Conclusions

Introduction. A series of important shocks during recent years complemented evolutionary processes and initiated a long wave of changes that challenged old economic and social features and structures and routines of policy making. Some of these events were of endogenous nature while others were exogenous black swans. The first event was the end of the world socialist system and the process of economic, political and social transformation that followed. The international financial crisis of 2008 was a major endogenous effect that ended the "Great Moderation" and subverted the interaction between markets and the state. Policy making became more interventionist. This was considered as an extraordinary answer to extraordinary problems in extraordinary times. Yet the recovery of many economies was ailing for years, policies were seldom really effective and there were concerns for their side effects, particularly for long-term financial stability. Other threats were smoldering under the surface though. Processes that the crisis at least facilitated were the rise and spread of populism and sovereign movements and policies in quite a substantial number of countries in different parts of the world and at different levels of economic development.

Parallelly with these developments, the environmental crisis and climate change were and are certainly among the most important and the most durable events. It is clear that to solve this challenge economies should deeply and extensively transform technology and production and consumption habits. To make things worse, the Covid-19 pandemic broke out abruptly. Linked to the environmental crisis, the pandemic represented the most important black swan of the post-war era. It costed millions of human lives, it disrupted production particularly via the interruption of global value chains, it dramatically jeopardized the mobility of people and normal life and consumption habits. Perhaps this was not enough: while closing this Handbook, the Russian army invaded Ukraine causing a major humanitarian, geopolitical, military and economic crisis.

This dramatic event is the tipping point of progressively deteriorating international political and economic relations. Their relevance for comparative economic systems is manifold: from the different management, performance and adaptation to the consequences of these events in different countries to the appearance of a potentially permanent fault line between different parts of the world, particularly the West and the largest emerging economies. Are different systems and countries drifting away again?

These events open a host of questions for comparative economic systems. To close the Handbook and look at the future, the editors asked a group of prominent experts some of the most important questions for outlining problems and possible answers. The scholars who accepted the challenge represent a broad span of expertise, approaches, interests, country of origin and age. This contributes to have a broad brain storming and ideas. Some of them are well-known scholars in the CES field, others are prominent personalities in other fields of economics. The common trait is their interests for the daunting problems humanity is affording and their willingness to contribute to their much-needed solutions.

In alphabetic order, the participants to the virtual panel are: Horst Brezinski (TU Bergakademie Freiberg and Poznan University of Economics and Business), Elodie Douarin (School of Slavonic and East European Studies - SSEES, UCL), Paul Gregory (University of Houston, Hoover Institution and German Institute for Economic

Research), Justin Yifu Lin (Peking University), Martin Myant (European Trade Union Institute), Vito Tanzi (IMF), Andrei Yakovlev[i] (Higher School of Economics, Moscow).

Question 1. *Various events in the last three decades – from the actual outcome of the transition process in Central-Eastern Europe through the rise of China and other emerging economies to the international crisis and the Covid-19 pandemic – have revealed that the standard approach to economic analysis and policy making is insufficient to understand and govern economies in an age of rapid and deep changes. What could the study of Comparative Economic Systems offer to a better understanding and governance of the world economies and the advancement of economic analysis?*

Brezinski: The standard approach of Comparative Economic Systems (CES) started out from ideal models which made the distinction between the capitalist market-based system and the socialist centrally planned system which led then to the economic systems in practice giving rise to variants of capitalism and of socialism and especially looking and comparing the performance of the systems existing. Thus, the world was divided into two major models and their variations in practice. The transition processes during the past 30 years have shown that there is no simple path towards a capitalist market-based system. Moreover, it has turned out that the transitional processes did not only lead towards capitalist structures and institutions but also to new autocratic systems with partially market-type institutions. The concept of present Comparative Economic Systems (CES) which is based on the analysis of institutions has especially led to the distinction between formal and informal institutions. Moreover, it has enlarged the analysis by the integration of historical, political, social as well as cultural determinants. The advancement of economic analysis has been driven by interdisciplinarity taking among others into account evolutionary and behavioral aspects. Consequently, the comparative economic systems approach has got a broader perspective and has offered better explanations for the development of the variety of economic systems. In addition, the present approach analyses also developing and emerging economies which had been neglected in the past. Since several of the present economic problems which have been addressed by the catalogue of sustainable development goals are originating from this group of countries Comparative Economic Systems offers a tool to a better understanding of the difficulties in achieving these goals in this large group of countries in which most of the world population is living.

Douarin: The standard approach to providing policy-advice is to narrow down the analysis to a small number of potential drivers and to, as much as possible, evaluate their independent causal effects on a given outcome of interest. While this approach can be highly effective especially for small scale targeted policies, it is generally difficult to assess the external validity of the findings and it is not well suited to address broader issues which are typically embedded in complex endogenous processes (see Smith, 2021). Covid-19 is a case in point: as the appropriate policy response in a given country will critically depend on the extend of governmental trust, social trust, information available on the disease, communication infrastructure, trust in and understanding of that information, pre-existing social safety net (both as governmental aid, and social capital or social network support), etc. (e.g. Bentkowska, 2021). Many of these factors cannot be externally modified or manipulated, and they are also not independent from one another. In such a context, credible policy recommendations should be based on a detailed understanding of the role of diverse but intertwined factors, making a "comparative system" approach desirable. This does not mean that more disaggregated causal analyses are not desirable or informative, but it does mean that the broader picture derived from a system-based analysis can provide complementary insights, with potentially broader implications (Douarin and Havrylyshyn, 2021).

In addition, because the CES focus on systems implies a context-dense analysis, researchers engaging with this type of approach are also more typically engaged in pluri-disciplinary discussions, hopefully in a way that support greater learning across disciplines. This is *per se* an important contribution to better policy advice.

Overall, the key is thus to recognize the relative contributions different approaches can make, as well as their limitations, so that policy-makers can build a broader picture of what works where and why.

Gregory: "Comparative economic systems" combines a challenging mix of disciplines – transition, comparative economics, political economy, institutional economics, and Marxist economics. Although comparative systems incorporate the most modern and challenging fields of economic study, it retains the stodgy image of the shopworn study of "isms" from the Cold War; namely, capitalism versus socialism. Given the challenges of incorporating a complex mix of disciplines into one college course or textbook, the teaching of comparative systems is still done largely by purveyors of the "isms" approach or by "newcomers" attracted by the challenge of transition. Lacking a consensus paradigm, comparative economic systems is not thriving among university course offerings just as its relevance is becoming plain for all to see.

Comparative economic systems is much more than the study of transition and reform. The process of transition has been largely completed. Its common outcome in the former Soviet Union has spawned a new expression – kleptocracy – in which an elite from the planned system gain oligarchic control of valuable resources, like energy, telecommunications, and transportation. They then capture the state, so that weak state institutions dominate political life.

Transition of the former Soviet Union and Eastern Europe proved to be a humbling experience for overconfident specialists. To economic advisors from international organizations, "transition" and "reform" meant the move to freer trade and sound money rather than a wholesale move from plan to market. On the other side, specialists on the Soviet economy understood its working arrangements, but they did not how to dismantle its pillars, whether one by one or all at once. Western advisors were also confronted with new behavioral assumptions. They did not initially realize that kleptocratic resource-holders of the planned economy era were "better off" securing those resources for themselves rather than for shareholders, stake holders, or society at large.

