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## **SHORTAGE ECONOMY – SURPLUS ECONOMY**

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**SESS Annual Conference, Budapest, September 9, 2013**

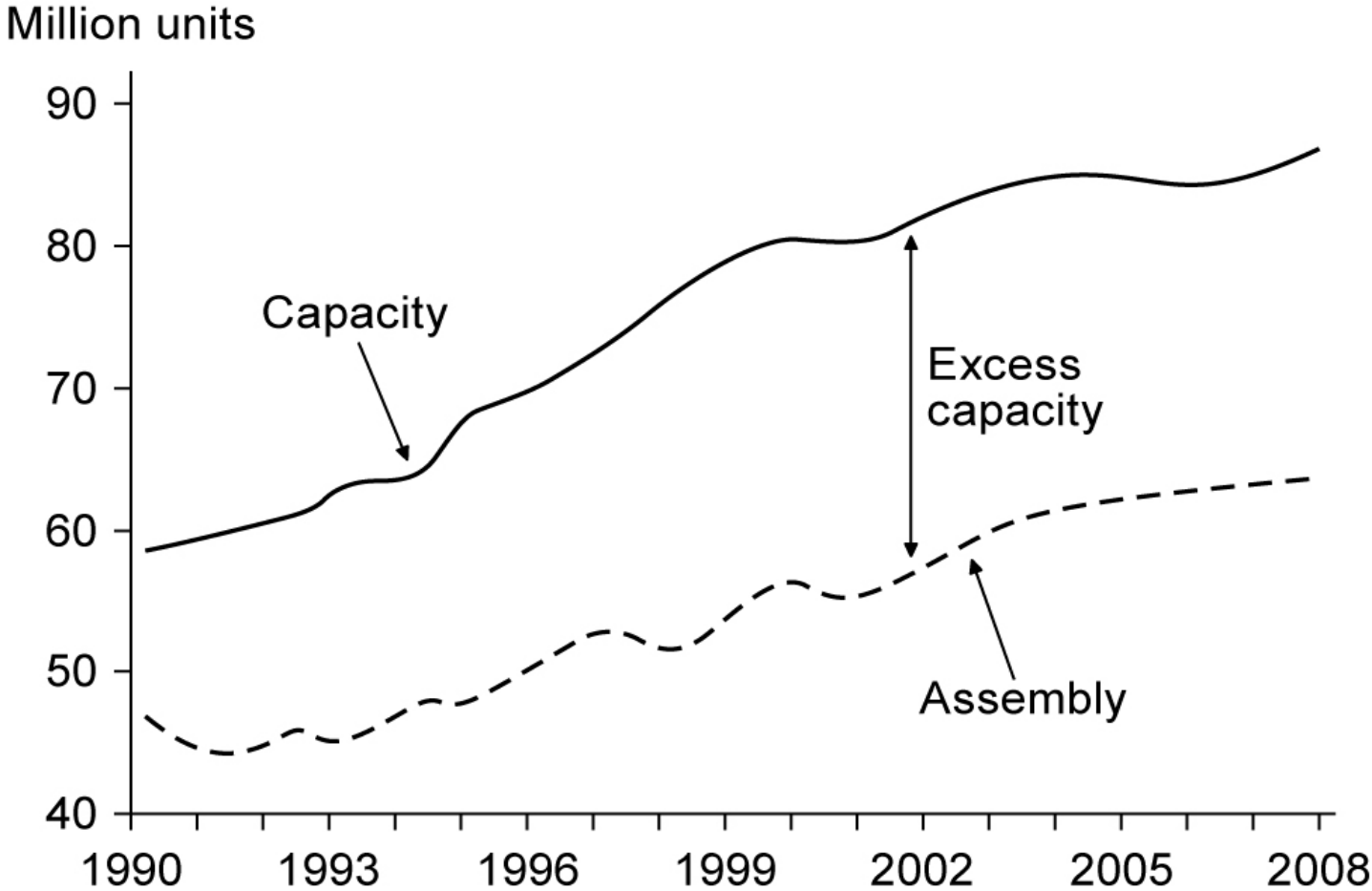
**Background material: The second essay of  
János Kornai: *Dynamism, Rivalry and the Surplus Economy*  
Oxford: Oxford University Press, pp. 51-167,  
expected publication date: November 2013.**

# WAITING TIME FOR CARS IN SOCIALIST COUNTRIES, 1989

## *Waiting Period in Years*

	<i>Make of Car</i>					
	<i>Lada</i>	<i>Skoda</i>	<i>Moskvich</i>	<i>Wartburg</i>	<i>Trabant</i>	<i>Dacia</i>
Bulgaria	10-12	5	2	2	1	1
Czechoslovakia	3-4	-	-	-	-	-
East Germany	17	16	-	14-16	14	15
Hungary	4-6	6	-	1	0	-
Poland	5-6	6-8	-	3-4	2-3	-
Romania	-	-	-	-	-	4-6

# EXCESS CAPACITY IN THE AUTOMOTIVE INDUSTRY, 1990-2008



# SHORTAGE AND SURPLUS ON A SUB-MICRO LEVEL

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Shortage – relative to what?

