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SHORTAGE ECONOMY – SURPLUS ECONOMY

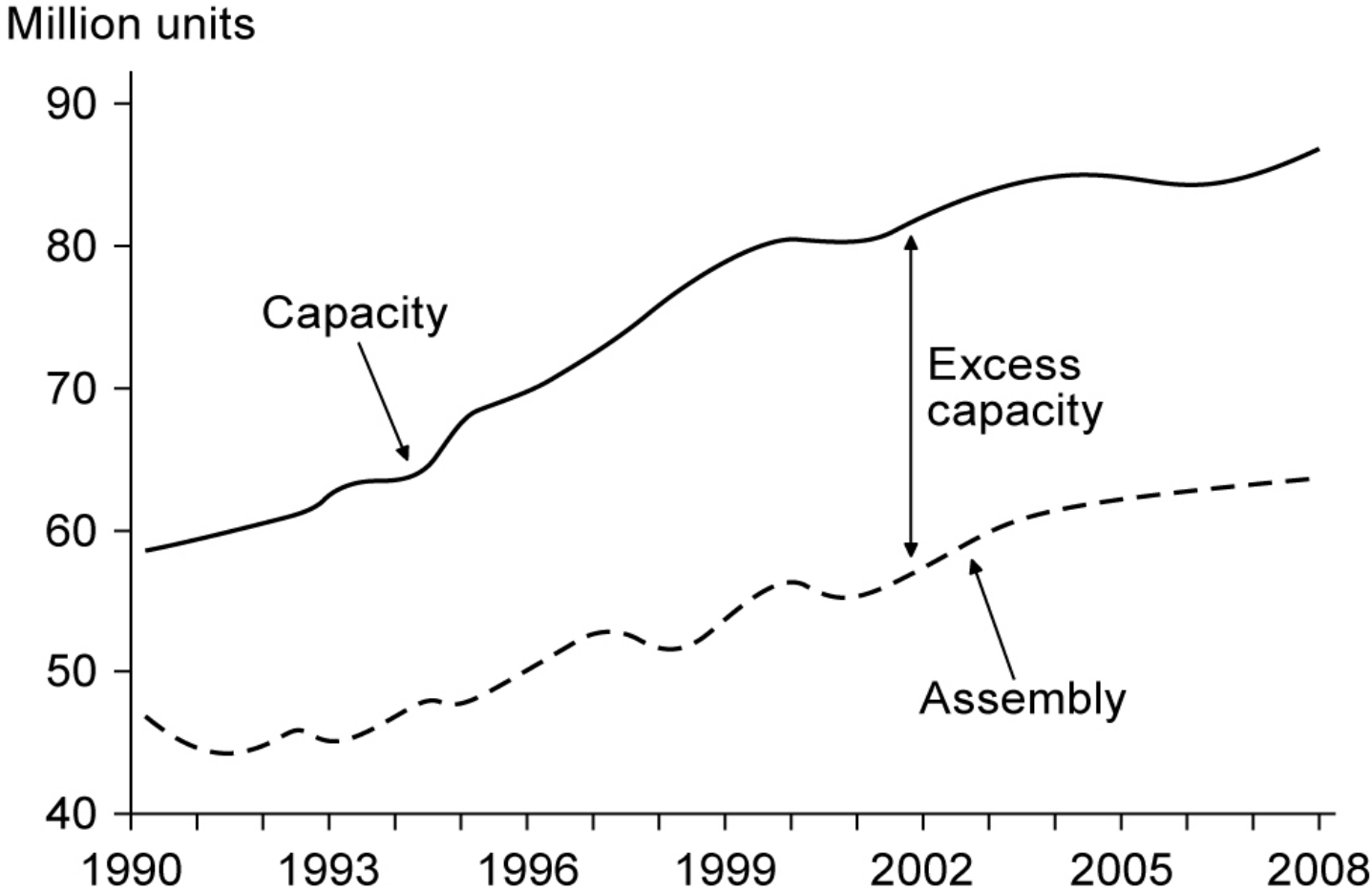
**Background material: The second essay of
János Kornai: *Dynamism, Rivalry and the Surplus Economy*
Oxford: Oxford University Press, pp. 51-167,
expected publication date: November 2013.**

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

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

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.