The distinctive geographical distribution of transition success added the complexity of non-economic variables to the study of transition. No former Soviet republic, other than the three Baltic states, registered clear transition successes, suggesting that non-economic factors – culture, history, religion, etc.—needed to be added to the mix. In response to this challenge, international organizations and NGOs made a significant contribution in the form of an array of institutional measures, such as economic freedom, corruption, and the like. These indexes have given us the ability to incorporate "non-economic" variables as both right and left side variables in comparative analysis. Another methodological development -- natural experiments—has offered a new approach to the study of non-economic factors. Natural experiments require identifying two settings that are identical in all but one aspect (such as religion or geography) and trying to extract the effect of that one factor, largely by econometric methods.

China's remarkable economic growth starting in the late 1970s gave a new impulse to the study of economic systems. The emergence of China shifted attention from the "failed" Soviet model to the industrial policy story of China. China, because it adopted Soviet institutions after the communist victory in 1949, must also be regarded as a transition success, but one quite different from the European and Eurasian models. Delayed for more than a generation by the excesses of Mao, China began its transition as a rural country with surplus labor in the countryside. Once China's communist leaders opted for openness to world markets, China became a quasi-market economy, fast growing despite the absence of secure property rights and domination by the state sector. China's combination of rapid growth and weak property rights can be likened to defying gravity and raises serious questions about its durability. In fact, China's "institutional ranking" places it alongside sub-Sahara Africa. The big question about China is whether its industrial-policy model will fail it before it escapes the middle-income trap.

Lin: Economic research is for the purpose of understanding the nature and causes of the researched subject so as to guide people's actions related to the subject for social betterment. Comparative Economic Systems (CES) as a subfield of modern economics, emerging from the research on comparing socialism and capitalism, contributed greatly to the understanding of poor performance of socialist planning system and gave supports to the capitalist triumph (Wiles 1995). The big-bang transition to market economy, influenced by the neoliberalism and following the Washington Consensus recommended by mainstream macro-economists, in Central and Eastern Europe and Former Soviet Union in 1990, resulting in economic collapse and prolonged stagnation (Easterly 2001, Lin 2014). The socialist planning economies in East Asia, including China, Vietnam and Cambodia, did not follow the prevailing Washington Consensus in their transition, instead they adopted a piecemeal, gradual approach. Such a half-hearted approach was considered a worst transition strategy, destined to worsen the economic performance (Murphy, Schleifer and Vishny 1992). Unexpectedly they achieved stability and dynamic growth during the transition. The contrast of performance between these two transition strategies highlights the incapability of mainstream economics as a discipline for system reform advice (Murrell 1991). The studies of CES, following the convention of neoclassical economics, take the socialist planning system and its constituent institutions, such as financial repressions, administrative allocation, soft budget constraint and etc., as exogenous and analyzed primarily their impacts on economic performance. The institutions in the socialist planning system appeared to be distortions compared to ideal market institutions in neoclassical economics. However, they were adopted for the purpose of supporting nonviable firms in the priority sectors for building up advanced capital-intensive industries in an economy relatively scarce in capital (Lin 2009; Lin, Fang and Li 1994). Those institutions were interrelated and endogenous to the state's development strategy and thus second-best in nature. Without addressing the causes of those "distortions", the attempt to eliminate them in the transition is bound to deteriorate economic performance (Lipsey and Lancaster, 1956). Countries at different stages of development have many institutions that appear to be distortions from the perspective of neoclassical economics and even new institutional economics, however, they exist for good reasons. If economists of New Comparative Economics (Djankov et al. 2003, Douarin and Havrylyshyn 2021) hope to do well and do good as well, their studies should focus on not only the impacts but also the causes of those institutions and how to accomplish Pareto-improvement reforms in a second-best environment.

Myant: The approach to economic theory building from an abstract model of a market in equilibrium has never been happy confronting crises or systemic transformations. That is not to say that the analytical tools of 'standard' economics are not useful for investigating elements in the functioning of a market economy, particularly where quantitative methods can be used, but they are not enough for understanding many of the big economic questions of the day or for giving good policy guidance. They would give a very incomplete explanation of the economic effects of the Covid pandemic. That has depended on decisions of political leaders influenced by scientific advice, business interests and voter opinions, all based on varying levels of ignorance. For understanding the relative economic performance of countries, we would do better starting with Porter's (1990) comparative approach, eclectically combining historical and societal influences with management theory. Remarkably, non-economists – historians, sociologists, political scientists and others – have seemed more enthusiastic investigators of the 2008 financial crisis which, perhaps according to 'standard' economic theory, should not have taken place and certainly seems not have troubled established modes of thought.

A comparative approach is valuable for interpreting economic phenomena both before formulating precise theories and as a means of testing those theories. Even there, excessive abstraction can lead to over-simplification when specifying a small number of precisely defined economic systems, as was once fashionable. Economic performance differed between socialist and capitalist economies before 1990 and also within each category. Comparative analyses help to show, for example, how Poland's economic difficulties related to specificities in its history, politics and society. A key lesson from comparative analysis is that there is no discrete economic system in which economic consequences are determined by identifiably economic factors alone. An economic system is part of a broader society and economic outcomes are determined in large part by forces ignored by 'standard' economics.

Tanzi: At the beginning of the 17th century an economist from the Kingdom of Naples, Antonio Serra, wrote a book that Schumpeter considered the first technical book in economics. Serra advised countries to follow autarchic (mercantilist) policies to become rich, at a time when balance of payment outcomes were settled in gold and silver. After World War Two, the influential Argentine economist Raul Prebisch recommended similar policies to Latin American countries. These policies, followed by many of them, were not successful to make them rich.

In the 19th Century the UK and the USA forced some Asian countries (China and Japan) to open their economies to free trade. Free trade would be promoted in combination with domestic laissez faire policies, policies that paid little attention to the income distribution but much attention to national economic growth. Policies were expected to promote national objectives and national public goods. In the 20th Century there was the experiment by many countries with Central Planning, following the Russian example. These policies in turn were followed, in the 1980s and later, by market fundamentalism. All the above experiments land themselves to comparative economic studies.

The globalization of the world economy, in the past 40-50 years, in several countries, accompanied by "market fundamentalism" has not changed the basic objectives of policies. Policies continue to be chosen and promoted by *national* governments and they continue to pursue *national* objectives and public goods.

However, public goods and public "bads", have become increasingly global, requiring policies that aim at global goods, including pandemics and global warming. However, there are yet no global institutions capable of promoting such global goods in an adequate way. Perhaps, comparative economic systems should begin to focus on the theoretical possibility of creating a World Federal System, one that would include a "World Government" responsible exclusively for global public goods. What power should such a government have? How would it be financed? How would it relate to national governments? (Tanzi 2021)

Yakovlev: The emergence of Comparative Economic Studies (CES) as a separate discipline in economics was closely linked to competition between economic systems represented by the planned and market economies. The deep crisis of the planned economy that led to the collapse of the USSR and socialist block in Eastern Europe in the late 1980s created a feeling of the "end of history" — in terms of the absolute victory of liberal democracy and the end of the competition of ideas (Fukuyama 1989). At the same time, there was a dominant conviction among Western intellectuals that to ensure successful development of the former socialist countries and the Third World it would be sufficient to simply introduce the "right" norms and institutions established in most developed countries. The illusory nature of these ideas has become apparent already by the end of the 1990s (Stiglitz 1999). However, market reforms, the removal of barriers to international trade, and active inclusion of former socialist countries (with the exception of Cuba and North Korea) in the global market were one of the key factors of accelerating the new wave of globalization that began in the West in the 1970s.

