

Jinglian Wu

Speech in Honor of János Kornai on the Occasion of the Celebration of his 90th Birthday (February, 2018)

Dear Prof. János Kornai, Madame Zsuzsa Dániel, and Distinguished Guests:

First, please allow me to extend my very sincere congratulations to János on the occasion of his 90th birthday— "Happy Birthday, János!"

János and I both celebrate our birthdays during the same season. Whenever this season arrives, with the long cold winter days fading in the past and the arrival of the sprouts of spring on the horizon, I always fondly remember our shared birthday dinner in Beijing in 2005, especially the happy and heartfelt moment when together we blew out the candles on the cake. I truly wish that I could attend his birthday celebration this year, but only my health and the long trip prevent me from participating in the celebration in person. Nevertheless, I am fortunate to be able to join the participants in Budapest via our modern technology.

As the first Chinese economist to become familiar with János and his work, I would like to make a few comments about János' outstanding and significant contributions to China's economic transformation as well as to the development of the field of economics in our country.

In his autobiography, *By Force of Thought*, János tells the story of how we met in Athens during the summer of 1981 at the conference on "The Economics of Relative Prices," which was organized by the International Economics Association. At that meeting, János' paper, "Adjustments to Price and Quantity Signals in a Socialist Economy," reflected the essential ideas in his recently published books *Economics of Shortage*. His presentation was fiercely criticized by academician V. R. Khachaturov, the head of the Soviet delegation and chairman of the Soviet Economics Association. During the following very intense discussions, I fully supported János' arguments regarding endogenous paternalistic relations, soft budget constraints, and the low price-responsiveness of enterprises in centrally planned economies. I offered some examples of these issues that had been under discussion in China since 1977. After the session, János and I enjoyed a long chat together.

In hindsight, at that time János' true views were expressed quite subtly under self-censorship. Similarly, I too had not yet broken free from the restrictions of the Soviet-style political economy and I had only just begun to master the principles of modern economics. As a result, our talk was somewhat superficial, but it marked the beginning of our very close and personal friendship that has now continued for some forty years.

Very importantly, the presentation of János' paper opened up the eyes of many Chinese economists. Up until that point our understanding of the outside world remained fragmentary and superficial. And our limited analyses of the socialist system had a strong overtone of market socialism. János' paper allowed us to realize the necessity of conducting a systematic theoretical analysis of the existing disorder in the society in order to come up with solutions for the problems facing our country.

Upon my return to China, I introduced the content of the debates in Athens to fellow reformist economists. They all responded with great interest. In addition, I put János' paper in a volume entitled *Selected Papers on Socialist Economic Models*, which also contained relevant works by Oskar Lange, Włodzimierz Brus, Ota Šik, Alec Nove, and Benjamin Ward. Some 2 million copies of this book were sold in China and it became an essential reference source for those in our country who were studying the goal models of economic reform. As a result, Chinese readers began to become familiar with János' substantial research accomplishments regarding socialist economic systems.

Inspired by speeches by Włodzimierz Brus and Ota Šik in Beijing, I had already become determined to refresh my knowledge of economics. This decision was reinforced after I participated in the discussions in Athens.

As a result, in January 1983 I became a visiting scholar in the Department of Economics at Yale University, where I conducted joint research on comparative economic systems with Prof. J. Michael Montias, who is also János' friend. During the following year and a half in New Haven, I studied modern micro and macroeconomics, and, along with Qian Yingyi who at the time was a graduate student at Yale, we carefully read the English edition of János' *Economics of Shortage*. Dean Qian is present at the celebration today. This work allowed us to seriously contemplate the existing problems in China based on a thorough and scientific framework.

After returning to China in the summer of 1984, I assigned János' book as compulsory reading for my graduate students at the Chinese Academy of Social Sciences. It rapidly became very popular among all the economics students.

For China's economic reforms, 1985 is a historical year.

During the spring, three graduate students at the Chinese Academy of Social Sciences, Guo Shuqing, Liu Jirui, and Qiu Shufang, who had thoroughly studied Kornai's works, proposed that the Chinese government engage in a comprehensive analysis of its restructuring program. After their proposal was approved by Chinese leaders in the State Council, a designated group, including the three graduate students who had initiated the proposal and another graduate student Lou Jiwei, designed China's first package of comprehensive and coordinated plans for market-oriented reforms. This package of reforms contained a strong imprint of Kornai's ideas.

In early September of the same year, the Chinese Association for the Reform of the Economic System, the Chinese Academy of Social Sciences, and the World Bank jointly organized a conference called the "International Workshop on Macroeconomic Management," which came to be known as the "Bashanlun Conference." In preparing for this conference, I suggested inviting Professor Kornai to be a participant. I recommended that a Chinese version of a detailed abstract of his *Economics of Shortage* be one of the key pre-conference readings for the participants so they would have a better understanding of János' ideas.

At the conference János presented an outstanding analysis of the goal models of economic reform. He classified economic models into two major categories with four subcategories. He pointed out that with the Direct Administrative Regulation (IA) model as a starting point, the goal should be the Market Coordination with Macroeconomic-Control (IIB) model. János' presentation of these economic models and his macroeconomic policy recommendations to avoid an overheated economy were highly received by both the domestic and the international participants at the conference.

