

Review

Kroll, Heidi

Journal of Cold War Studies, Vol.10, No1, pp.154-156

Winter, 2008

János Kornai:

By Force of Thought: Irregular Memoirs of an Intellectual Journey.

Cambridge: The MIT Press, 2006. 461 pp. \$40.00.

Reviewed by Heidi Kroll, U.S. Federal Communications Commission

During the Cold War era, most of the academic literature describing and analyzing the structure, operation, and performance of the socialist economies of Eastern Europe and the Soviet Union was produced by Western economists trained in neoclassical economic analysis. The work of Hungarian economist János Kornai was a notable exception. As he explains in this memoir, he decided after the defeat of the Hungarian revolution of October–November 1956 that although he would not emigrate from Hungary, he would seek to become part of the economic profession in the West. Not only were these decisions shaped by political events, but Kornai's success in achieving his professional objective while remaining a Hungarian citizen was in some measure attributable to his ability to discern political constraints and to downplay the political implications of his work by applying mathematical methods or carefully calibrated self-censorship. This interplay between politics and economics makes Kornai's personal recollections (supplemented by informers' reports and other archival documents from Hungary's former secret police) an illuminating contribution to the field of Cold War studies.

The first six chapters cover Kornai's early life in Budapest, his harrowing teenage experience and the fate of his family under German occupation and the pro-Nazi Hungarian Arrow Cross regime in 1944, his first career as a journalist, his switch to a research career, and the 1956 revolution and its aftermath. Kornai, the youngest child in a family headed by a prominent attorney of Jewish origin, changed his surname from Kornhauser in 1945. He argues that the trauma of 1944 (when Hungarian Jews were deported en masse to Auschwitz), together with the liberation of Budapest by Soviet forces, is what led him and many others in the remains of the Hungarian Jewish intelligentsia to become devout Communists in the aftermath of World War II. He was recruited to join the staff of the Communist Party newspaper *Szabad Nép* (Free People) in 1947 and was promoted to head of the economic section after roughly two years. Looking back, Kornai admits that his loyalty to the Communist Party and complete faith in Marxist-Leninist ideology helped to advance his career but blinded him to the murderous terror of the Stalinist regime headed by Mátyás Rákosi. Kornai's subsequent break with the Communist Party and Marxism occurred in stages. His moral disgust with the brutality of Hungary's Communist regime prompted him to undertake a critical reevaluation of Marxist political economy. He says that he "gave up on Marxism" (p. 81) near the end of 1955, having concluded that Marx's theory of value and other key tenets of Marxist economics either did not match reality or could not be tested empirically. Kornai writes that the fury he felt over the Soviet invasion in 1956 provided a strong impetus for him to adopt a Western orientation to the study of economics. Using textbooks and other literature, Kornai taught himself modern Western economics in the late 1950s, roughly the same period in which he was subjected to repeated police harassment and a series of interrogations related to the purge of those who had backed the revolution.

The balance of the book focuses on Kornai's research, travels abroad, experience as a professor at Harvard University, and retirement in Hungary. Although Kornai is probably best known for his book *Economics of Shortage* (Amsterdam: Elsevier, 1980) and the concept of the "soft budget constraint" featured in that and other writings, he first gained the attention of Western Sovietologists with an empirical study of socialist economic management in light industry based on his 1956 dissertation (published in English by Oxford University Press in 1959 under the title *Overcentralization in Economic Administration: A Critical Analysis Based on Experience in Hungarian Light Industry*). Using personal interviews with managers at several levels, Kornai independently pinpointed classic characteristics of Soviet-style central planning, such as the incentive distortions resulting from the use of output value as an indicator of enterprise performance.

When Kornai sensed that his follow-up research on light industry had run up against a political constraint, he switched from empirical research to mathematical economic methods that were incomprehensible to potential watchdogs and had a semblance of political neutrality. In collaboration

with the mathematician Tamás Lipták, Kornai published two theoretical analyses of socialist economic organization in a leading Western journal of mathematical economics (*Econometrica*), including a classic model of central planning ("Two-Level Planning," published in January 1965). Kornai also did pioneering work in the application of linear programming models to national economic planning. Although Kornai embarked on this research in the belief that mathematical models and computers could improve the effectiveness of national economic planning, the experience ultimately convinced him beyond any doubt that "socialist planning, however modern the techniques tried, would never be able fulfill the hopes socialists placed in it" (p. 156). In another respect, however, the research fulfilled its promise—Kornai practically gloats at his success in outwitting the watchdogs with this choice of subject.

In *Economics of Shortage* and other writings, Kornai argued that chronic shortage is a systemic attribute of the socialist system that arises from a complicated chain of causes that include a propensity to bail out financially troubled enterprises (the "soft budget constraint") and the paternalistic role of the state. To ensure legal publication of the book, Kornai ended his exposition of the causal chain at paternalism, leaving it to the reader's imagination to infer that the root cause of shortage was the Communist system and that a change of system was required to eliminate it. Not until after the demise of Communism in Hungary did Kornai feel able to present his argument in full in his valuable autopsy of centrally planned economies, *The Socialist System: The Political Economy of Communism* (Princeton, NJ: Princeton University Press, 1992).

As a prelude to discussing his proposals for the transition from socialism to capitalism that he published in 1989 under the title *Indulatos röpirat a gazdasági átmenet ügyében* (put out in translation by Norton in 1990 as *The Road to a Free Economy: Shifting from a Socialist System*), Kornai poses the question of whether he anticipated the collapse of the Soviet and East European socialist systems. He answers by noting that the Hungarian edition appeared in bookstores the same month that the Berlin Wall fell. *By Force of Thought* makes a persuasive case that many of Kornai's earlier writings were equally prescient about the long-term prospects of the Soviet brand of socialism, even though he had to conceal that message between the lines.