Globalization has resulted in greater efficiency of firms operating in global value chains and brought current gains for end consumers in terms of value for money of the goods and services they buy. Globalization has also opened new opportunities, above all for entrepreneurs and for more educated and mobile social groups. At the same time, however, globalization has engendered acute negative externalities. These include inequalities depressing consumption and social mobility, environmental degradation (due to companies moving their production facilities from developed countries to countries without environmental laws), corporate tax evasion (due to tax competition and the spread of offshoring), growing social tensions associated with rising religious fundamentalism and terrorism (resulting from the increasing national inequalities and loss of opportunities for many social groups).

Under conditions of integration of national economies into the global market and their interdependence on each other, all these acute problems cannot be tackled without global governance. However, in order to build efficient mechanisms of global governance, it is not enough to take into account standard set of political, social and cultural factors, it is necessary to understand the interests and incentives that guide the key stakeholders of this coordination process in different countries. A comparative analysis of the economic models and social orders in different countries can provide such understanding. In this sense, the need to resolve the contradictions created by globalization opens up new opportunities for CES.

Question 2. *Institutions, both formal and informal, differ through countries. Their change through reforms is complex and often difficult. One important issue in explaining such difficulties and surprises of reforms and policy making is that institutions come in bundles and are under the influence of non-economic factors. How can the study of Comparative Economic Systems and the use of a systemic perspective contribute to better understanding the complexity of reforms and ease reform and policy making at national level in a strongly interdependent world? Or can surprises and difficulties be disentangled by better considering non-economic factors?*

Brezinski: Institutional arrangements were at first developed at the national level and their impact was seen through the eye of the capitalist or socialist perspective. Thus, the adaptation of the models to changing situations was rather limited by the dominating respective value system. Performance was predominantly measured by monetary values putting the focus on private goods and services. However, our present situation copes with finding solutions to stop pandemic diseases, such as COVID 19, to protect biodiversity, to internationally promote and give access to knowledge, to regulate international migration and to protect climate. All these issues relate to the category of global public goods and demand solutions on a global level. Given the present crises originating from the existence of global public goods we must ask whether efficiency is still correctly measured by either the traditional Gross Domestic Product, either the Human Development Index or the Multidimensional Poverty Index. The recent crises have put forward a proposal which was recently made popular by Markus K. Brunnermeier, the concept of resilience. This concept originating from psychology relates to the idea that a crisis will not destroy you. On the contrary, when you will recognize the determinants for the crisis you can by adaptation to the new situation and appropriate resources for resilience dynamically overcome the crisis. The concept of resilience was used in the past e. g. by the OECD to make macroeconomic institutions more resilient, however, it should also be used for offering solutions overcoming the various present crises we can observe such as corona pandemics, rising inequality within as well between countries, and climate change. CES must focus on the study of appropriate institutional arrangements how to solve the problem of organizing the production and distribution of global public goods.

Douarin: To me this is probably one of the most exciting area of research for the coming years – improving our understanding of informal institutions, and their interplay with formal institutions. This is particularly relevant to the questions of why the general public might support or oppose specific policies and relatedly why similar policies can have very different impacts in different societies (as support for, implementation of and adherence to these reforms will differ). To me this is interesting, not necessarily as a way to design policies that can change informal institutions (even though this is also an interesting question), but foremost as a way to progress towards designing policies that are mindful of informal institutions and relevant non-economic factors (this was also a point I made in my chapter in the Palgrave Handbook of Comparative Economics – Douarin, 2021). In other words, I strongly believe that we need to strengthen our understanding of informal institutions especially, and that doing so would support more effective policy design. Then, formal and informal institutions are shaped by external shocks and slower endogenous change, and we also need to strengthen our understanding of these factors (i.e. external shocks and endogenous change), and especially when and how they can be transformative.

This can be illustrated through the example of transition: in this context of wholesale policy and institutional change, discussions are still quite intense even 30 years down the line on the role of historical legacies and cultural norms or values on the degree to which change was possible, and the factors that might have facilitated sudden change. Examples (not an exhaustive list!) of these include past experience with democracy or civil liberties (e.g. Bruzst et al., 2012), strength of the communist/authoritarian experience (e.g. Pop-Eleches and Tucker, 2017) or longer historical legacies (e.g. Djankov, 2021) among others. However, as the interest in informal institutions, values, norms, identity has increased, we are increasingly better placed to study them, as better terminologies and measurements are being developed through time. There is still a lot of scope for harmonization, but beyond the disagreements, it is important that these issues are investigated further. So, are institutions better seen as an equilibrium in which formal and informal institutions come in bundles and cannot be separated, or is it more useful to see institutions as rules, which can be either formal or informal – in which case the separation makes more sense? The answer is likely to depend on the specific research question at hand, and there is most likely space to recognize the advantages and drawbacks of both approaches and to try and learn from both. Accordingly (and more broadly), different conceptualizations of systems are similarly likely to contribute to enlighten these issues, but transparency on concepts and operationalizations is needed to facilitate academic dialogue among proponents of different approaches.

Gregory: The challenge of comparative economic systems is to organize the world's economies into clusters that share enough common features to be classified as an "economic system." Most of the world's economies find themselves in something approaching an equilibrium where change is incremental and political-economy debate proceeds at the margins, such as political debates between Republicans and democrats in the US. If transition and reform are the sole focus of comparative economic systems, we will capture only a small percentage of world GDP.

In my own work, I have found it useful to divide economies into Anglo-Saxon, European, Asian, Soviet, Islamic, and transition models. In this regard, I follow the "cluster analysis" approach proposed by Frederic Pryor (2005). Specifically, it can be demonstrated that these clusters differ with respect to capital markets, labor markets, legal systems, state enterprise, tax burden, relational versus legal contracting, and constitutional foundations.

The division of the world's economies into "systems" (or clusters) may allow us to address the question of economic performance. If we are prepared to set performance standards, we can venture which economic systems perform better than others. Once we address the performance issues, we must study tradeoffs, such as the European welfare state versus the Anglo-Saxon model of individual responsibility.

Back when comparative economic systems was the study of capitalism versus socialism, we were vitally interested in the question of performance. Was capitalism in some sense superior to socialism, or vice versa? We now can look back on the capitalism-versus socialism debate and see that, by most measures including viability, planned socialism in the USSR and Eastern Europe failed. A remarkable feature of what came to be called the USSR's "period of stagnation," is that prominent economists were reluctant to state that capitalism was outperforming the planned variant of socialism. Paul Samuelson's Economics into the mid1980s was still asserting that East Germany was performing on par with West Germany. By the thirteenth edition, Samuelson and co-author Nordhaus declared, "the Soviet economy is proof that, contrary to what many skeptics had earlier believed, a socialist command economy can function and even thrive" (Samuelson and Nordhaus 1989, p. 837). Remarkably, this assessment was delivered the year of the fall of the Berlin Wall.

