trials, the Gulag, the campaigns which pushed millions of people to death.

All I wrote was: autocracies are not dictatorships, but I did not put a "still" before the "not". We cannot say that it is merely a question of time before an autocracy transforms into a dictatorship. The political condition of the autocracy could stabilize and last a long time. Perhaps it will only be brought to an end by some sort of historical "earthquake".

A similarly open question might be, what are the futures of the post-socialist dictatorships' political spheres? Will harder and more brutal methods of repression take the place of the dictatorship's weaker forms? Or will a process in the opposite direction begin and the regime (whether slowly or quickly) will transform into an autocracy or perhaps a democracy?

I have learned, from my own experiences and more so from studying world history, that regarding great transformations, it is impossible to give a reliable prediction. The number of similar situations is too small for a responsible scholar to draw a statistically "validated" conclusion. Each great change and qualitative leap in history was brought about by one-off

constellation of different political and economic, local and international factors impossible to reproduce. A different constellation of factors would explain the French revolution than the 1917 Russian revolution or the 1956 Hungarian revolution; the Libyan “Spring” was different from the Tunisian and was different again from the events of Ukraine in 2013-2014.

There were many motives for myself as an economist to place the political implications of the post-socialist story in the foreground. I disagree with the widespread practice of many “comparative studies” scholars, of trying to keep within the borders of one’s own discipline. The comparative economist only pays attention to the GDP data and budgets of China, Russia and Poland, and then does not feel competent in judging which transformations are happening in other spheres of life in parallel to economic transformations. Comparative political scientists merely focus their attention on political events and do not bother with economic changes. The interdisciplinary approach is indispensable.

Now I can return to the question raised in the introduction: the future of “transition economics”. In a research program like “transition economics” which is based on empirical studies and on observing real changes, this question is inseparable from the object of observation and analysis and from the future of the once socialist countries. The “transition” has been completed in the economic sphere. This is equally applicable to groups A), B) and C), which are differentiated according to their political structure. However significant the differences may be between them, their economies are irreversibly capitalist market economies.

In contrast, the future political development of these politically diverse groups, A), B) and C) is unforeseeable. In one group the transition from communist dictatorship to western-style democracy was accomplished and they have crossed from group C) to group A). But the Russian and Hungarian examples show that this situation is not irreversible; the danger remains that any one of these countries could leave the group A) and move to group B).

Those countries which are now in group B) or group C) could become stuck over a long time, but they do still have a chance to remove themselves. There is a threatening danger that one or another B)-type autocratic country’s form of government could degenerate into a C)-type dictatorship, or that in C)-type countries the currently weak form of dictatorship could be replaced by a more brutal form. As a supporter of democracy, I would like to hope that members of group B) (autocracies) or even one or another member of group C) (dictatorships) would develop in the direction of group A) democracy. If this were to happen, particularly in the largest countries, in Russia and/or in China, then it would not constitute part of the third democratization wave as ascertained by Huntington, but a new fourth wave.

The above discussion does not imply any historical predictions, it presents merely an overview of the possible scenarios. Even if we are incapable of giving prophecies, there are still plenty of exciting research topics. Here are a few.

- Regarding the whole of the post-socialist region, has anything specific remained, which is

common among the countries listed here and significantly different from countries outside of the region, i.e. countries without a communist past? The weaknesses of the democratic institutions, corruption, incompetence in economic policy – these are not specific to post-socialist countries, they are also apparent in countries which did not pass through the historical experience of the socialist system. I would assume that there are a lot of peculiarities apparent in many people's way of thinking, e.g. adherence to the paternalistic role of the state. Is it possible that these remnants of the once socialist society are also apparent in the real workings of different spheres of society?

- How was the economy's development towards capitalism affected by the form of government which emerged in the political sphere? It is a well-known assertion that repressive, non-democratic countries, (countries of groups B) and C) above) grow faster.⁹ Others state the opposite: that in the long run, those striving towards a democracy which is inclusive, reduces discrimination and enforces human rights will ensure quicker development for themselves in long, historical terms (See e.g. Acemoglu-Robinson, 2012). Equipped with the instruments of comparative social science, the study of the 48 countries of the post-socialist region offers a first-rate laboratory to the scholar that may never return.
- Among the scholars of the “comparative economics” program many began their career as Marxists, and not one of them professes to be Marxist even today. Some analysis of the experiences of the post-socialist change could offer essential facts towards rethinking the main arguments of Marxism. I would only like to highlight one of these now. The Marxist theory differentiates the base from the superstructure, and suggests that in history a change of the base ultimately determines the movements of the superstructure. Post-socialist experience contradicts this theoretical proposition. In every case, the great changes – to use the Marxist expression – began in the superstructure. Later the largely similar base, characterized by capitalist production relations, private ownership and the dominance of market coordination, can enduringly cohabit with three types of superstructure, each entirely different from the next, the government forms of democracy A), autocracy B) and dictatorship C).
- In this paper I have not mentioned the self-evident fact that each and every post-socialist country lives within an international environment. It has an important effect on all of the countries, whether they are members of a super-national integration (the European Union, NATO), or the Eurasian union initiated by Putin. How are the country's relations with its direct neighbors? What form of political and economic interdependencies have developed (e.g. regarding the energy sector) between it and other countries? In the relevant country's governing and opposition political forces, how strong are nationalist, anti-European and anti-American sentiments and with what intensity do those manifest themselves in political rhetoric and in practical foreign and internal affairs? This can have an influence on the

