

A Mirror for Intellectuals

Dialogue about János Kornai between Lu Yuegang and Liu Suli

Author: Lu Yuegang and Liu Suli

This edition of Classic Reread makes an exception--- it is not the first time that we focus on more than one book in one edition, but it is definitely the first time that we reread the classics of a great thinker who is alive.

Although people might have different opinions on categorizing Professor Kornai as a thinker, we have our own reasons to make this assertion, especially after the publication of his masterpiece *The Socialist System: The Political Economy of Communism* (English edition in 1992 and Chinese edition in 2007) and his autobiography *Force of Thought* (2009).

However this edition of Classic Reread will not only talk about the two books mentioned above. What we are truly interested in is, as a mirror, how significant Kornai and his thought are for Chinese intellectuals.

Kornai has exerted a substantial influence on a whole generation of Chinese economists, but he and his thought are in an awkward situation in the mainland China. To be specific, on the one hand, his influence is limited to the economist circle, and on the other hand, the younger generation barely hears about him. We believe that Kornai's thought is more important for China than other fashionable new thoughts both in the West and East. Although not out of date, he has received cold reception. This phenomenon provides us with much food for thought.

The first Kornai's monography in simplified Chinese character is the *Economics of Shortage*, which was published in 1986. Some economists are said to have managed to find its original English version in the library after great efforts and then "to pocket it as his own" as if he found a treasure. Bruce, Ota Sik and Kardelj from Yugoslavia were known to China earlier than Kornai, but their thoughts failed to evoke repercussions as strong as Kornai's ones. The situation of Djilas and his thoughts in China is a bit more complicated. His masterpiece, *The New Class*, had its Chinese edition in as early as 1963 but even to this day, it is not allowed to be published publicly. What is more bizarre is that Hayek is more famous than Kornai although they are both well-known for their great contribution to economics. Similarly, Mises arouses more attention than Kornai although his masterpiece came far later than Kornai's.

Kornai was once the Chairman of International Economic Association and has won several nominations of Nobel Economic Prize. He has taught in several world-renown universities. However, when he felt Hungary, his motherland, needed him, he resolutely gave up his good job and affluent life at Harvard University and returned to Hungary. During the earlier period of the disintegration of the Soviet Union and Eastern Europe, lots of "refugees" rushed back home for potential political and financial gains. Kornai could have also joined them. He was even much more entitled to do so than the others. However, he declined this opportunity and stuck to academic research. At the same time, he stopped all other work at hand and wrote the famous monograph, *The Road to a Free Economy*, for his beloved motherland, which was undergoing the great pain of transition. When the Chinese edition of his another masterpiece *Reflections on Post-Socialist Transition* (2003) was published 10 years later, we could still sense his passion and care about Hungary's transition at that time.

Kornai is the teacher of several Chinese students. He might be the world-class thinker that educated the largest number of famous Chinese economists. There is one possible reason for this: China is of particular significance for his thought.

Today, we are honored to invite Mr. Lu Yuegang to join us and review Kornai's academic career, his masterpieces and his conclusions. What is more important is that we hope to discover new inspirations from his books and thought. Let's welcome Mr. Lu Yuegang.

The Sources of his Thought

LIU Suli¹ (hereafter “Liu”): This year marks Professor Kornai’s 80th birthday. The best way to pay tribute to this great scholar, I believe, is to review his works, thoughts, and life, in the hopes of discovering new inspirations.

Professor Kornai has an indissoluble bond with China. It was as early as over two decades ago at the early stages of China’s reform and opening-up that Chinese economists and policy-makers first became aware of Professor Kornai and his ideas.

LU Yuegang² (hereafter “Lu”): Actually, it was almost three decades ago that his thoughts were first introduced into China. I have interviewed a large number of people during my study of China’s reform and opening-up over the past three decade. It turns out that Professor Kornai’s masterpiece *Economics of Shortage* exerted a substantial influence in Chinese economic circles at that time and is regarded almost as the Bible for China’s economic reform. Professor Kornai had created a set of economic concepts to accurately describe the planned economy, such as shortages, soft budget constraints, paternalism, investment hunger, and the ratchet effect.

Liu: Prior to Professor Kornai, were there any other Eastern European economists with whom Chinese economists and policy-makers were familiar?