If we resort to clusters to ask which economic system type is outperforming another, we can scarcely avoid value judgements. The Anglo-Saxon model has maintained personal incentives, economic freedom, and venture capital markets. The European model has greater state intervention, lacks venture capital markets, and has strong guarantees against poverty and unemployment. The Asian model manages to generate high rates of capital formation and uses relational contracting.

Although we can't derive from this assortment judgements as to which type is "better," we can have strong opinions on this matter.

Lin: Based on the new structural economics (NSE), which reflects the spirit of Marxism's historical materialism and uses the neoclassical approach as its tool for analysis, the economic system in an economy consists of a set of interrelated structures, including endowments structure, production (industries and technologies) structure, infrastructure and superstructure, or alternatively, in new institutional economics' terminology, institutions including formal ones such as laws, rules, and economic, social, and political institutions, and informal ones such as behavior patterns, traditions, beliefs, values and ideology; the production structure in an economy is endogenous to the economy's endowments structure, which is given at any specific time and changeable over time, because the endowments structure determines the economy's comparative advantages and thus the appropriate technologies and industries; and different technology and industry have different technical features, such as requirements for specific capital, skill and infrastructure, and economies of scale and risk, and thus to unleash the productivity of technologies and industries in a production structure, proper infrastructure and superstructure are required, therefore, the appropriate infrastructure and superstructure are endogenous to the production structure and indirectly to the endowments structure of the economy (Lin 2011a) . For an economic system to function well in a country, two fundamental institutions are essential, a competitive market and a facilitating state. The former is needed for providing incentives and relative prices information to guide entrepreneurs' production (industry and technology) choices according to the economy's comparative advantages and the latter, which is the only institution with a legitimate power to use coercion in the country, is needed to overcome inevitable market failures arising from externalities of innovation and coordination for the needed improvements in infrastructure and superstructure in the process of development, characterized by structural transformation (Lin 2011a). There are two main sources of structural disequilibrium in an economic system in the modern world with cross-border flows of ideas, information and trade. The first is that the constituent structures in an economic system have different rigidities. The endowments structure will change quickly, if the economy has appropriate production structure, infrastructure, and superstructure in view of endowment structure because with such ideal structures in the system the growth of the economy and the accumulation of capital will be fast, triggering the change of relative weight of capital in the endowments structure and comparative advantages of the economy, calling for subsequent changes in production structure, infrastructure and superstructure. The change in superstructure, especially informal institutions such as behavior patterns, traditions, beliefs, values and ideology, is most sluggish. When the change in endowments structure happens, owing to the accumulation of capital as discussed above or other sources such as population growth, education, migration, foreign capital inflow or new discovery of natural resources, the distortions will arise if the changes in the upper-level structures do not synchronize with the change in the lower-level structures. The second source of structural disequilibrium may arise from the state's interventions in the production structure such as the adoption of structuralist comparative-advantage-defying import substitution strategy in the socialist as well as many other developing countries after the World War II (Lin 2009) or from the inheritance of, or model after, the political, legal and other formal institutions of advanced countries in the developing countries when obtaining political independence or after some social/political turmoil often with educated elites' aspiration, advice from multilateral development institutions or influence of global powers. Those first-order interventions from the state, like throwing a pebble in a pool, will lead to the emergence of other second-order ripple-like institutions. Both types of structural disequilibrium will result in poor economic performance and even social, political instability. The restoration of structural equilibrium will be somewhat straight forward for the disequilibrium from the first source because the condition for change is ready as long as the state or some business/political/institutional entrepreneurs provide leadership and coordination for the change (Lin 1989). For the transition to restore structural equilibrium arising from the second source of state intervention, it is crucial to recognize that many seemingly distorted second-order institutions in the economic system, originating endogenously from the state's first-order interventions in production structure or superstructure, are second best in nature as discussed in the previous paragraph, and thus it is desirable to adopt a pragmatic approach to avoid systemic upheaval and prepare conditions in the low-level structures before reforming those institutions in the upper-level structures so that a Pareto improvement may be achieved in the process of transition. For example, the removals of financial repression and soft budget constraint, which resulted from the need to protect nonviable firms in the structuralist import-substitution strategy's priority sectors, should wait until the nonviable firms become viable from the accumulation of capital and change of comparative advantages made possible by fast growth of comparative-advantaging-conforming new sectors in a gradual, dual-track transition (Lin 2009, 2014). For developing countries with imposed formal institutions of advanced countries, they may overcome this type of structural disequilibrium if they happen to have Plato's philosophical king-like, enlightened political leaders as those in the catching up stage of East Asian economies after the World War II, with the wisdom of exercising their discretionary powers to maintain political stability in their countries on the one hand and using the window of opportunity from political stability on the other hand to develop their economies dynamically so as to upgrade their economic base to meet the required conditions for the well-functioning of imposed institutions and for elimination of institutional conflicts with old informal institutions such as nepotism and second-order distortions such as patronage (Lin 1989, 2009).

Myant: The post-1989 transformations show that private ownership and free prices were not enough to create successful market economies. By the end of the 1990s international agencies were recognizing the importance of 'institutions', although this often seemed only to mean copying legal frameworks from advanced market economies. The approach needs to be broader, recognizing the roles of informal as well as formal institutions and how they influence the working of an economic system. Even among so-called institutional economists, as surveyed by Chavance (2009), institutions have varying definitions - sometimes spanning habits, customs and modes of thought, sometimes including organizations - and their precise effects are difficult to assess.

Understanding how an economic system behaves needs an analysis of multiple relationships that have developed together over decades. Every unit in a market economy depends on an environment providing inputs, services and constraints – including physical infrastructure, financial and advisory services, habits and laws to create good corporate governance, support policies from governments – that have developed together over time. A historical view on how economic systems have developed shows that they were not, and cannot be, created quickly and that they cannot be understood on the basis of 'standard' economic theory alone.

Tanzi: In most countries, policies changes that become necessary, because of fast changing technologies and developments face the impediments that the existing institutions pose to the changes. Some institutions do not pose major obstacles because they are sustained by only current laws that can be changed by simple majority rules. Other institutions are very strong because they are backed by Constitutions, which are very difficult to change. For example, in the USA, a president that wins the popular vote in the general elections by seven million votes, because of Constitutional rules, could have lost the elections if only about 40 thousand electors, in a few, key states had voted differently, as happened in the 2020 election.

Often, Constitutions can only be changed by very difficult procedures, by civil wars (as with the war between the states, in the USA, that abolished slavery), or by major wars or revolutions. Constitutions were often created a long time ago when the world was different. Constitutions can become major obstacles to needed changes in a fast-changing world. Adherence to a Constitution had been strongly defended by some economists, such as the late James Buchanan, and by the followers of the School of Public Choice that he created.

The study of Comparative Economic Systems can cast some useful light on the role that difficulties to change Constitutions have played in impeding needed reforms. It can show the specific ways in which Constitutions impede needed reforms, for example reforms that could make the popular vote determine the winner of a US election.

Perhaps a world in which Constitutions could be more easily amended or modernized might be a more desirable world, as long as it did not make it easier for majorities to suppress basic rights of minorities. In countries where there are strong informal rules or institutions that protect the fundamental rights of minorities, more facility in changing Constitutions would be less of a problem.