Relative to the buyer's buying intention.

Surplus – relative to what?

Relative to the seller's selling intention.

# DEFINITIONS AND CENTRAL STATEMENTS

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## Definitions

Shortage economy: excess demand phenomena dominate; these are frequent, intensive and chronic.

Surplus economy: excess supply phenomena dominate; these are frequent, intensive and chronic.

## Central statements

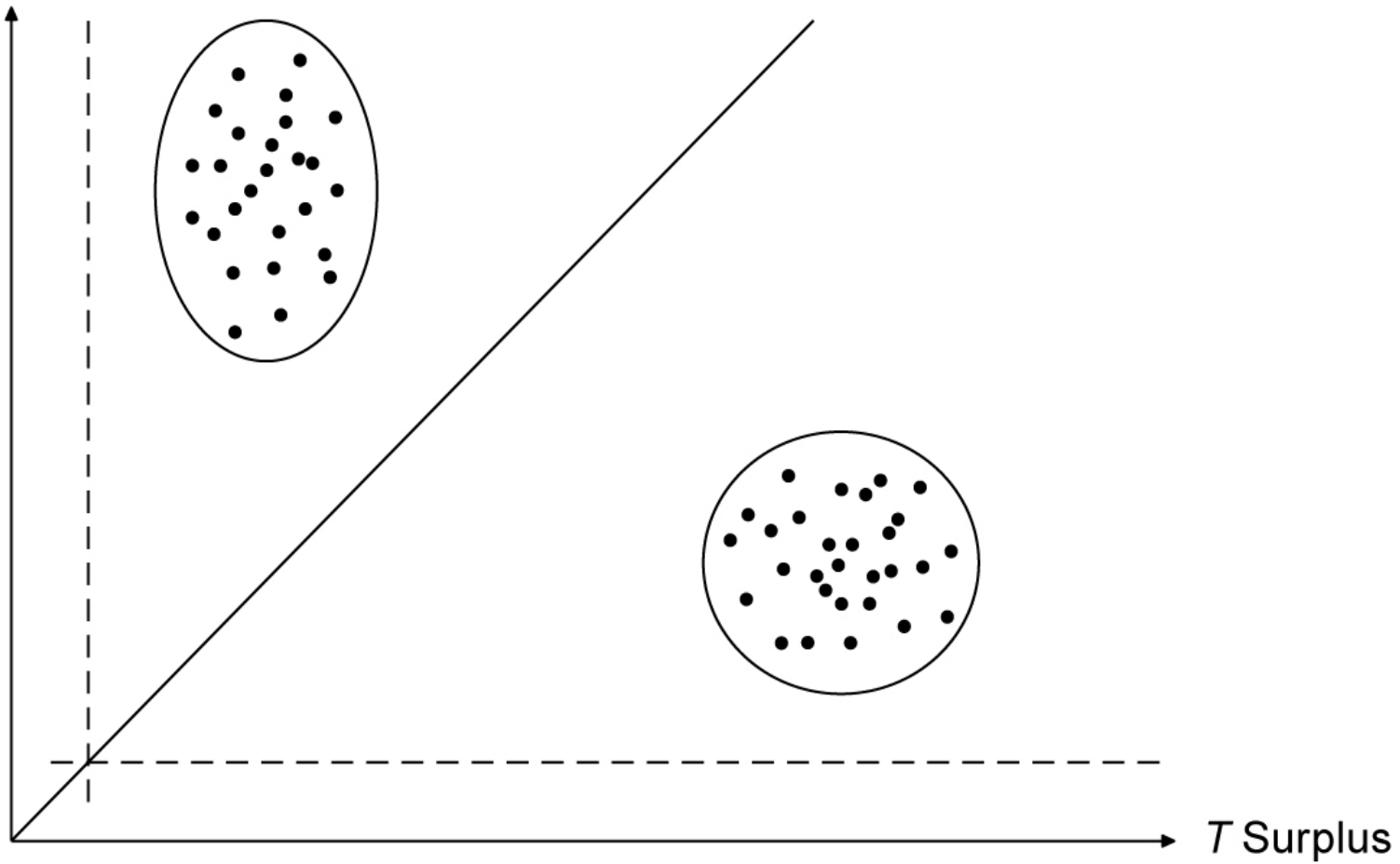
The nature of the socialist system: produces a shortage economy.

The nature of the capitalist system: produces a surplus economy.