Lu: Ota Sik and Bruce were known somewhat earlier, at the end of 1979. *The Third Way*, written by Ota Sik, was published in China in 1982. So, according to my memory, they were the first Eastern European economists to become known in China. The first well-known Eastern European philosopher was probably Adam Schaff. China followed the reform pattern of Eastern Europe at the very beginning because Eastern Europe had been pursuing reform since the Hungarian Revolution of 1956 and had made some achievements.

Liu: It is very interesting to hear you say that China’s reform followed that of Eastern Europe. Was this done explicitly or implicitly? What was the background for this initiative?

Lu: China did it in an explicit way. Mr. Hua Guofeng, chairman of the Chinese Communist Party at that time, led a large delegation composed of Premier Zhao Ziyang and many central and local government officials on a tour of Yugoslavia soon after the crackdown on the “Gang of Four.” The purpose was to learn from the Yugoslav experience of agro-industrial-commercial business enterprises and workers’ self-government. Yugoslavia was quite special within the Communist camp and it was more sensitive to reform than the other Eastern European countries. After returning from this trip, Premier Zhao carried out a pilot experiment of agro-industrial-commercial business enterprises in Guanghan, Sichuan Province, in an attempt to integrate production, supply, marketing, and politics into a cohesive basic unit. By the way, that trip also included a visit to England.

Liu: I suppose this was a natural outcome because China and Yugoslavia were both socialist countries that had adopted similar socialist systems.

Lu: Exactly. The two countries were facing the same challenges: How to reform? What should be the extent and intensity of the reform?

Liu: This sounds quite logical. But as far as I know, the Hungarian thinkers were regarded as outsiders, even among the reform pioneers in Eastern Europe.

¹ More on Liu Suli: <http://www.nytimes.com/2009/06/04/world/asia/04protester.html>

² More on Lu Yuegang: http://en.wikipedia.org/wiki/Lu_Yuegang

Lu: This was true only at a certain stage. For example, Professor Kornai began his career as a journalist for the newspaper *Free People*, and he was immediately promoted as head of its Economic Section, somewhat similar to my role at *China Youth*. But he was obviously much more outstanding. For example, he participated in the team that drafted the political agenda for Imre Nagy during the 1956 Hungarian Revolution. Even earlier, he had written about the concept of “shortage.”

Liu: The Hungarian thinkers were not pure economists. Their words and deeds were closely related to Hungary’s social evolution because they witnessed all the political changes at that time.

Lu: They were experience-oriented economists and thinkers produced by the planned economy and the Stalinist totalitarian policies.

Liu: Professor Kornai did not study economics until he entered the Economics Department of Karl Marx University.

Lu: Initially, Professor Kornai was a lover of literature, but he then began to lean toward economics. He had been accustomed to observing the planned economy based on his experience and to questioning it from the perspective of a journalist. When I first began to read his books, I initially assumed that Professor Kornai started to study Western economics at an early age. But in his autobiography I learned that he did not study Western economics systematically until he was in his late twenties, but this was still earlier than the Chinese economists.

Liu: Scholars like Professor Kornai witnessed the political turbulence with their own eyes, so they could perceive the nature of the problems much more deeply than the Chinese economists with whom we are now familiar.

Lu: In the early 1980s, there were two people who exerted the greatest influence on Chinese economists and on the drafting of the reform policies. One is Professor Kornai, whose representative work is *Economics of Shortage*, and the other is Ludwig Erhard, former minister of economics and premier of West Germany, whose representative work is *Prosperity Through Competition*. China chose to learn from the Eastern Europe at the early stage of the reform simply because Hungary and the other Eastern European countries had undergone experiences similar to those of China. Of course, China shifted toward the Western market economy at the middle and later stages of the reform.

Liu: This sounds really interesting. Could you please explain in a little more detail?