Yakovlev: A systemic view of economic processes has in fact for a long time been an advantage of Comparative Economics. However, it should be acknowledged that over the past two decades scholars from other fields have also started considering economic and social development comprehensively. This concerns political scientists comparing different types of a market economy within the Varieties of Capitalism framework, as well as economists using the New Institutional Economics approaches. The 'limited access orders' (LAO) framework elaborated in the late works of Douglass North (NWW 2009, NWWW 2013) deserve special mention. In addition to the role of non-economic factors (and violence in particular), an important strength of the LAO framework is its understanding of the evolution of social orders resulting from changes in their institutions. North and his co-authors acknowledge the possibility of both progress and regress of the LAO. However, despite all its broadness, the LAO framework is a very general theoretical concept. Its empirical testing and further substantive development would require an analysis of historical cases of individual countries. And this is where the rich experience of Comparative Economics can be applied, with detailed studies of transition in Eastern Europe and the former Soviet Union and an analysis of the possibilities of transition from one model of the economy and society to another.

It is also important to understand that each economic system is characterized by its own institutions, both formal and informal ones. But the effectiveness of these institutions changes over time. What used to be effective in the USSR in the 1950s, was no longer working in the 1960s and 1970s as the economy and society became more complex and complicated. Experience of transition in the 1990s showed that mere transfer of different institutions from another economic system is not a solution. To ensure successful transition from one model to another requires a search for institutions that would be compatible with the institutions of the old model, while simultaneously being able to ensure economic and social development as part of the movement toward the new model. In this regard, CES should also take into consideration the concept of 'second best institutions' proposed by scholars of development economics (Rodrik 2008) when elaborating economic policy ideas.

Question 3. *Innovation and technical progress are perhaps more important than in the past for the competitiveness of enterprises and economies. This is due, among others, to the integration of economies and the consequent need to better coordinate macro-policies. As a consequence, the importance of the context for innovation – including* *particularly technological innovations, organizational innovation and social innovation - is increasingly important and this highlights the critical significance of the economic system and its features. Incremental innovation and path-breaking innovation are apparently the preferred domain of different countries, as much as labor mobility and investment of human capital are. In which sense and how can the economic system support the innovation in enterprises and of countries and how can the study of Comparative Economic Systems highlight and explain the different working of markets, the performance of enterprises and countries in innovation?*

Brezinski: The various economic systems have different approaches to the handling and embeddedness of innovation in their respective systems. In market-type systems innovations are driven on the enterprise level by incentives given to the entrepreneurs and investors. Private property rights especially concerning intellectual capital must be secured for a certain fixed period thus allowing for pioneer profits. However, these temporary monopoly profits should just attract investors and entrepreneurs to look for innovative solutions to overcome the monopolistic barriers of entry into markets. Research for basic technical innovations regarded as public goods on the other side must be promoted and financed by the society. In socialist planned economies technology-driven innovation is regarded as a top-down process, decided by central planning authorities.

This used to be the standard approach of Comparative Economic Systems. Modern Comparative Economic Systems looks at the coevolution between private and public institutions. History has shown us plenty of different cases where this coevolution in democratic market-type economies took place. Almudi and Fatas-Villafranca mention numerous examples in their recent study on ‘Coevolution in Economic systems’ such as coevolution in industries like civil engineering and construction, nanotechnology and medical devices and the case of radical innovations in computer software such as the specific case of the development of COBOL which emerged from joint activities by Grace B. Hopper, the US Navy and private corporations closely connected with universities. Pyrgidis on the other hand shows the case of high-speed train technology in present China which can be characterized by an autocratic and socialist regime. The previously mentioned examples demonstrate that CES will benefit from the integration of the evolutionary approach. A major part of innovations is driven by a dialogue between various disciplines which is also demonstrated when looking at the experiences in smart specialization where e.g., a cooperation of the traditional textile industry with material science has led to a structural change and led to the transformation towards the production of technical textiles leading to a rebirth of textile industry at the traditional locations such as in the region of Lyon or in Saxony. Moreover, the challenges ahead force us to consider also organizational and social innovation. CES will have to analyze the various solutions in organizational innovation to improve economic efficiency. One new example for such an organizational innovation is the gig economy described by Mankiw et. al. which can be characterized as a labor market in which workers, more akin to being self-employed than employed, have short-term, freelance or zero hours contracts with employers. CES must also look at social innovations leading to less consumption of resources such as car sharing, renting of E-scooters in city centers, ReUse of Computers, public book shelves or food sharing etc.. Thus, CES by looking at these cases and analyzing the institutional arrangements which are favorable for an implementation of these innovations can offer a better understanding for the development of economic systems.

Douarin: As highlighted in the question itself, innovation is a social product. The ways problems are identified, ideas emerged and can be translated in solutions to societal problems are all socially embedded processes which depends on education, values, infrastructure, the economic system, etc. Thus, the extent to which the overall innovation process is based on interdependences and spillovers means that a methodology focusing on individuals and their personal incentives does not seem particularly well suited. Building on my previous answers, small scale interventions where it is possible to "keep constant" many of the parameters that are likely relevant to innovation – depending on the economic system? - can be useful, but external validity, and thus broader lessons for comparative development, are maybe more likely to come from a broader understanding of systems and their relevant components. This is recognizing that different policies are likely to be needed in different contexts and different policies have different effects in different economic systems (see Amable, 2000). In a globalized economy it may be more important to stress that different objectives might be pursued in different places, among other things, as a way to emphasize complementarities rather than competition, to recognize that different societies might also pursue different objectives when it comes to identifying "progress" or development; or that there are different ways of getting to the same outcomes (e.g. Bruno and Estrin, 2021).

Gregory: The early studies of innovation and technical progress used a residual approach to measure the pace of innovation and technical progress. Technological progress was measured by what was left over after we had calculated the contribution of labor and capital. Yes, innovation and technological progress still cannot be measured directly, although we tend to have good intuition as to the innovations that have changed our lives. Hence, we were left with compilations of important innovations, in what economic system they occurred, and we can seek for explanations of why. Despite this crude approach, we recognize that the economic system matters as far as innovation is concerned. The Soviet economic system, for example, shunned innovation because the complexity of planning required a form of planning based on incremental change – planning from the achieved level. We know that rewards to innovators matter. Why undertake entrepreneurial risk, if the rewards go elsewhere? Also, we know that financial systems based on current-day bank lending cannot create venture capital markets. We also understand that granting property rights to innovators, say, in the form of patents, should spur the competitiveness of enterprises and economies.

An under-researched issue has been the dominant role of U.S. innovation in the world economy (joined to a lesser degree by Israel and Switzerland), that has allowed the rest of the world to piggyback from US innovation, and, in the case of China, to acquire innovation by theft. We must ask whether such a model of the distribution of innovation among economic systems is viable?

