

The Problem of Transition Economy: Economic Calculation and Productive Capability

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This is my introductory chapter to do a critical review of different theoretical approaches on the transition economy and rise the theoretical problem to be solved.

- Economic calculation is less concerned by economists on transition economy in their recent theories.
 - No constraints over individual economic calculations (The big-bang approach).
 - Political structure, institutional structure and economic structure are considered as the constraint upon individual economic calculations (the model-based gradual approach).
 - Economic calculations need Institutions (the NIE gradual approach).
 - Economic calculations in transition economies not only need institutions in general but fundamental market-supporting institutions to guide the transition process (the Austrian gradual attempts).
- But, the above concerns on economic calculation is only on its environment. No economist considers the place of the real content of economic calculation, i.e., the productive capability to generate consumable objects whose prices and quantities are brought into economic calculations, in the economic theory of transition. If the productive capability is less the less value is the real content of an economic calculation, even at the same complex degree of its mathematical calculus. It is therefore necessary to question not only economic calculation but also the structure of productive capabilities of the whole economy during the transition process.
- We suppose that if the transition process causes to the damage of the structure of productive capabilities, the economic calculation for the economy as a whole, which is aggregated from many efficient individual economic calculations, may still lead to the worse consequence because its real content is condensed.