Lu: Hungary launched its reform at the beginning of the 1950s. It was not until the 1980s that China began to discuss the same questions that Hungary had been facing two decades earlier, such as how to reform and eliminate the planned economy. This really surprised me. The overall political landscape at that time was that Hungary was the most liberal country in Eastern Europe, followed by Poland and Czechoslovakia. Yugoslavia was very liberal at the earlier stage when it clearly rejected the Stalinist system. *Economics of Shortage* and *The Socialist System: The Political Economy of Communism* record Kornai’s evolution from an economist to a thinker and this occurred quite naturally. When you finish reading *Economics of Shortage*, you have a strong feeling that there are still many things that he wants to say but he does not do so, and there are still many ideas hidden between the lines. Why did such people not appear in China, given the similar political and economic scenarios? I observe two possible reasons. First, as a Jew, Kornai had undergone the two cruelest persecution of the last century. His father had been a lawyer working in the German Embassy. But during World War II, the Embassy no longer accepted his services and he eventually was killed in Auschwitz. Kornai was a witness to the devastating Nazi persecution of his family. Furthermore, Kornai also underwent the similarly brutal Stalinist persecution. Like many other people, Kornai had been oppressed by the two most ruthless totalitarianisms of the 20th century, namely Nazism and Stalinism. Thus, it can be said that his experiences were much more intense and catastrophic than those experienced by Chinese scholars.

The second reason is that after the 1956 Hungarian Revolution Kornai declared to his friends, of course in private, that he had decided to break with Marxism and its political economy. This was never the case for any of the pioneering Chinese scholars or thinkers..

Liu: We can find a specific description of this in his autobiography.

Lu: Yes, in a very detailed way. In addition, one of his friends, a secret agent of the government, reported to the authorities regarding the change in his attitude toward Marxism. This was kept in the records of the secret police. I'm particularly stunned by Kornai's resolution to cut his close ties with Marxist politics and thought and the repositioning of his academic orientation. This helps explain why Chinese scholars could not create their own original ideas, not even to mention original theories, given their same experiences working under a similar political system. In his autobiography, *By Force of Thought*, Kornai provides abundant information about this. Otherwise, it would be impossible to explain why no outstanding economists and thinkers like Kornai have appeared in China, even though they have shared similar information, experiences, and pressures.

China's Situation

Liu: There is another question that needs to be taken into consideration. China did not encounter any event as serious as the Hungarian Revolution of 1956. The conflict in 1989 was much less fierce than what had occurred in Hungary in 1956 and the two events were intrinsically different.

Lu: That's right. During the Hungarian event, the USSR sent huge tanks to invade Hungary and to execute its premier, as if it were acting on a mission of justice.

Liu: However, if we take into account the long duration of the Chinese people's suffering from oppression and other feelings that are beyond words, this situation should have been serious enough to make Chinese scholars.....

Lu: Do you mean that except for the symbolic events, the Chinese people suffered from ongoing oppression for such a long time that the accumulated effect should have exceeded the oppression of the Hungarians?

Liu: That in other countries under similar circumstance.....

Lu: Let's conduct a historical comparison of what Stalin and Hitler did. Stalin killed not only his fellow countrymen but foreign people as well, but Hitler killed only foreigners. Stalin and Hitler always aimed at territorial expansion whereas China focused on civil war. Even during times of relative peace, tens of millions of Chinese people died from internal conflicts and famine over a period of 20-30 years.

Liu: The Chinese and Hungarian governments were established under very different backgrounds. The Hungarian revolution was intentionally introduced into the country. It was the Rákosi group that invited the Soviet army to enter Hungary. Before Rákosi took power, the Hungarian government was committed to multi-party cooperation, thus retaining many of its traditions. In contrast, the Chinese Communist Party typically seized state power by armed force.

Lu: Strictly speaking, China's revolution is also the result of the import of Marxism. The difference lies in the fact that the CCP modified it into the so-called "Marxism in remote mountain areas" based on their own understanding of Marxism.

Liu: In this sense, the revolutions were imported into both China and into Hungary.

Lu: First came Marxist thought. I've been wondering how communism could sweep away all the obstacles at the beginning of the 20th century and why the revolutionary regime upholding communism could establish such a highly centralized state power. I believe one possible reason is that the founders of

communism succeeded in rationalizing and moralizing the massacres and the deprivation of private property. At the time, these were brand new theories in the entire world. Actually, even the Nazis did not justify the killing of people in such a way. The historical and social view of communism encouraged the universal utilization of lynching, intervention in the society through the state apparatus, and violations of human rights. They rationalized the killing and the deprivation of the private property. We did not discard this theory of social revolution, and it had already attracted the attention of Western scholars. Kornai also observed this and he hid his opinions in between the lines of *Economics of Shortage*. Von Mises and Max Weber did a lot of work to explore the profound contradictions in the socialist system. Long before the publication of his masterpiece, *Socialism: An Economic and Sociological Analysis*, in 1922 Von Mises asserted that the planned economy could not withstand accurate calculations. It was doomed to collapse if it were to undergo accurate calculations. I call this “Von Mises’ Curse,” meaning the planned socialist economic system could not bring affluence and prosperity.. I think that China has just begun to eliminate this passive theory. I once talked with a very active scholar in the 1980s and asked whether it was true that “enlightened” Chinese scholars were far less liberal than the scholars in the Soviet Union and Eastern Europe in the 1950s. His answer was affirmative.

