

Myron Gordon, Ivan Ribnikar and the Economic Systems of the Future

Finance Editor's Comments

We are fortunate to start our journal with two thoughtful papers on the very broad issue of how our future economic systems will develop. Although Ribnikar appears to challenge Gordon's view, I think a closer look shows the two authors see similar futures.

Gordon contrasts six systems, but sees only welfare corporate capitalism (the system of western Europe, North America, etc.) and market socialism (the system that China is developing) as possible systems in the long-run. Ribnikar sees only capitalism in the future, and dismisses welfare corporate capitalism.

I think there is a simple misunderstanding here. Welfare corporate capitalism is what Canadians, for example, often call a mixed economy. The state redistributes wealth, and regulates many of the actions of markets, so that it is not purely capitalist. On the other hand, the state does not plan centrally, nor does it create and control the markets except where market failures are believed to occur. In the twenty-first century, the debate in most of the world seems to revolve around how much the state should intervene in the capitalist economy, not whether the primary form of organization should be capitalist or socialist. Gordon's ethical opinion is that "welfare and not the corporation must become the prime concern," an opinion that I share personally.

Since both Gordon and Ribnikar agree, semantics aside, that a modified form of capitalism will dominate much of the world economy, the ethical issue of how to mitigate the undesirable side effects should occupy much more of our interest in finance and economics, which does not seem to be happening in the academic literature. As many writers have said in many ways, the political part of political economy seems to have disappeared from research, though it is certainly playing out in the streets every time another global economic summit occurs. As an editor and a researcher, I would love to see research on these critical issues, but there are totally absent from the finance literature. Even such venues as the *Journal of Business Ethics* is concerned primarily with issues of fairness among the advantaged players in markets, not with the issues of social justice and distribution across the entire society.

The difference between the two authors centres on China, which seems to be maintaining a market socialist economy, with considerable advances on its previous pure socialist system. Ribnikar admits that very large countries can perhaps escape the inevitable drift to capitalism, and also small countries very close to them. For the rest of the world, he states capitalism is both inevitable and beneficial, which seems to make the globalization that has become so contentious, also inevitable.

Finance and accounting researchers need to step back from the rather narrow concerns that characterize the literature to consider the important implications of the future developments that Gordon and Ribnikar discuss. If the world economic system is to become more globally-linked, and different countries are to have much the same economic

systems, will the financial institutions, instruments, practices and normative rules become homogeneous also? American-developed theory and empirical research has dominated the academic field, and now it seems that this dominance will be reflected in the larger world state.

Important research is needed to observe these changes. Ribnikar and his colleagues in Slovenia and other transitional economies are doing some of this work, but we all need to think about whether the change to a homogeneous pattern is beneficial. Surely the ability to change and adapt systems is worth a great deal, and some of that ability is lost if everyone does the same things. I would like to see detailed case study research, using countries as the units of analysis, to compare and contrast the develop of financial systems and accounting systems, before two many of the possible different paths are abandoned.

I also note that an important theme in Gordon's recent work, that appears in his paper here, is the essential role of growth in sustaining a capitalist system. If growth is indeed necessary for capitalism, then a collapse is inevitable, since the unsustainable exploitation of the global ecosystem that such growth has already caused is rapidly becoming inescapable.

An interesting subtext to these two papers is the background of the two authors. Researchers in economics and finance seem to believe (or want to believe) that their fields are now scientific in the sense that physics is scientific. The background of the observer is irrelevant, since only a single knowable truth exists. As every other part of the social sciences recognizes, we bring what we are to our research work, and it affects everything we do.

Myron Gordon is now a professor emeritus of the University of Toronto. His academic career spans a little over 50 years, with an illustrious publication record in economics, finance and accounting. He was brought up and educated in the US, the world's leading capitalist country, and has lived and worked in Canada for the last 30 years, another leading capitalist country, albeit one in which the emphasis on the welfare half of welfare-capitalism is more pronounced. Like many academics, his views are much more socialist than the entire society in which he resides. He has had a long academic and personal relationship with China, which explains his interest and understanding of that country's economic development. Not surprisingly, he places considerable emphasis on the shortcomings of unfettered capitalism and feudalism. However, having lived in a stable rich society all his life, he has not had to confront the difficult realities of cataclysmic changes.

By contrast, Ivan Ribnikar was brought up and educated in a communist society, Yugoslavia, and only since 1991 has it opened up fully into a capitalist and democratic country. The pace of change has been rapid, and you could say that where Gordon is an academic observer of such systems, Ribnikar has "been there, done that." In fact, though he does not refer to his personal experience, he has influenced Slovenian policy substantially in its conversion from communism to capitalism. Like most academics who lived under a communist system, he has seen and personally suffered the excesses of that political and economic way of organization.