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Notes for Talk on Kornai Memoir

Irregular Reflections

Someone asked to talk about a book by a distinguished writer to an audience that included the writer is alleged to have said that it's like talking about Hamlet with Shakespeare in the audience. Well, this is like talking about a Shakespeare play about Shakespeare, with both Shakespeare and Mrs. Shakespeare in the audience.

Still I feel honored to have been asked to say a few words by Janos. I will sidestep the Shakespeare problem by talking as if neither he nor Zsuzsa were present.

What does this extraordinary book reveal to a reader who doesn't know Janos about the man, the scholar, the economist, the public intellectual named Kornai Janos?

While I'll say something about Janos the economist at the end, his economics as such is not mainly what I want to talk about here. Except quickly to say the obvious:

Janos is rightly in my opinion widely thought to be the world's premier scholar of the socialist systems that ruled x percent of the world until 1989, and that still holds sway in the most populous country of the world. Arguably, his work as an economist and public intellectual may have contributed to the demise of that system in Hungary, in the rest of Central and Eastern Europe, perhaps even in the Soviet Union. He has made a significant contributions to our understanding of the post communist transitions. His idea of "soft budget constraints" has gained a permanent place in the textbooks.

If you are interested in all that, when this is over, and if you don't own the book, you should not walk but run – or looking at the audience perhaps just jog -- to buy it and read it. You are in for a treat.

Now back to my question: What does this extraordinary book reveal to a reader who doesn't know Janos about the man named Kornai Janos?

Thinking about that I started rereading what in 2005 I had scribbled in the margins of my copy of the Hungarian edition. Lots of technical scribbles about the economics, but as I say, that is not mainly what I want to talk about here. (At the time, at Janos's suggestion, I sent him the reams of notes I had written mainly to keep straight my own thinking.)

What I noticed about the non-technical scribbles is that – page after page, like a refrain -- they point to four attributes, none surprising to anyone who knows Janos: High Intelligence; Determination; Integrity, and Courage. And often, their intersection. My initial impulse was to go through the book identifying salient examples.

A mistake. Take “intelligence”. Predictably, chapter after chapter, there were far too many examples. Anyway, the memoir taken as a whole is the best example, both for itself, and for the life it describes. “By force of thought” describes it perfectly. (Force strikes me as just right. Better than “strength,” the literal translation. As in physics, it connotes both weight of thought and a mind in motion.)

Looking for stories that illustrate Janos's determination, his daunting powers of persistence, was more fun. But again there were too many, with the book, once again, a prime example. So I'll pass on, except to report that, next to one story I had scribbled, in English, “stubborn as a mule.” (What is the equivalent Hungarian expression?)

It was fun, also, identifying examples of Janos' remarkable courage, even though by then it had dawned on me that the whole approach was wrong, that it was causing me to miss a quality of Janos that I now think encompasses all the others. Still, as a digression, I can't resist quickly reading you four of my early courage & integrity stories.

-- Think of the sixteen year old Janos, at dawn, after a 20 mile forced march, in a lineup of labor camp inmates probably – although they didn't know it – headed for Auschwitz. He has some sort of Wallenberg generated safe-pass in his pocket -- not a Swedish passport. An Arrow Cross thug orders anyone with a Swedish passport to fall out and form a new line. Janos does, instantly, knowing that he risks being shot forthwith if caught by the young soldier inspecting the papers,

-- Or ten years later, the brilliantly successful, whole-heartedly committed party-warrior Janos, at 25 barely out of knee pants, in charge of the economics section of the party newspaper. He is on the telephone with the fearsome Erno Gero, Hungary-s economic tsar, a hardened old line Moscow communist, a Torquemada inquisitor with total recall for numbers. Gero orders Janos to write a story denying that the electricity blackouts plaguing the city have anything to do with errors of central planning. But, says Janos to Gero, that would not be true. He refuses to write the story. (Janos says he didn't know then that, during the Spanish Civil War, Gero was notorious for ordering shot communist underlings who displeased him. Even so, hutspa ...)