# AN ILLUSTRATION OF THE SHORTAGE AND SURPLUS ECONOMIES

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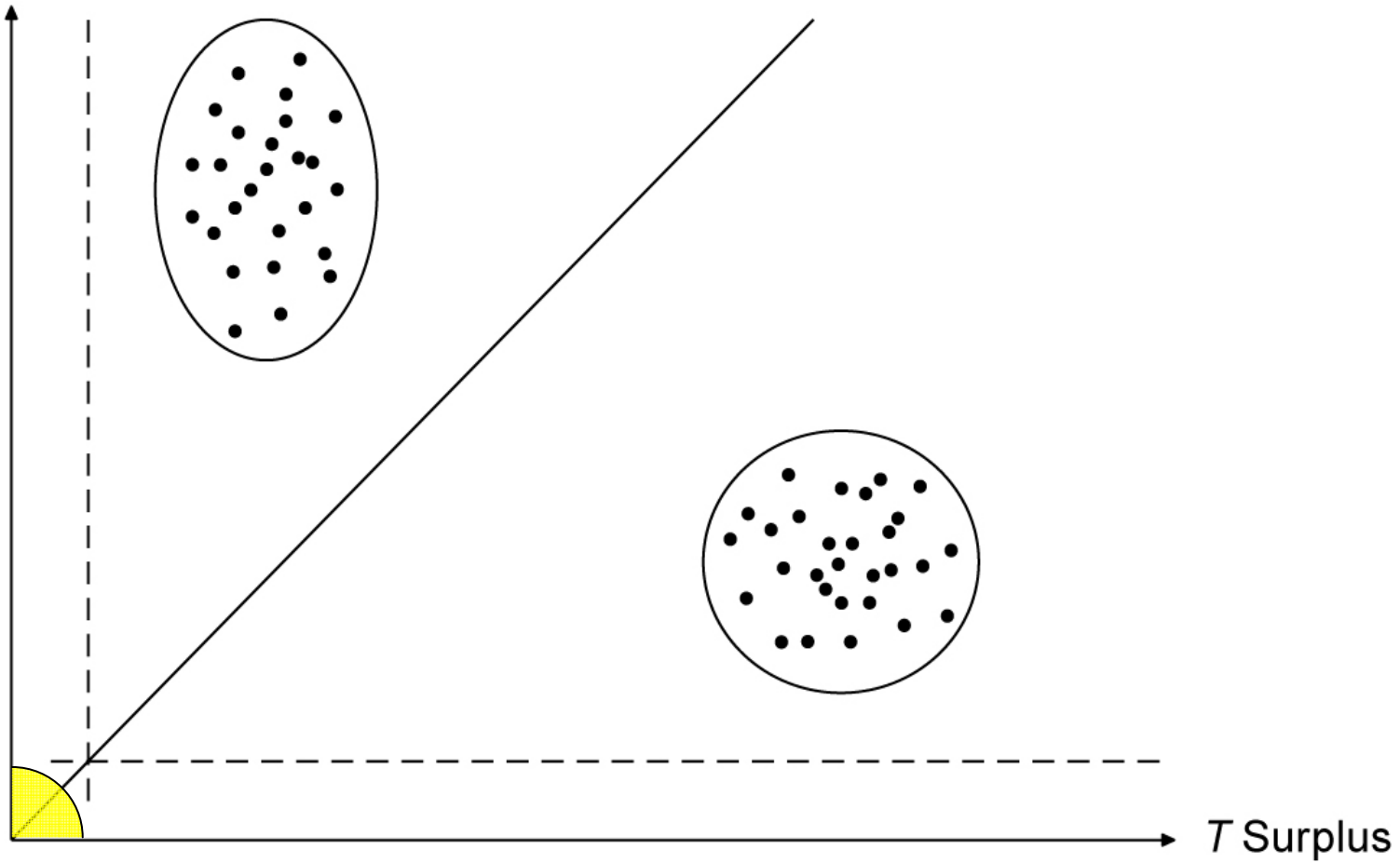
$H$  Shortage



# THE POINT OF THE WALRASIAN GENERAL EQUILIBRIUM

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$H$  Shortage



## THE RULE OF THE SHORTER SIDE

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In the case of excess demand,  
supply is the short side  
demand is the long side.

In the case of excess supply,  
demand is the short side  
supply is the long side.

Only the short side is measurable through  
objective observation.

The long side can only be estimated through  
detecting the subjective intention by interviewing.



## OVERVIEW OF THE TERMINOLOGY

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1. Shortage economy *vs.* surplus economy
2. Excess supply economy *vs.* excess demand economy
3. Demand-constrained economy *vs.* supply-constrained (or resource constrained) economy
4. Sellers' market *vs.* buyers' market
5. Buyers' competition *vs.* sellers' competition

## CONSEQUENCES AND EVALUATION OF THE SURPLUS ECONOMY

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1. Rapid technical development
2. Power relations: the buyer is stronger
3. Chronic unemployment
4. Waste (or the feeling of waste)
5. Direction of corruption: the seller bribes the buyer