dynamics of government forms and on economic reforms.

- In the introductory pages, particularly in endnotes 5 and 6, I informed the reader that unfortunately I have a weak knowledge with regard to numerous (mainly African and Asian) countries' current situation, countries which I categorized as socialist countries with consideration to their conditions' evaluation in 1987. There are certainly other colleagues who know much more about these countries or who actually specialized in their study. I am convinced that the categories described in this paper (the capitalist economies which came about after completing the transition, and the three classes of government forms) are suitably robust, and can be used to describe reality, regardless of when a country belonged to one of the categories. It would be good to check whether this conviction is justifiable and these categories are sufficiently applicable, when we take the countries I have neglected into consideration. And if the answer is positive, then how should we categorize each country and in which direction can we expect further movements?

Let me finish by summarizing in two sentences the message I am sending to the authors and the readers of the journal. The post-socialist economic “transition” – in the original meaning of the word – has ended. Yet, there is a greater necessity for “comparative social studies” than ever before.

Notes

¹ I use here and in the rest of the paper the term “varieties of capitalism” or “varieties of socialism” in the same sense, as it is used in the influential book of Hall and Soskice (2001) and in the literature following their seminal work.

² One pioneer of comparative scholars studying the Japanese experience is Masahiko Aoki. In his later work he embedded his analysis of the Japanese and Chinese institutions into the comprehensive theoretical study of system-comparison. (See Aoki, 1988, 1994, 1996 and 2007).

³ I have taken this number from my book entitled *The Socialist System* (Kornai, 1992). Many other authors have quoted this published list; perhaps it is worth mentioning that a consensus has been reached on this number.

⁴ This total only includes states which have been internationally recognized by law. It does not include Kosovo, which is unrecognized by the “predecessor state” Serbia, furthermore, Abkhazia, South Ossetia and Nagorno-Karabakh, which emerged within the once Soviet territory. Moldova is included.

⁵ Unfortunately, the author is not sufficiently familiar with the formation of the international legal status and the political and economic institutions of the numerous other countries beyond Europe which featured in the 1987 table. This does not just give rise to uncertainty in

calculating the number of post-socialist countries, but also in where to place these countries in the categories described in the foreword. Therefore, I do not discuss whether or not these countries' economies have transformed into capitalist market economies.

⁶ See Kornai 2012, 2014b, Magyar 2013, 2014 and Scheppele 2014. These five works offer many further references. Unfortunately, most of the studies are available only in Hungarian.

⁷ I have already stated in the list of countries belonging to group A) that I would rate the three Baltic states once belonging to the Soviet Union, Estonia, Latvia and Lithuania, as democracies. Of the late Soviet Union's other successor states not listed here, I am not sure which should be regarded as dictatorships and which as autocracies. Those people who thoroughly understand the system of government and the political sphere of these countries should be the ones to decide. However, it has already been brought to light and it will be discussed later that I listed the largest successor state, Russia, among the autocracies rather than the dictatorships. As I have already stated in footnote 5; unfortunately, I know little about the later political development of the numerous non-European countries featured in the descriptive 28-country long list of 1987.

⁸ In political science and in the political everyday language other names of the intermediate forms have also spread e.g. "illiberal democracy" (Fareed Rafiq Zakaria, 1997). In the Hungarian literature, inspired by Carl Schmitt's work (Schmitt 1923 [1985] and 1928 [2008]), the term "Führer-democracy" appears in Körösenyi's (2003) study. Not only is there no consensus in the naming, but also in the distinction of the criteria on whose basis one can differentiate a democratic form of government from a non-democratic one. This short foreword is not suitable for the author to join conceptual and substantive debates relating to the forms of government lying on the border between democracy and non-democracy.

⁹ This view was reflected by Hungarian Prime Minister Viktor Orbán in one of his speeches. (Orbán 2014)

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