3 Causes of Changes in Political-Economic Regimes*
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1 INTRODUCTION

If we want to speak about the causes of changes of political-economic regimes or systems we should first try to formulate what we understand by the latter concepts. In this paper, a political-economic regime is defined by the set of relatively stable and long-lasting rules (including the legal system), rights and government organizations within and through which it operates.

In the past, ideal systems described by concepts like market or planned economy, private or public property, monarchy, aristocracy, democracy, dictatorship, totalitarianism, rule of law, division of power, have been applied by economic and political theory to come to grips with the manifoldness of systems which have developed in reality. We will follow this precedence, but keep in mind two reservations. First, the different systems have themselves evolved in history. The stone age hunters did not have the knowledge of a market economy, and it is dubious whether we can speak of democracies before the Greek innovations. Second, we certainly can sometimes observe rather abrupt changes from one political-economic regime to another one. Russia after 1917 and West Germany from 1948 are telling examples. But we should not forget that in most historical cases, the change of political-economic regimes was a nearly continuous evolutionary process, in which subsequent changes, and the abolishment or introduction of rules and organizations followed each other and accumulated to a transformation of political-economic systems.

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2 FORCES RESPONSIBLE FOR CHANGES OF POLITICAL–ECONOMIC REGIMES

Let me state at the very beginning the forces which I believe to be responsible for the change of political–economic regimes:

1. The divergent performances concerning economic efficiency and innovative capabilities of different economic systems.
2. Political competition inside states for domestic power.
3. Competition of states in the international system for dominance and survival.
4. The influence of ideological or religious belief systems succeeding during crises.

In the following sections we will sketch how these forces work together to change political–economic regimes. We will also point to historical evidence supporting our hypotheses.

3 REASONS FOR THE VASTLY DIVERGING ECONOMIC PERFORMANCES OF DIFFERENT ECONOMIC REGIMES

Let us first turn to the reasons for the divergent economic performance of different economic systems.

By now we know quite well that this performance, that is efficiency, innovativeness and growth of gross national product per capita depend mainly on the economic and political, as well as on the legal, institutions of a country. The main relationships have been summed up in Figure 1. A so-called planned socialist economy with state property is unable to motivate people to work efficiently and to be innovative. Since people cannot earn higher incomes or profits as a consequence of greater efforts, they are not motivated to work industriously and efficiently. Because of the same reasons, they have no cause to innovate, since they cannot earn the fruits of their ingenuity. On the contrary, they have even to fight a stubborn bureaucracy to get the necessary inputs to innovate, that is, to invent and to introduce new and better production processes and goods. Since there is no competition which is threatening to throw them out of business, they are also not driven to be efficient and innovative because they are afraid to lose their present position. The whole problem is made worse by the fact that there are no market prices which give reliable information on the relative scarcities of factors of production and of other goods. As a