

CO-EXISTENCE

A Journal for the comparative study
of economics, sociology and politics
in a changing world

Edited by Rudolf Schlesinger✠

In co-operation with:

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Karl Polanyi and Oskar Lange, since deceased, have played leading parts
in the foundation of the Journal.



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Rudolf Schlesinger✝

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COMMENTS ON PROFESSOR J. TINBERGEN'S ARTICLE, "DEVELOPMENT STRATEGY AND WELFARE ECONOMICS"¹

J. KORNAI

PROFESSOR TINBERGEN calls "World Problem Number One" the question of accelerating the development of low-income, economically underdeveloped countries. In his analysis he arrives at the thought that it is not enough to debate on what the economic-strategy of development should be like, which branches should grow quicker and which slower and what should be the rate of accumulation and consumption. It is of vital importance, what types of socio-economic institutions are working in the country and which are the characteristics of the economic system. The economists should not confine themselves to recommending their own, favoured economic system and the institutions of their own country to the third world, but should analyse more profoundly the advantages and disadvantages of the different social orders, the possibilities of realizing their combinations.

My remarks refer to these important thoughts. And I would deal with the question not only in relation to the under-developed countries (though this is in itself an important problem) but in a more general sense. I think it the gravest, most distressing debt of our science to be so far behind in the comparative study of social orders.

The picture our science shows us is rather distressing. The average economist, trained in the Western school, is accustomed to think but little about the system of the institutions of the "market economy", he takes them simply as one of the "data" of the economic problems. It is enough of a problem to find the optimal resource allocation, the balance between production and consumption, as well as between demand and supply. It is with full right that Professor Tinbergen criticizes this narrow interpretation of the "welfare economics".

From this point of view it is worth having a look at the university textbooks which form the ideas of the young economists. Let us take for example the most widely used book, Samuelson's famous *Economics*, published in a million copies. The title of the book does not refer to any specialization, delimitation, so the student may expect a description of the *general* theory of economics in the modern age, or at least of its popular outlines. Instead of this, the book offers not much more than a description of the system ruling in the United States; we can say it considers this system as the "normal" state of economy. Socialism is no more than an aberration, a distortion, a degeneration—it is worth mentioning only to point out that sooner or later the socialist economy will be forced also to adopt the "normal" forms of market calculation. Of the several hundred pages in this book only a few are dedicated to the socialist countries and to the low-income, economically under-developed systems of Africa, Asia and Latin-America, though more than two-thirds of the world population live in these countries.

¹ Article published in *Co-Existence* Vol. 6, No. 2.

Samuelson's book is not an exception, but rather a typical example of the manuals used at numerous universities of the western countries. When writing my comments, I looked through some other well-known and less famous textbooks.¹ The same viewpoint is characteristic of them all: with a claim to *universality*, they describe in fact no more than one *special* system: the economy of the highly developed countries. (Sometimes they do even this one-sidedly, neglecting such important phenomena of modern economy e.g., planning.) Other special systems—the various economic formations of the socialist countries and of the third world—have no place in those deformed, one-sided views.

The explanation of the one-sidedness described above: a sort of complacent self-assurance, a faith in the unchangeable eternity of the "market economy".

My impression is that a similar complacent self-assurance was characteristic of the works of the economists in socialist countries at the end of the 'forties and at the beginning of the 'fifties. Their books suggested: the institutions formed historically in the socialist countries are the sole possible forms of socialism, therefore they are *per definitionem* the best possible. They did not think much about it, whether other forms would also be possible.

Besides the economists dealing with their *own* system (with a provincial and unhistorical viewpoint) other groups have been formed in both parts of the world, specializing in the study of the *other* systems. With many of these, however, scientific objectivity was suppressed by *a priori* political convictions. Their books are not so much scientific descriptions as arbitrary illustrations of the thesis that "the other system is worse than ours".

Neither lack of criticism towards one's own system, connected with exaggerated self-assurance, nor a blind prejudice towards the other system can serve as adequate basis for a scientific comparison of economic systems.

It was about ten to fifteen years ago that changes began to take place in this field. To take up the questions for more critical reconsideration was not only suggested by researchers who thought more clearly and in wider spheres, but enforced by historical development itself. *In the west*: notwithstanding the theoretical models illustrating the atomized market and the perfect competition, planning has appeared and started developing into an active force. *In the socialist countries*: debates have started, sometimes agitated, on the reforms of the "economic mechanism". Now not only the debates are going on; reforms have been realized: in different forms and on different levels in each country, which proves that various forms of economic institutions are possible. And *in the third world*: neither the system of the highly developed Western countries, nor that of the socialist countries has been taking over mechanically, but a great diversity of formations has developed.

Looking around in the world of today, we do not see the perfect market or the perfectly centralized planned economy. These are pipe-dreams or nightmares (to everybody according to their value-judgements), but by no means live realities. Instead, we can see an almost endless number of variations of the forms: the most different combinations of public property and private property, centralization and decentralization, planning and market.

Here I have arrived at the problem on which I would like to advance an argument against

¹ See e.g. A. Cairncross, *Introduction to Economics*, London (1966); E. Schneider: *Einführung in die Wirtschaftstheorie*, Tübingen (1956); H. Sauer mann, *Einführung in die Volkswirtschaftslehre*, Wiesbaden (1965); R. M. Havens, J. S. Henderson and D. L. Cramer, *Economics: Principles of Income, Prices and Growth*, New York (1966).

Professor Tinbergen. In his opinion our task is to start research for an optimal combination of institutions, an optimal social order, or at least an acceptable "second-best" approach to the optimum.

I am not sure if ever in the future this will be the real task of the economic researcher. I doubt whether well-defined optimum-criteria can be found in this respect. But, however, it may be in the far-away future, today, I think, we should be content by all means with setting ourselves a less ambitious task. I would sum up this task in the following: *we have to establish the economic systems theory suitable for the description, analysis, and comparison of the different economic systems.*

This comprises several things:

—we have to develop a uniform conceptual framework so that we can use a common language regarding the different systems;

—an objective observation of the working of the economic system, and the comparison of the observations must be organized. We must describe, which decision processes are going on under the different systems, what sorts of information flow, which are the characteristic regularities of behaviour, etc.;

—we must try to observe and to describe the different general regularities of behaviour, and this in accordance with the different degrees of generality: (a) regularities effective at all times, under every economic system, (b) general regularities effective in *today's* economy, (c) common regularities effective in defined groups of the economic systems (e.g. the common features of all socialist systems, the common regularities of the special subdivisions of socialist systems, etc.), and finally (d) regularities effective in one sole system, in only one country, in one definite period.

At the same time, in many countries, many researchers set themselves to these tasks, adopting many kinds of methods. This means also that the task is *mature* to be solved. It is certain that the debt is such as cannot be paid from one day to the next—the common effort of whole generations of economists will be required. That is one reason for which I deem it important and useful that Professor Tinbergen, with the authority of his words, has given new impulse and incentive to the economists of the whole world for these research works.