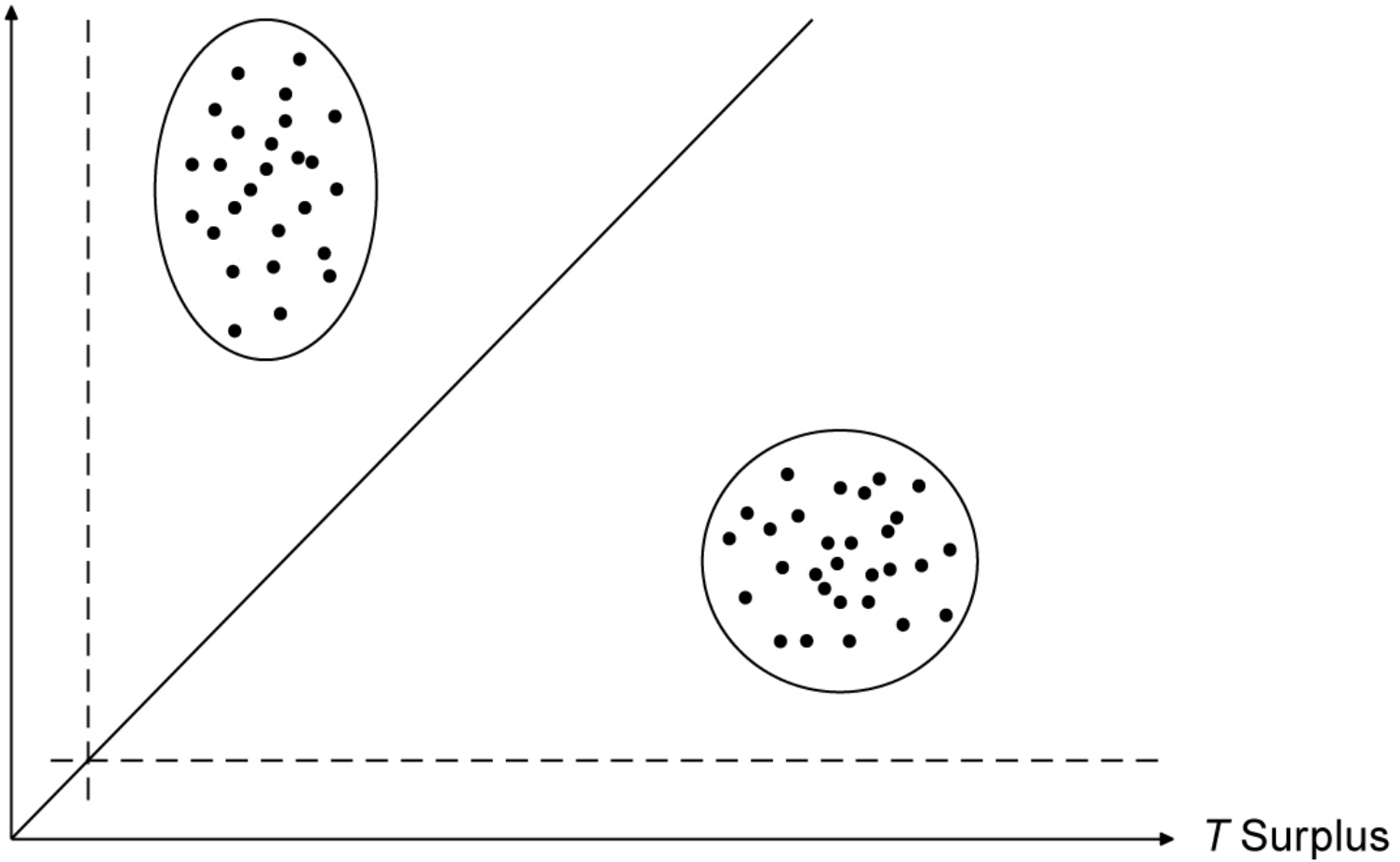
Central statements

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

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

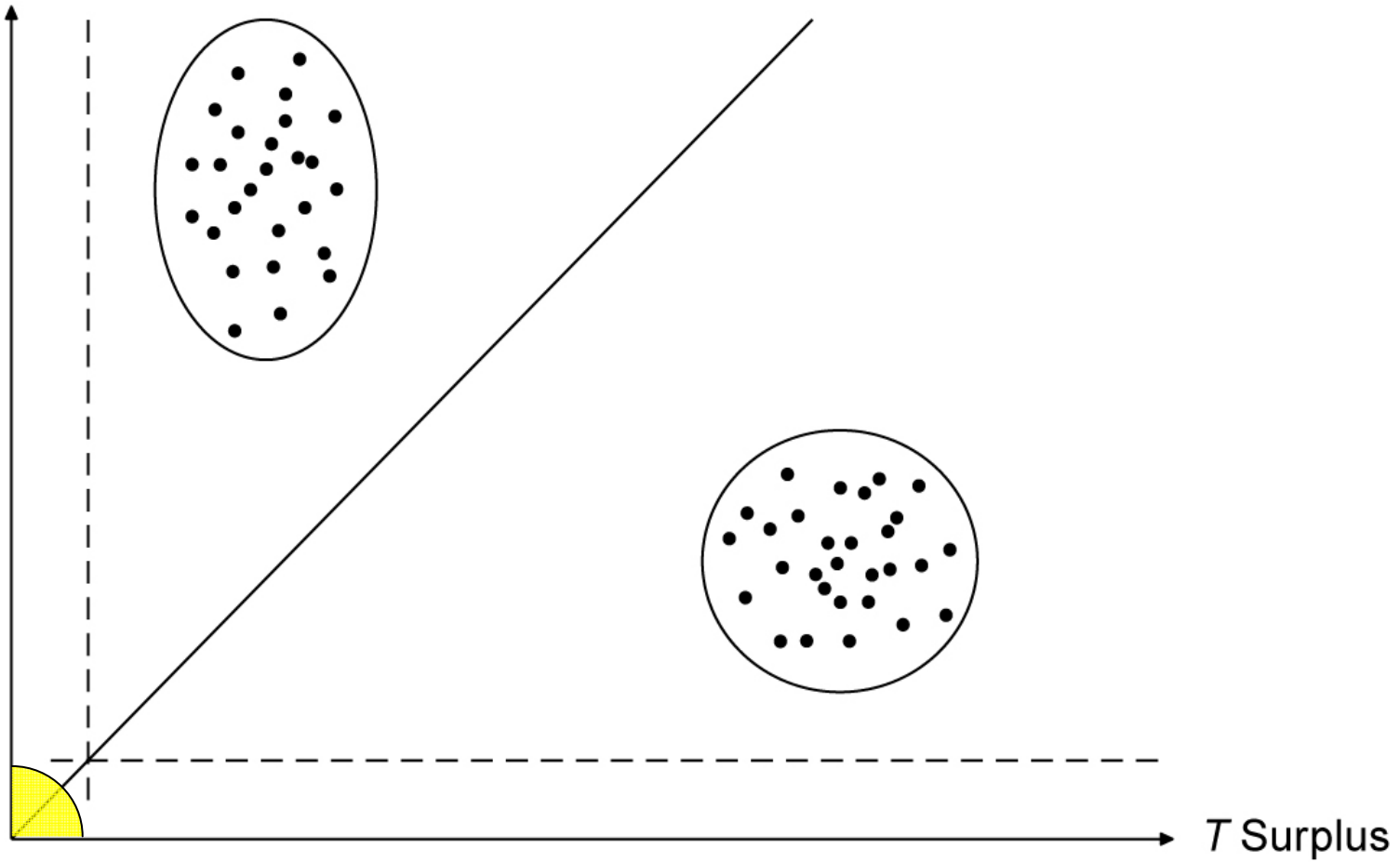
AN ILLUSTRATION OF THE SHORTAGE AND SURPLUS ECONOMIES

H Shortage



THE POINT OF THE WALRASIAN GENERAL EQUILIBRIUM

H Shortage



THE RULE OF THE SHORTER SIDE

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

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

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