Liu: Chinese scholars have still not crushed the shackles of the old ideological conventions.

Lu: There is still a long way to go. Chinese scholars are fettered by Marxism and cannot break with it because they lack the courage and necessary spiritual and ideological resources..

Liu: When reading Kornai’s autobiography, I also noticed two particular phenomena. First, as a small country with only 8.5 million people at the time, it was easy to observe all the events occurring in Hungary because they tended to cluster together.

Second, drastic political and economic changes took place in Hungary over the short span of only 11 years, from 1945 to 1956. The first dramatic conflict took place in about 1951 and 1952. Then the resurgence of Stalinism in 1954 led to the severe conflicts of 1956. We can imagine that people like Kornai and his friends, who were involved in all of these conflicts, were bound to have a more a direct and profound understanding of these changes. Although Chinese scholars went through the Anti-Rightist Campaign, they have had few opportunities to profoundly observe the overall social changes.

Lu: It also depends on the spiritual values of the Chinese people. I always argue that Chinese intellectuals are not accustomed to thinking from the origins, such as humanitarianism. Western individualism, the life and value of the individual’s life, and human rights are all based on humanitarianism. No matter what ideology the people uphold, whether communism or capitalism, no matter whether before the revolution or after the revolution, without a doubt humanitarianism remains the origin of revolution.

Liu: Humanitarianism has been regarded as a Western cultural tradition and thus became our target of criticism for quite a long time.

Lu: In the second place, in terms of the historical experience that you just mentioned, Chinese intellectuals have a stronger historical experience than their counterparts in the Western world, the Soviet Union, and Eastern Europe. For example, a lot of facts about the Anti-Rightist Campaign have already been revealed. They are sufficient for Chinese intellectuals to observe the socialist system, the direction of social operations, and the nature of society. I believe that Chinese social phenomena and their connotations are as rich as those in small countries like Hungary. Therefore, the size of the country is not necessarily related to the depth of the people’s social understanding. How many countries were there in Eastern Europe, together with the half of Germany?

Liu: Nine countries.

Lu: If we include the countries of the Soviet Union, then how many countries altogether?

Liu: Almost thirty countries.

Lu: They covered a large area, didn't they? These countries all adopted almost the same system as China. In addition, all the legendary leaders, such as Stalin, Rákosi, Hoxha, and Ceaușescu, had charismatic styles.

Hungary underwent an institutional evolution similar to that of China. Otherwise, *Economics of Shortage* would not have aroused such a long-lasting sympathetic response among Chinese scholars. Kornai recalls in his autobiography that he had been invited to participate in the Bashan Boat Conference by the Chinese government in 1985 because his studies exactly matched what was occurring in China at the time.

Liu: We can use China to replace the countries described in Kornai's book *The Socialist System* because the phenomena and principles described in this book all apply to China.

Lu: Exactly. The shortage syndrome, in essence, is the syndrome of the wholly planned economy as well as the Stalinist system. It refers not only to the shortage of consumer goods but to the stock-piling, waste, and poor quality. In addition, it covers both the economic shortages and, more deeply, the moral shortages. When Kornai wrote *Economics of Shortage*, he did not explore this topic to the core and omitted two-thirds of the contents that should have been included in the book. In addition, he introduced a large amount of econometric models into the remaining one-third of the book to illustrate his points. I believe he did this intentionally in order to present the most sensitive problem in a vague way.

Liu: He adopted this type of special language to expound upon his ideas simply to avoid political persecution.

Lu: Yes, this can be called "scientific language." Kornai is a brilliant Jew and is very good at survival. He has a long-term plan for his academic career and he holds a strong belief in the force of thought.