Or three years later, late November 1956, the by then morally alienated, intellectually disillusioned Janos. In '54 he had been prominent among young reform-

minded, Imre Nagy supporting journalists who had openly rebelled against their Stalinist editors. Coerced into false, demeaning mea culpas, he was nevertheless fired. Now, wandering the streets of Budapest in despair about the squashing by Soviet tanks of the ten day Revolution, he runs into a woman acquaintance, known to Janos to be a dutiful minor Party functionary. There is some small talk. Then, apropos of nothing, Janos blurts out “I am not a Marxist.”

Later that winter, at the Economic Institute where he had landed a lowly job after being fired. The party cell is being reconstituted. Janos refuses to join (His friend Andras Nagy is the only other.) Not dismissed immediately – Kadar is a shrewd fellow; he took months to reinstitute full fledged Stalinist terror -- Janos is thrown out in mid 1958, after several bouts of ugly secret police interrogation. The precipitating factor: at a meeting of Institute staff ordered to confess revisionist error, Janos – with, again, only Andras Nagy -- refuses to praise the suppression of the Revolution, and Imre Nagy’s death-sentence.

I could go on, but, as I say, all this misses the one encompassing thing the book reveals about Janos.

* * *

In 1954, the truly distinguished Harvard sociologist David Riesman published his *The Lonely Crowd*, a book many of you may remember. It became an instant best seller for its identification of three kinds of historical cultures, each defined by an ideal-type character: the “tradition-directed,” the “inner-directed,” and the “other-directed”. The labels became a pop psychology cliché. But Riesman also made a deeper distinction. Within each of the three cultures, he argued, you can distinguish three kinds of individuals – “ideal types” -- according to how they relate to their culture, and to each other: the “adjusted,” the “anomic” (self-destructively unadjusted), and last, the rarest of rare, “the saving remnant in another directed culture,” the “autonomous.”

I paraphrase Riesman’s descriptions:¹

The adjusted person, says Riesman, is driven towards his underlying goals by a gyroscope over whose speed and direction he has very little control, and of whose existence he may not even be aware. The goals, the drive toward them, are given. His autonomous contemporary, in contrast, is capable of choosing his goal and modulating the pace. For the autonomous, the goals, the drive toward them are rational, nonauthoritarian, and non-compulsive. (295)

Autonomy is a process, not an achievement. It does not come about suddenly, often it is the result of struggle with the forces of the culture which oppose it. (300) It takes a character structure that can tolerate freedom (IR p 100) and is acquired by the

¹ Though I think the selections here capture exactly Riesman’s meaning, they are not exact quotations. I selected bits and pieces, and where necessary for continuity, took liberty with order, tenses, whatever.

process of coming to understand his society and the alternatives which it holds open to him, and by creating entirely new alternatives.” (300)

The autonomous are questioners (301) who find strength in the face of their minority position in the world of power. Their autonomy depends upon the success of their effort to recognize and respect their own feelings, potentialities, limitations. (305)²

Further:

While it is possible as long as thought is free to be to be autonomous no matter how tight are despotic controls over conduct ...most men need the opportunity of some freedom if they are to develop and confirm the autonomy of their character. Sartre is wrong that men other than a few heroic individuals can “choose themselves” under conditions of extreme despotism.

The autonomous are not to be equated with heroes. Heroism may or may not bespeak autonomy; the autonomous are those who are in their character capable of freedom, whether and in what degree they choose to take the risks of overt deviation. The case of Galileo illustrates both points. In order to accomplish his work, Galileo needed *some* freedom, such as the freedom to exchange astronomical texts and instruments, to write down results. Yet while autonomous (as far as we can determine) he did not need to make a martyr of himself for the Inquisition. He deliberately chose a nonheroic course.

It is interesting to note, that in Riesman’s judgment in 1954, in the Sov union and its satellites Galileo could not have made even this choice, since, “the choice between martyrdom or secrecy is not available under the grisly regime of the NKVD.” (295). Janos is a counter-example.