Lin: Innovation embodied in swift technological progress and industrial upgrading is the foundation to trigger sweeping structural changes and make an economy transformed from a stagnant traditional agrarian economy to a dynamic modern economy (Kuznets 1966). For a developed country, the innovation means implementation of new invention and sometimes path breaking because its technologies and industries have already been in the global frontiers. Historical evidence shows that the advanced countries achieve on average 2 percent growth in per capita GDP annually since the mid-19th century (Maddison 2006). Developing countries with different economic systems may have different performances in terms of allocative efficiency equity, health, and other dimensions of development. However, a developing country, no matter with what type of economic system, has the potential to grow faster than advanced countries due to the existence of both advantages of backwardness, which refers to the lower opportunity cost of adopting a new vintage of technology directly in its upgrading to a new industry while the advanced countries need to retire the old vintage before adopting the new vintage (Gerschenkron 1962), and the latecomer advantages, which refers to the possibility for a developing country to borrow better, often mature and not necessary new, technologies from advanced countries at a cost lower than reinventing it (Lin 2016). However, no matter with what type of economic system for a developing country to tap into the above potentials, the country's enterprises must carry out their innovations according to changes in the economy's comparative advantages so that they have production costs advantage in domestic and international markets and the state needs to play a facilitating role for compensating the first mover's externality and overcoming bottlenecks in infrastructure and related institutions in the superstructure so as to reduce transaction costs and turn the comparative advantages from "latent" to "actual" (Lin and Monga 2012). Due to the constraints of available resources and implementation capacity, the state in a developing country with overall poor infrastructure and business environment in the economy needs to play its facilitating function pragmatically (Lin 2011b, 2017). One feasible strategy is to target industries of the country's latent comparative advantages in its investment promotions and building special economic zones to provide adequate infrastructure and business environment in the enclaves for the targeted industries so as to jumpstart a dynamic growth and pave the economic foundation to expand the infrastructure improvements to other parts of the economy and trigger transformations in upper structures. With this pragmatic approach, there is a hope that any country with whatsoever economic system can grow dynamically (Lin and Monga 2017). In view of the advancement of artificial intelligence in the Fourth Industrial Revolution and the coming of automation age with robots replacing labor in most industries, the developing countries should strive to grow as fast and accumulate capital, both financial and human, as much as possible by improving their infrastructure and reforming their institutions to turn their existing comparative advantages from latent to actual so that they will have sufficient capital and conducive environment to employ robots in industries of their comparative advantages, generate sufficient decent jobs in other activities for the labor replaced by robots and maintain competitiveness in the globalized world when the era arrives, just like what happened in the previous generations of industrial revolution, also featured by labor-saving and/or labor-replacement technological changes.

Myant: Innovation has always been important for economic and social development and for the competitiveness of firms and countries. The distinction between incremental and 'path breaking' innovations is valid at a general level, but not the most helpful for understanding the innovation process. A more fruitful observation is the extent to which innovations require involvement of multiple actors, from a range of organizations and with diverse incentives, including often a massive role for state-funded research. ‘Standard’ economic theory is out of its depths here, its advocates often pointing only to increasing financial incentives through tax concessions, a factor found from comparative analyses to be of limited importance. There is no alternative to setting innovation within the context of a broader economic system and adopting a comparative approach, as used over many years in studies by the OECD, putting together the diverse causal factors in the concept of national innovation systems.

Studies of socialist economies before 1989 showed that substantial innovation activity took place, despite the apparent weakness of financial incentives, but that it was inferior to that in the most advanced capitalist economies. Studies also showed the diversity of systemic factors determining this lag, including incentives at various levels, organizational barriers and rigidities, limited international contacts and restrictions on the free flow of information. Creating the basic frameworks of open market economies eliminated some of these barriers, but also failed to create, or even maintain, elements of the necessary support system for successful innovation.

It is noteworthy that among the few successful innovation areas in east-central Europe have been those that require neither public backing nor complex networks of contacts, such as some areas of computer software. Among the biggest failures were firms that could not even afford incremental innovations as new owners extracted wealth for their personal enrichment. Thus, the comparative approach, between countries and time periods, is essential for showing the innovation potential of different economic systems.

Tanzi: In the distant past innovation and technological progress played very limited roles in the countries’ economies. However, starting with the industrial revolution, technological change became very important and slowly changed the way people looked at technology. It changed the productivity of many workers; it created large concentration of workers and output in a few places; and, because of that, it made it possible for governments to increase the level of taxes and public spending in their economies (Tanzi 2018a). The Industrial Revolution was in many ways the most radical of all revolutions in its long run impact on countries and economies.

Such a revolution changed the policies that were possible and needed by countries. It also created greater needs for coordinating some global policies, including the mobility of able individuals and the sharing of innovations. While in the distant past all countries had been, to some extent, “developing countries”, the industrial revolution created a sharper distinction between rich and poor countries.

The distinction depended largely on the countries’ ability to create human capital and the conditions for the promotion of innovations and their exploitation for improving productivity and incomes. Some countries were better able to create good schools and, especially, to create the social conditions that could attract rare talent from the rest of the world. The USA, more than others, benefited from its ability to attract talented innovators from the rest of the world. Many of the US Nobel Prize Winners and innovators have been individuals born in other countries. Their talent might not have been recognized and used in their countries of origin. The attraction of this talent was partly due to abundant resources, partly to flexible institutions, and partly to laws that, with some exceptions, reduced obstacles to the newly arrived.

The study of comparative economic systems should in part focus on the institutions that have made some countries better able than others to change and adapt the institutions and the conditions that have facilitated the developments of innovations and that have promoted their welfare. For example why it is easier for Italian scholars to get academic positions in some foreign universities than it is for foreigners to get comparable positions in Italian Universities?

Yakovlev: The USSR's defeat in the Cold War was largely predetermined by a lack of incentives for innovation and introduction of new technologies at enterprise level (Kornai 1980). The USSR succeeded in achieving a military-strategic parity with the United States by creating the necessary technology through concentration of enormous resources in priority sectors and tight administrative pressure on the heads of research centers and enterprise directors. However, the Soviet planned economy proved incapable of leveraging new technologies to increase productivity in civilian industries. Under these circumstances, the economics was dominated by the idea that the necessary incentives for innovation were generated by competition between firms within a liberal market economy.

Nevertheless, China's impressive technological leap over the past 15-20 years raises new questions for comparative studies of economic systems. As in the case of the USSR in the 1930s, this leap was initially triggered by active borrowing of technology. But afterwards Chinese firms began offering their own technological solutions and today they openly compete with companies from developed countries.

This result was achieved due to the export orientation of the Chinese economy — in the logic of the catch-up development models in Japan and South Korea (Johnson 1982; Amsden 1989). However, the banking, energy, and infrastructure sectors in China remain under state control. The authorities also exert a strong influence on the actions of the owners of private firms. The COVID-19 pandemic has created a new dimension for competition of different economic models, raising questions about the effectiveness of national health systems and their ability to respond adequately to such crises. In this context, the experience of Comparative Economics in analyzing innovation processes and incentives for innovation in economies and societies with a high stake of the state is likely to be in demand in the coming years.

Question 4. *In recent years inequalities within countries have been significantly increasing, although inequalities among countries decreased in various significant cases. At the same time, social and intergenerational mobility slowed down. Within enterprises and in the economy at large, efforts were concentrated on the attempt to attract highly mobile capital to the disadvantage of labor. At the same time, the increasing importance of knowledge and specialized skills created a growing split among employees to the disadvantage of low-skill workers. How far can the lack of a systemic alternative, such as the Soviet Union and socialist countries in the past, explain the greater cohesion of societies and the lack of governance of globalization that generated some of these effects?*

Can the revival of external threats in the form of the pandemic, the climate and environmental emergency and (for Western countries) the emergence of China (and vice versa for China) help move governments to better manage and ease those effects? Should the study of Comparative Economic Systems deal more with these issues?