All of the achievements of the conference cannot be separated from the impact of János' ideas. Shortly after the conclusion of the conference, the "Suggestions of the Central Committee of the Chinese Communist Party for the Seventh Five-year Plan" were released. These suggestions included plans for coordinated market-oriented reforms.

Just as Edwin Lin, a chief organizer of the Bashanlun Conference, has pointed out, the dissection of the socialist planned economic system by the ... experts using modern economic analytical techniques reached a new height with the work of János Kornai. Concepts such as investment hunger, shortage economy, soft budget constraints, and so forth illuminated and deepened our understanding of the well-known problems in a socialist economic system. More importantly, the Eastern European reform economists demonstrated to their Chinese counterparts that the dysfunctional properties of a centrally planned system are systemic. Chinese policymakers and economists came to realize that many of the economic problems that they had thought were policy mistakes were actually inherent and unavoidable defects of the centrally planned economic system and they could only be overcome through a fundamental reform of the economic system."

Between 1985 and 1989 Kornai's books were enthusiastically received by Chinese readers. In the late 1980s, a Chinese version of his *Economics of Shortage* became a bestseller among titles on modern economics. Furthermore, his writings were very frequently quoted in Chinese economics literature. By 1987, the number of references to the works by János even surpassed the number of references to the works by Paul Samuelson or Milton Friedman. János was fast becoming the most influential international economist in China.

For a short period after 1989 János' influence in China declined. However, his proposals in 1985 were clearly evident in the package of economic reform plans that was introduced between 1992 and 1994. Even though it was not yet sufficiently solid, the round of reforms in the mid-1990s provided a foundation for a market-economy system. It was from that time on that the Chinese economy embarked on its well-known path of rapid growth.

Entering the twenty-first century, the endogenous conflicts within the Chinese system became ever more apparent. It suffered from numerous contradictions in the balance between the government and the market and rule of law. Against this background, János continued to pay close attention to the Chinese economic transition. In 2005, as head of the International Economics Association, he decided to organize a roundtable in Hong Kong on "The Market and Socialism in Light of the Experiences of China and Vietnam." The main purpose was to discuss why countries undergoing transition were unable to successfully develop a market economy. It was clearly apparent to me that the holding of this roundtable, which included participation by top-level domestic and international scholars, was based on János' sharp insights on the theoretical obstacles faced by the Chinese transition. This was an important warning to Chinese economists not only at that time but also for the future. The widespread state interventions to rein in the market in those economies undergoing transition were producing serious threats to both institutional and social progress.

But let us return to today's special occasion. As I already noted, it is a true pity that I am unable to attend in person, but that in no way affects my sincere admiration and very deep respect for János. I highly applaud his life-long devotion to academic pursuits

despite the serious, even life-threatening, political constraints on freedom of thought and speech. In the face of such challenges, János persevered and never ceased his invaluable work.

The driving force behind János' social-science endeavors has been a resolute spirit to pursue the truth. Or, as János himself states in his autobiography *By Force of Thought*, "I have never run for fame and money in my whole life. The only thing I have been after is to explore thoughts in depth." His work demonstrates to all of us that the ultimate goal of the work of a social scientist is to seek truth and to make improvements to human welfare.

During his teaching career at Harvard, János, together with Prof. Eric Maskin, Prof. Oliver Hart, and others, educated a number of outstanding Chinese students. Both together and individually, based on their academic analyses they have continually put forth important policy proposals for the Chinese economic reforms and have promoted the study of economics in our country. They are all gathered here today in honor of their teacher and friend and they too are sharing in his happiness on this special day. The highly esteemed teacher is truly worthy of such respect.

In 1999 János invited me to visit the Collegium Budapest that he had co-founded. As a visiting scholar there for three months, I enjoyed the beautiful scenery and the very productive free and open discussions with scholars in different disciplines from all over the world. Even today, almost two decades later, I still often recall the joyful and heartfelt memories of that time—from attending János' talks on his deep and detailed analysis of the transitions in the Eastern European countries, to the time János took me and my wife, Zhou Nan, to a restaurant for the famous hot and spicy Hungarian fisherman's soup and the Italian coffee that he himself prepared for us.

I sometimes wonder why our friendship has been able to grow deeper and deeper, even though we have only had limited opportunities to meet in person during the past forty years. I believe the answer lies in the fact that we had both grown up in a Soviet-style socialist society and we share a deep personal recognition of the inherent problems in such a system and the difficulties in its transition. Simply put, despite our different countries of birth, János and I share the "same past" and we have a common language regarding the future. This connection paved the way for our mutual attraction and our common professional network. But János' thinking has always been one step ahead of ours.

Now, as we approach the finish line in our lives, we continue our journeys in search of truth. János has been ceaseless warrior in the face of the recent emergence and dominance of nationalism and autocracy in some countries. In a 2005 speech in Beijing, he quoted the words of Hungarian poet, Sándor Petőfi: I'd rather be a wolf in hunger but with freedom, not a dog well fed by its master but with leash. I was deeply moved by these courageous words from the depth of his soul.

In addition to being an outstanding scholar, János is also an exceptionally respected, engaging, and strict teacher. In his spare time he enjoys music and novels, and he is also a loving grandfather. The combination of these interests has added rich and intense color to his life.

To conclude, my wife, Zhou Nan, and I would like to take this opportunity to extend to János a very happy birthday, and we sincerely hope that both you and Zsuzsa will continue to derive utmost pleasure, good health, and happiness in your lives.