Now I want to read you an excerpt from the last section of the last of seven chapters of Janos’s memoir that cover his life until 1959 (when he is 31 years old):³

“In daily life in the socialist system, party secretaries and journalists, history teachers and planning office department heads liked to imply *there was no alternative*. The only thing to do was what the historic forces of progress dictated

² Mill On Liberty (Riesman p. 286 heading a chapter Adjustment or Autonomy): Human nature is not a machine to be built after a model, and set to do exactly the work prescribed for it, but a tree, which requires to grow and develop itself on all sides, according to the tendency of the inward forces which make it a living thing.”

³ Those of you who have read it will recall that after a chapter on his boyhood that ends with the Germans being driven out of Budapest by the Soviet Armies, and two chapters titled “How I became Communist” (powerfully honest/utterly unself-serving) and “On a Communist Newspaper”, there follow four chapters: “Waking Up, 1953-55” “The beginning of a Research Career, 1955- October 23 , 1956” “Revolution and After, October 23 1956-1959” and “My Universitites 1957-59”

... During the second half of the 195—s, the opposite idea came to me in many forms and from many sources: there was a choice....⁴

... It took me some five years, from 1954 to 1959, to work out how I wanted to live in the future ...through a series of conscious deliberations and improvisations, intertwined with each other. At every moment room for potential choice was narrowed by pressures from the outside world [But]...there was choice available at every moment ... Nevertheless – in retrospect – by 1959 some of my basic decisions had already emerged --

1. I would break with the Communist party. 2. I would not emigrate. 3. My vocation would be research, not politics. I would not indulge in heroic illegal forms of struggle against the Communist system. I wanted to contribute to renewal through my scholarly activity. 4. I would break with Marxism. 5. I would learn ...modern economics. I wanted my studies and researches to be a part of the western profession of economics.”

[These were, Janos continues] no vague or loose clusters of intentions, but a *conscious* considered strategy in life. ... Forty five years have passed ... I do not claim to have followed them all without exception. .. People are frail. I tried to keep to them. If I erred I would reproach myself later ... I attach great value to the moral imperative of being true to oneself. (133-4)

If David Riesman were here, can there be any doubt that he'd think Janos Kornai a quintessentially autonomous man?⁵.

* * *

I believe the drama of Janos's life – the drama of this book – comes in two parts:

How did he get there?

What did he do with it – with what moral, intellectual and political result?

On the first -- how did Janos become a truly autonomous man – read, and read again, the first seven chapters. But when you do – especially the four chapters that cover

⁴ Then after citing the influence on him of the plays of Laszlo Nemeth about John Huth and Galileo and others, writings of Sartre and other existentialist philosophers, and the economists' models of rational choice, Janos goes on: “Let me try to sum up where I stood in my choices in 1959....”

⁵ Evidently, Janos had fixed the initial settings of his gyroscope. But adjustment... Line between; politics and scholarship no man's land ... (pp 96 and 97).

Janos's life between 1953 and 1959, the four chapters that begin with chapter 4 "Waking Up, 1953-55" -- I have a suggestion:

Take a wide and long sheet of paper. Make a 7 x 5 matrix, a row for each of the seven years 1953 through 1959. Label the five columns: High Politics (Moscow and Budapest,) Janos's Career, Janos's Psyche, Janos's Beliefs, and Janos's Writings. Then as you read those four chapters, keep filling in the squares in the matrix:

For example, in the first, the "High Politics" column, start at the top with Stalin's Death in March 1953, then go to Moscow's July '53 order to Rakosi et al to moderate the terror, then the 13-14 months long Budapest "Spring", then re-Stalinization in the late fall of 1954, then the 20th party Congress in Moscow in Feb. 1955, then the October 23 1956 Revolution, then Russian tanks on Nov 3, then, during 1957, Kadar's slow-motion re-Stalinization and four years of terror, Nagy's execution, then amnesty in 1963 and gradual thaw.

In the second, "Career" column: Economics section head, Szabad Nep; growing support for New Course leading to the Journalists revolt ... in October 54, to firing 4/28/55 with coerced mea culpa as a condition of lowly job in Institute

In the "Psyche" column, start with summer '54: crisis of faith on hearing story of torture and false confession of old acquaintance who had in 1950 disappeared into prison (the torturer Janos's ex colleague in the youth movement)...; doubts about Marxist convictions; anxiety of losing job and status; humiliation of his own false confession; discovery of mismatch of plan directives and factory reality.