Brezinski: The study of CES has for a long time concentrated especially on capitalist economies and socialist economies. The collapse of the socialist countries after 1989 and the systemic change of most of these countries were especially analyzed by CES neglecting to a large extent the developing economies. CES has focused on the study of economic institutions by dividing them into inclusive and extractive economic institutions. Inclusive economic institutions offer secure property rights, create a legal system allowing for reliable private contracts and financial transactions as well as for a relatively open access to markets and education. Extractive economic institutions on the contrary create insecure property rights, partial judicial systems and entry barriers which protect a small segment of the society at the expense of the rest. A vacuum of appropriate inclusive economic institutions and the return of old extractive economic institutions gave rise to enormous inequalities in income and wealth within these countries. CES must analyze in the future more than ever, how appropriate inclusive economic institutions can be created because they do not emerge by itself. This relates specially to developing economies. Foreign aid does not automatically wipe out poverty. CES must pay attention to the institutional roots as well to geographical and cultural aspects to contribute in a positive way to the debate of sustainable development.

In the recent past the development of information and communication technologies has given additional rise to the emergence of higher inequalities within developed industrialized nations but also between developing and industrialized nations. Digitalization has contributed to a faster shift towards the service sector and led to increasing differences in income in favor of the modern service sector and to the disadvantage of the traditional manufacturing sector. Moreover, the fast rise of digitalization led to the emergence of global tycoons such as Google, Amazon and Facebook endowing them with de facto monopolistic positions and getting taxed their profits in states with favorable tax conditions. The less developing countries not being able to build up a digital infrastructure will suffer from being reduced to the role of delivering raw materials and being at best producers of manufacture which in turn will have dramatic consequences for environment and climate. Those who will seize the opportunities provided by information and communication technologies may become dominant powers and thus change geopolitics as is witnessed in the case of China. Rising inequalities do not manifest themselves in income but also in a more difficult access to better living conditions and genuine human rights. One of the consequences will be rising migration. CES consequently will have to put the focus on the impact of digitalization and the rise of artificial intelligence on the chances to achieve the Sustainable Development Goals. The changing geopolitical situation will be a challenge for the present democratic market-typed economies towards autocratic regimes. The study of CES may provide us by starting out in an interdisciplinary way with innovative institutional arrangements. By comparisons you do not start out from the scratch. However, you will get ideas how to restructure your inclusive economic institutions. Moreover, modern CES has turned out in the past by being open for new economic theories such as especially new institutional economics, evolutionary economics, behavioral economics and able to integrate geopolitics by the new field of geonomics being the study of the spatial, temporal, and political aspects of economies and resources**.**

Douarin: In recent years, issues around inequality and social mobility have attracted more interest. One characteristic of both is that there is little scope to set objective targets of what inequality or social mobility should be. The alternative is thus instead to focus on (context-specific) desirable benchmarks, and this can only mean exploring the realities of these phenomena through a comparative lens, and in an integrated fashion – in line with what I would identify as the key “comparative advantage” of comparative economic systems (as also argued in my responses above).

Now, can the existence of systemic alternative incentivize this comparative approach? Yes, but to me there are enough “alternative systems” already, and polarization might not help. The polarization of economic systems into socialist versus capitalist systems has always been an oversimplified way of characterizing systems, even at odd with the reality of the work done within the field of Comparative Economic Systems. Within the “socialist bloc”, differences existed in the organization of decision-making and its degree of centralization, the provision and coordination of information (i.e. the extent of planning, as opposed to reliance on market mechanisms), the extend of private property or the scope to engage in private economic activities, the incentive structure (to paraphrase the “features of Economic Systems, as defined in Gregory and Stuart, 1985, page 22). Systems are indeed defined along different dimensions and more often than not, data points do not exclusively congregate at opposite ends of the spectrum on all of them to form a small number of neatly defined clusters with strongly contrasted characteristics. Thirty years after the fall of the Berlin Wall, discussions of systems sometimes continue to over-emphasize simplified characterization that can blur the policy debate. As an example of this, the operationalization of specific concepts in the empirical literature is not systematically consistent: is there a commonly accepted definition and operationalization of “neo-liberalism” or even “socialism” in the 21st century? With this in mind, narratives around threat by encouraging simplified, and highly contrasted, characterization of systems might actually be detrimental to the relevant academic debate itself, but more importantly to how it is translated in the public debate. There is no doubt that there is a lot to learn from a comparative analysis of systems, but learning is more likely when engaging in a detailed and nuanced characterization of these systems.

External threats such as the current pandemic, or climate emergencies are possibly more interesting, as they can be seen as “system-stressors” (see my answers to questions 1 and 2 above) and offer an opportunity to gain more knowledge about the fragilities and areas of resilience of different systems and thus better understand their distinctive features and their relevance.

Gregory: Comparative economists have devoted considerable research to income inequality. We are interested in “fairness” and in the tradeoffs between the distribution of income and economic performance. We still lack answers as to this relationship. How income is distributed is often pigeonholed under value judgements. Often the presumption is that the more equal the distribution of income, the “better” the distribution.

Counter to the presumption that more equal automatically equals "better" is the fact that innovation is stimulated if the innovators can keep the rents from their innovation. A sophisticated property right system may allow the innovator to maintain ownership of the innovation through patents. Finally, there is the matter of differential wages to foster greater effort and the incentive to move up the pay ladder.

We have valuable case studies of the effects of income distribution on performance of centrally planned economies. In the command socialist economy, only charges for depreciation captured capital costs, and gains to innovation were practically non-existent insofar as the gains to innovation did not go to innovators but were passed on as lower prices. Wages were differentiated largely on the basis of labor-market forces in which enterprise had to pay a quasi-market price for labor.

In sum, there was practically no "capital income" in planned economies. So, the planned economies gave us case studies of economies lacking in non-wage income.

Income distribution studies from the Cold War era yielded some surprising results. If we compare the two prototypes of planned and market economies (the US and USSR) we do indeed find a more unequal distribution of income under the capitalist variant. But if we compare the European welfare states with the planned economies of Eastern Europe, we cannot find any real difference in the after-tax distribution of income.

The lesson from these studies is that capitalist countries can maintain after-tax income distributions that are nearly identical to those of planned socialist countries. A capitalist society that chooses a welfare state can match the level of equality of centrally planned economies. This was a surprising result at the time. It suggested that, if income equality is a major objective, the European welfare state could produce this result and achieve higher levels of income and efficiency.