Liu: It is of profound significance that Kornai called his autobiography *By Force of Thought*. Maybe we can refer to the situation in the Eastern European countries to understand why he did so. Dramatic changes in the Eastern European countries occurred after a long-term accumulation of contradictions. This period of time witnessed the force of pioneering thought. For example, many individuals broke with the Communist institutions and communism, which actually was not very rare within the Eastern European countries. However, Chinese scholars and thinkers have never smashed the shackles of communism. In other words, their thought has not reached the point of criticizing the original Communist system, thus they have not yet come up with any powerful thought.

Lu: Kornai could succeed in creating his original thought simply because he held a belief. Why did Chinese scholars lack such originality? The Chinese enlightenment campaign since the 1980s is like half-cooked rice, which is not properly prepared at the outset. In order to bring about the naissance of original and powerful thought solid and arduous work is required. Without a firm foundation of accumulated experience and abundant facts, one cannot arrive at reliable conclusions. The essence is hidden in numerous and complicated phenomena.

Liu: Maybe what you see is just phenomena behind superficial phenomena.

Lu: It is difficult to describe the phenomena in a clear way because you have to eliminate the unwanted phenomena and select those to be described in order of priority. Instead, a strong belief and faithful adherence to basic spiritual and absolute values will make a great difference. The force of thought simply mainly comes from beliefs and values, with beliefs playing a more important role.

There was a lapse of about 50 years between the emergence of Von Mises and the Curse and Shortage Syndrome. People kept posing questions and accumulating questions about the planned economy

monster. They cursed the historical effects of this totalitarian system. Their understanding of this system evolved from the perspective of pure economics to politics and philosophy, and then people began to eliminate those Communist theories that had negative effects.

Liu: China lacks the necessary resources to complete this process.

Lu: Why are we so short of these resources? What is most pathetic is that we cannot find any trace of such an evolution in our society and there is almost no original thought in China. Li Shenzhi advocated his liberalism in the 1990s, but it basically followed Western liberalism.

Liu: There are extremely limited resources for Chinese intellectuals to create original thought. They have no resources, either at home or abroad, so they end up coming up with insipid and pointless theories or thoughts. Valuable and powerful thoughts require solid foundations. But when you examine Chinese research, it is easy to see that most of it has a shaky foundation.

Lu: This simply marks the first level of the evolution.

Let's talk about the second level. China's reform and opening-up celebrated its 30th anniversary this year, almost one-third of a century. We should study it from two dimensions: one is the evolution of Chinese thought; the other is the nature of the Chinese social changes. In fact, the so-called "reform and opening-up" should reverse its sequence to "opening-up and reform" because "opening-up" preceded "reform." For China, which cut itself off from the outside world for several decades, "opening-up" was an inflexible goal whereas "reform" was a flexible goal. So in this sense, the Chinese reform and opening-up over the past three decades should focus on two issues: on the one hand, carrying on the unfinished work, and, on the other hand, creating new theories. We should continue learning and establish a new theoretical framework by continuously accumulating our experiences until original thoughts or theories are created. Three decades is long enough to complete this work. Now we cannot help wondering whether China has succeeded in establishing new theories. The second question is that if they in fact do exist, what are they? The third question is whether these theories are essentially valuable. In order to answer these three questions, we have to compare the current situation with the past. To be specific, when did Kornai start to study Western economics? When did he finish his first academic article? When did he complete the writing of *Economics of Shortage* and then his monumental work *The Socialist System*? We can place his work in a certain time dimension to facilitate our comparison. Now we come back to the situation of every individual. If we want to stress the conditions for the process of the evolution of thought or society, how can one satisfy these conditions? If one were to have all the conditions, what would happen? If the attempt were unsuccessful, then what would happen?

Liu: This is really a sharp question. In the past three decades in many respects we have witnessed great improvements in China. I also noticed that a large number of books were published between the end of the 1960s and the middle of the 1980s. But how many of them were really absorbed?

Lu: One has to be knowledgeable and wise enough to criticize others. A typical example is the fate of Djilas's *The New Class* in China. It was secretly published in America in 1957 and then introduced into China in the form of a gray book, meaning that it had a restricted circulation, in 1963. Many people read it, but how did they interpret it? The phenomena and conclusions described in this book, together with its criticism of Stalinist totalitarianism, were criticized as the ideological source of the ultra-leftism in the CCP. When readers finished the book, they would exclaim: "Alas, the capitalist class is hidden inside our party."