(Fill in highlights in columns on beliefs and writing)

You get the idea.

Then rap the matrix around a spindle, with 1953 (earliest year) on the outside. Affix the spindle to the bottom of the screen. Slowly roll it open: 1953, 1954, 1955Keep looking across, left to right, right to left. What you will see unfolding is a truly gripping saga: "The Making of an Autonomous Man."

"If I were a film director [writes Janos about 1956-59] trying to convey how my life went, I would flash a succession of shots. There I would be full of anxiety preparing for an interrogation in the Gyorgykocsi utca prison. There I would be sitting at a desk, industriously taking notes on Paul Samuelson's Foundations of Ec. Ana. I am anxiously waiting in the hospital corridor for our second chilled to be born; the nurse appears to tell me the good news: it is a healthy boy! I would be seen whispering with friends in the Institute; a committee of party delegates was reviewing the staff, with a purge to follow. There would be a moment of joy as the galleys for the English edition of Overcentralization arrive, There would be horrifying news: arrests of close friends. There would be a businesslike talk with a manager of a textile mill. And so on: a series of shots, fearful, and reassuring, happy and embittered, instructive and grotesque..... I'm not a film director ... (.106)

Not a film director? It is as if he had a script based on my chart before his mind's eye. I even have some casting suggestions: the young Alec Guinness as Janos. John Gielgud as Gero, or better as the remarkable communist "grand seigneur" Gyorgy Peter.
...

* * *

Two Books?

A number of Hungarian readers have said of the memoir that it's really two books. Yes and no.

For the second edition, I'd love to do a reader's guide – an annotated table of contents – for readers who know no economics and couldn't care less about shortage, soft budget constraints, equilibrium or anti. The digested version would make a *The God That Failed* saga – a slice of mid-twentieth century Central European history, with a bearing on an important strand of what the Cold War was about

BUT, my guide would be written in unbreakable code, with the key strictly reserved for non-economist readers, unavailable to anyone with even a first degree in economics who wants to understand how Janos the economist happened.

The point: to understand the "Is it true? I want to see it, touch it, smell it searcher for empirical truth" economist Janos -- you have to read the whole book.

It's possible of course to learn Janos's economics without that. If that is what you want, read *Overcentralization*, *Anti Equilibrium*, *The Economics of Shortage*, and the grand synthesis, *The Socialist System*. Read his journal articles. BUT this book is an intellectual memoir, not a treatise. And it's a lot more fun.

Comments on Janos the most empirical of theorists.

Economists trained during the past 50 years are vulnerable to two kinds of disease: (1) failure truly to internalize the inner workings of the often intricate abstract models – axiomatically constructed black boxes -- that constitute modern economic theory. (2) The greater danger, especially for the "best" trained and -- as in Janos's case - - the analytically most adept, is to allow yourself to become a prisoner of the models. Having lived yourself into the black box of modern economic theory, it's all too easy to get captured by it. Rather than using the models to think with, the models become a substitute for thought.

Janos is immune to the second disease. Having lived for seven years locked inside the Marxist black box, his first impulse is to ask "Is it true" not in the deductive, theorem

sense, but in relation to observable fact, evidence. Not just time series on computer screens. He wants to see, to touch the raw reality out there for himself.

Consider *Overcentralization*. It is grounded in interviews, and factory floor observation, of what workers and managers down in light-industry factories actually do, how they actually respond, to the production targets and instructions that descend on them from the planners above. His first research, it was a liberating therapy for Janos. And a catalyst for his lifelong preoccupation with the intersection of knowledge & incentives & institutional arrangements. (During the triumphant public defense of his thesis on September 24, 1956, just barely before the onset of what became by late 1957 a Stalinist new darkness, Janos reacts with allergic anger to the suggestion of a fine young woman economist, one of the designated but friendly “opponents” – still a colleague -- that the thesis was short on abstract theorizing. “More of that is not what we need now” snaps Janos.)