Lin: To achieve dynamic economic development with continuous improvement in income distribution, that is the common prosperity advocated by President Xi Jinping of China, is a dream for any nation. Countries with different economic systems may put different policy weights on efficiency and equity due to their value or ideological reasons. From the perspective of new structural economics, the best way to achieve a dynamic, sustainable and inclusive growth in a country is to follow the following principles: 1) to develop a country's production structure according to the country's comparative advantages in a market economy with a facilitating state to ensure market competition and overcome hard and soft infrastructure bottlenecks for technological innovation and industrial upgrading so that the equity and efficiency can be achieved simultaneously in the primary distribution: 2) the state uses funds from tax revenues to carry out secondary distribution, with a strength determined by the country's value and ideological orientation, to further narrow the gap of income distribution arising from inequalities in inherited wealth, social networks and innate talents and use inheritance tax to reduce the intergenerational transmission of wealth gap; and 3) values of mutual cares are encouraged and tax incentives are provided to encourage philanthropic donations to help the under privileged and support other social goods such as research and innovation as a means for the tertiary distribution. The source of income for the poor is primarily the wage earnings from their labor employment while the rich have a large share of income from capital earnings. The first principle will lead to efficiency and rapid growth in a country, which is elaborated in the previous paragraph. The rapid growth will narrow the country's income gap with advanced countries, contributing to the equity across countries. More importantly the principle will also result in equity within the country because not only largest possible amount of jobs will be generated so the poor will have more opportunities to be employed than otherwise but also capital will be accumulated fast, causing relative prices of labor to capital to rise rapidly in favor of the poor wage earners over the rich capital owners (Lin and Liu 2008; Kuo, Fei, Ranis 1979). In addition, in such an economy, the enterprises will be viable in open, competitive market and the state does not oblige to give them protection and subsidies (Lin and Tang 1999). Therefore, the state will have more resources for secondary distribution than otherwise from both the tax revenues of dynamic economic growth and no needs of subsidizing nonviable enterprises. The income distribution will be further improved if the state uses its available resources to incentivize and facilitate entrepreneurs' technological innovation and industrial upgrading according to the change in comparative advantages so as to generate more higher-income jobs, to invest in the poor's human capital to make them employable in higher-skill works and to provide direct transfer through social benefits for the under privileged to mitigate the adverse distributional effects of personal endowments in wealth and talents. The third principle is also desirable in the modern world. Due to rapid technological innovations and structural transformation, some technology and business geniuses will become super rich quickly. Tax incentives should be provided to encourage philanthropic donations, which should also receive social recognitions, for their own self-satisfaction and for social harmony and a better society. Due to the differences in the endowment structure and cultural heritage for countries at different levels of development, their economic systems will be different in many aspects. Moreover, due to the fact that an institutional service can be provided by different institutional arrangements and institutional change proceeds in a path-dependence manner, for countries at a similar level of development their economic system are also likely to have many different institutional features. So just like no two apples look exactly the same, the economic system in each country will be somewhat different. The system plurality in the world, just like biodiversity, should be appreciated. No matter with what economic systems, people in all nation in the world share the same dream of growth with equity. Hope the humanity's internal drive for betterment and the competition among different economic systems will bring the impetus for institutional reforms and innovation to achieve growth with equality and the study of Comparative Economic Systems will enhance our understanding about how an economic system functions and contribute to the ideas, policies and institutional reforms for realizing the dream in every country in the world.

Myant: This question ranges over problems that cannot be resolved without big political and social changes and international coordination. That said, inequalities in income and wealth within countries, although accentuated by international pressures, can be addressed, at least in part, within individual countries. They cannot be understood from a narrowly economic perspective. Causes of trends are diverse including the effects of globalization, which has hit particular social groups in different parts of the world, and specific policy choices that have increased inequalities both before and after taxes. The comparative historical approach used by Piketty (2014) also shows the importance of countervailing policy measures and events that in certain periods temporarily reversed the tendency for inequalities to increase as inherited wealth increases privilege through the generations. To these factors can be added a positive feedback loop such that the more high-income people there are, the more political influence they can wield to defend and enhance their privileged position.

A comparative approach, as much comparing time periods as countries, has been crucial to understanding this. Remedies proposed by Atkinson (2015) - giving a universal endowment to young adults to break the advantage conferred to others from inherited wealth – and by Piketty - a progressive global tax on capital – might not appear to require fundamental changes to the economic system. However, they have been widely criticized as unrealistic which is a fair assessment of current political realities and hence of the extent to which economic changes depend on wider changes in society.

Tanzi: Different economic systems have given more importance in their policies either to efficiency or to equity.

The laissez faire systems generally favored efficiency and paid little attention to equity. The centrally planned systems generally favored equity and paid a price in efficiency. The welfare states, that came into existence after World War Two, tried to accommodate both growth and equity.There continues to be debate among economists as to the extent that they have succeded. The "market fundamentalism" or "supply-side economics", that became fashionable (especially in Anglo-Saxon countries), in the 1980s and later years, gave preference to efficiency and paid a high price in equity. One of the most prominent supporters of "supply-side economics", the Nobel Prize Winner, Robert Lucas, was reported to have declared that: "Of all the tendency that are harmful to sound economics, the most seductive, and…the most poisonous is to focus on questions of distribution" (Tanzi 2018b, p. 38).

In recent decades, most of the countries that had been "centrally-planned", including China, made a transition toward a market economy. In the process, they became more economically efficient, but their income distributions became less equal. Especially Anglo-Saxon countries became more "supply-side oriented" and saw their Gini coefficients go up significantly. It is less evident that they became more efficient.

On the other hand, several "welfare states", and especially the Scandinavian countries and a few others, have managed to remain more equitable, without paying high prices in terms of efficiency and economic liberty. These countries continue to do well in comparative indices of income distribution, labor force participation, economic liberty, economic performance, and other relevant indices.

There should be a wide scope for analyzing in more details and analytically the differences in efficiency and equity among these groups of countries. Some differences are obvious. Others less so. Analysis should replace a priori conclusions and should also consider, to the extent possible, non -economic factors such as culture, legal systems, social relations and, perhaps even history.

Yakovlev: To ensure further development of Comparative Economics, it is important to understand that norms and values are an essential element of economic systems (or social orders). As Dani Rodrik pointed some years ago "new ideas about policy... can exert an independent effect on equilibrium outcomes even in the absence of changes in the configuration of political power" (Rodrik 2014. p. 190). Just as technological innovations relax the conventional resource constraint, political innovation relaxes the political transformation frontier and open up opportunities for a new level of development. However, these opportunities can materialize only if the relevant ideas are confirmed in real life. Otherwise, systematic discrepancy between declared values and reality can generate deep disappointment and cynicism in society, which will undermine incentives for development (as has been the case in the USSR since the late 1960s).

In this context, part of the agenda for the CES is to analyze the competition of ideas that underlie different models of economic and social organization and which are (or are not) confirmed in practice over the long term. To carry out such an analysis, it is important to take a political economy perspective on how new ideas are formed and implemented in the field of economic policy. In particular: the interests of what social groups do they represent? To what extent do the new ideas correlate with the interests of the political and business elites? Who benefits and who loses from their implementation? It is equally important to understand that while economic systems compete, they also learn from each other. And the ability to borrow an alternative economic model's effective elements is a sign of sustainability of that model.

From this point of view, the disappearance of the systemic alternative represented by the USSR and the socialist countries led in the 1990s and 2000s to an easing of pressure on the elites and to the elites' lesser willingness to self-restrict for the sake of broader public interests. The growing social tensions in the developed world (which became evident in the mid-2010s) and the emergence of the Chinese alternative certainly require new solutions and open up possibilities for comparative economics.

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