The idea of “shortage” – the phenomenon Janos identified as the signature malady of the socialist system -- originates with the observed reality of what it is like to be a buyer in an economy where the consumer, far from king, is a zero.⁶ And it leads him to his conviction that to cure it you have to change the system whole. It’s not simply a consequence of a lot of artificially held down prices.⁷ You can’t just fix coordination and leave public ownership and one party communist control and ideology stand. The political institutions and practices interact endogenously with how the economy is organized and with how it functions.

For me, the signature of Janos’s work is his commitment to understand the socialist system as a whole. And that -- for that -- you have to treat government high-politics and ideology as endogenous. And if for no other reason – and there are other reasons -- you can’t just take a ready-made model off the shelf as it were. If I had time, I’d explain why I think the same applies to the capitalist system as it works in America.

⁶ Janos recounts the traumatic effect on two of his most remarkable communist colleagues – both become heroes in different ways – of first exposure to Zurich’s Bahnhofstrasse.) Think of the almost seamless non-coincidental behind-the-curtain matching of double-coincidences of wants when you shop in Harvard Square or in a well-working market system as compared to the pervasive non-matching in a world of barter. (I have a pair of almost new shoes to offer in return for a taxi ride or a dictionary or two quarts of milk.) Janos’ description of a prototypical socialist economy suggests it’s somewhere in between. Because money for goods works in most socialist economies except when there is hyper-inflation, it’s a little like suppressed inflation, with lots and lots of what he calls forced substitution, long waiting lines, all entailing enormous shoe-leather and anxiety costs. And having to deal with rude sellers. (He is a bit too generous about capitalist market systems in that regard. Try calling a plumber when your cellar is flooding ...)

⁷ I would guess that it’s that observed reality that protected him from accepting – becoming the captive of -- the neoclassical, from-inside-the-neoclassical-model explanation of pervasive “shortage”, that it’s simply a consequence of a lot of artificially held down prices – held below their market-clearing levels by misguided set-by-fiat ceilings (and that therefore, as implied by the neoclassical model -- because relative real prices are what matter -- there must be potential excess supply elsewhere. And, that freeing prices would be a sufficient cure.

Appendix (Notes for expansion NOT FOR QUOTATION W.O. Specific Permission.)

Janos's refusal to be captured, this time by the newly mastered and intellectually seductive neoclassical equilibrium theory explanation of shortage, has large consequences for the development both of Janos's thought, and of his career:

--To understand and find a cure for shortage, you can't he argues focus merely on mis-coordination. You have to figure out how the system works taken as a whole, an undecomposable bundle. The political institutions and practices interact endogenously with how the economy is organized and with how it functions.

-- He refuses to join after 1963 with some of the best of his colleagues – whom he calls “naïve reformers” – who think that they can remedy shortage, or at least ameliorate it, by fixing the coordination mechanism while letting stand pervasive public ownership and one-party communist government. (Actually, they did make life better during 1968-89)

FIVE-BLOCK DIAGRAM ON BLACKBOARD

The economists' easy answer. Free up enterprise managers – still government employees -- to make their own production, selling and input purchasing decisions, in decentralized fashion. And perhaps even let them set prices, in competition with each other. In effect, free up markets. Or set prices as per Lange/Lerner: up if excess demand/down if excess supply. Order managers – employees of the state -- to behave as if they were capitalists trying to maximize the difference between sales revenue and minimized cost (for whatever quantity) == i.e. profit. The incentive: if you don't, the Gulag. No good once threat of Gulag is softened. Schematically:

No, says Janos. (Shortage joke: “... and now they are out of bullets.”)

I have to look at Janos's stuff and the back and forth in the literature about how clear are the distinctions among: 1. shortage relative to wants (= universal scarcity, given endowments, tastes and technology == non-satiation, intrinsic relative to positional-goods and Veblen stuff. Janos's Poland reaction to Portes suggests a momentary confusion. 2.

shortages relative to notional = effective demands when economy is at its potential=Pareto efficient allocation given; 3. shortages relative to notional demands in a sub-efficient economy; 4. shortages relative to effective demands when in a sub-efficient economy. I think Janos is talking about 3 and 4, and has in mind especially the fact that, perforce, sellers, producers -- employees of the state -- care mainly about pleasing party bosses, planners, and if the bosses care/promote/punish in relation to producers' achievement of arbitrary goals that are not advanced by satisfying buyersAlso non- response to changes in tastes, changes in technological opportunities Also response to risk in Knightian environment

What I am not clear about is Janos's theory of income formation and hence the income constraint on households who presumably face hard budget constraints. Suppose planners fix an output vector target that matches yesterday's output actuals, very sub-optimal relative to (unchanged) technology and endowments as well as tastes. So the targeted output vector is presumably feasible. Suppose planners also fix an arbitrary set of nominal prices. Suppose producers achieve their output targets, borrowing freely to the degree they have to in order to pay for their inputs (very soft budget constraints on producers.) Suppose they post the planned prices on a take-it-or-leave it basis. Suppose households make purchasing plans based on the posted relative prices and what nominal income levels? Yesterday's income levels? Easiest to think through first in a vertically integrated non-Leontief economy where producers hire labor and use existing plant to produce outputs..... In my 2005-6 memo-s to Janos I sketched in rough outline a couple of models that generate his kind of shortages across the board with no surpluses, and do so without violating any identities, but he and I have not talked about them. So I am still confused what his contra-Portes model looks like.

* * *

A longer, fuller courage story

But I have left out what became a decisive story. Going back to gtwo years before the 1956 Revolution.. think of the 26 year old Janos in October 1954, before the revolution. It's near the end of the short-lived 15 months Budapest Spring of 1953-54 that followed Stalin's death in March '53. By then Janos's faith in the moral foundations of what came to be called existing Communism had been shaken by the account of a recently released older friend who had been tortured while a political prisoner into false confession. The torturer had been had been a colleague of Janos in the communist youth organization. And Janos had also started having doubts about the bureaucratized, overcentralized quality of the Stalinist system. He had become an enthusiastic supporter of Imre Nagy reformist, ameliorative New Course, published a favorable review of two of Nagy's recent works, emphasizing their anti Stalinist flavor. In any event, in October Janos joined with a small group of his fellow journalists in a several day, on the record meeting, to demand from their Stalinist minded senior editors that the paper openly support the reform minded Imre Nagy faction against Stalinist Rakosy old liners. Janos and his colleagues knew full well that if the Rakosy crowd came out on top – as they did

within the following weeks – their jobs and perhaps their physical freedom would be at risk.

. As it turned out, Janos's job was. After a spectacular 7 year career he was fired a few months later. After riding high for seven, he was lucky to land in a lowest of the low academic job at the, lucky because by then he had badly wanted to switch to research. But the price he had to pay for that transfer was to be coerced into a demeaning retraction of his deviancy. His description in the book of his then feelings about having become a true believer – a party soldier -- in what he was by then realizing was a morally horrendous political system makes for haunting reading: utterly honest, wholly unselfserving. And the experience acted as a catalyst causing him to start in a on in a on a tortuous process of reco reconsider that took up a lot of his emotiounal energies. Re reading those chapters a couple of weeks ago. I realized ... from scratch what had been a deeply held world view.

More:

The moral courage to re-examine his most fervent beliefs, the credo he had lived by .
Do story of self examination.

Skidelsky NYRB review of Kornai: Keyenes on Malthus -- 'don't have to lead a bold life to have bold ideas.'

Skidelsky doubly wrong. Not a bold life? True, not a martyr life. But what S. should have said is: if you want your bold ideas to affect the real world, you have at times to restrain your impulse to be bold. A tradeoff. Also short v. long run. Moral choice. Autonomy of choice, and to your own self be true. Many different kinds of bravery and courage (Riesman on martyrdom/ Galileo example.)

For Warsh piece "Kornai's Choice" (5/19/2007 warsh@comcast.net)

FMB: "Some might think a blemish Kornai's choice, as he puts it in the book, "not [to] indulge in heroic, illegal forms of struggle against the communist system ... [instead] to contribute to renewal through scholarly activity." Not so. If you want your bold ideas to affect the real world, you have sometimes to restrain your impulse to be bold. It is the courageous tradeoff of a quintessentially autonomous man."