Liu: It became a theoretical excuse to launch an internal political campaign.

Lu: Yes, it was regarded as the theoretical basis for the ultra leftists.

Liu: I read the 1962 edition of Hayek's *The Road to Serfdom* during my graduate studies. To tell the truth, I could hardly understand it. But later on, I realized that it was difficult for me simply because we had too few resources to help us understand it.

Lu: The most fundamental reason for the lack of original thought in China is that Chinese scholars dare not question the legitimacy of the Communist system. A less important reason is that they fail to observe its flaws. No one in China is bold enough to oppose its legitimacy. Even being skeptical about some of the ideas in this ideological framework is regarded as a radical move.

Liu: In this sense, we have to modify our argument that Hungary was a closed country. All the Eastern European countries are located on the European continent. The two different worlds are separated by a natural boundary. After the 1956 Hungarian event, some 220,000 Hungarian people fled to the West.

Lu: As far as I know, China also experienced two large-scale exile movements after 1949, to Hong Kong and to the former Soviet Union. The exile to Hong Kong lasted over two decades, from the beginning of the 1960s to the 1980s. A Western scholar once commented that socialist migration has only experienced outflows and no inflows.

Liu: Except for the new Confucianism, there is no powerful and original thought emerging in Hong Kong.

Lu: This is not the case with Taiwan.

Liu: It is worth mentioning that Taiwan's liberals, headed by Yin Haiguang and including Fu Sinian and Lei Zhen, all came from the mainland. In other words, the origins of their thought were fundamentally on the mainland.

Lu: We can use this as a starting point to examine the current situation on the mainland. How did the Communist system on the mainland succeed in oppressing the people's originality? Exploring this problem helps us observe the nature of the ultra-leftists on the mainland and their operational mechanisms.

Liu: A large number of writers, thinkers, and musicians came to the fore and revolted against the Communist totalitarian power at the later stages of the former Soviet Union.

Lu: We cannot simply equate China with the former Soviet Union. China's problems are at least as grave as those of the former Soviet Union, possibly even more so.

Liu: The former Soviet Union has the massive Gulag Archipelago, but in most cases, Stalin aimed at physically annihilating his enemy, which is quite different from the Chinese leaders. China's ultra-leftists intended to conquer the enemy psychologically and ideologically. It wanted to force its enemies to be ideologically loyal to the Communist system.

Lu: They want to eradicate both personality and human nature. Stalin did this to his prisoners, but the Chinese ultra-leftists went far beyond this. The latter even launched the so-called "mass campaigns," reaching every household and every individual to transform their minds, ideologies, and ethics. No one was allowed to maintain their own private space. In a word, mainland China took far more extreme and thorough measures to shape the ideal Socialist New Person. However, it is meaningless to argue who was right or who was wrong. In terms of this problem, let us first examine the following two questions. First, why could the same totalitarian system produce different results in different countries or in the face of different nationalities? What were the differences between them? These questions will lead to a comparative academic study of totalitarianism. All the Western books on totalitarianism tend to generalize about these phenomena or to lack elaboration.

Liu: On the other hand, China does not provide abundant materials and research for foreign scholars to study this problem.

Lu: Yes, China completely closes its doors to the outside. Basically we do not provide our experience to foreign scholars for academic research. The second question that we need to ponder is whether we as

individuals have to account for the current situation. The answer is affirmative. What occurred over the last three decades may well explain this. No valuable thoughts or theories were introduced during this period of time. How could this have occurred? This is another question that surely has an intrinsic logical relationship with the previous question.

Stance and Outcome

Liu: In the last discussion, I argued that once a closed door is opened, almost all the important intellectual resources are mobilized to solve specific problems.

Lu: Why did Kornai call his autobiography *By Force of Thought*? He announced that he would not participate in any collective political campaigns because he wanted to be able to go abroad and attend international academic conferences, so as to keep abreast of the frontiers of academic research. He made it pretty clear that he could have played a greater role in directly solving the social problems, given his social influence, but did not do so.

Liu: He finally chose to focus on academic research and exploration of thought, but he never shifted his attention from practical social problems, even for a single moment.

Lu: Yes. He believes that thought can exercise a far greater influence. He needs to maintain constant contact with the outside world so that his thoughts remain forward-looking, mature, and systematic, thus able to exert a greater influence. It is ironic that *Economics of Shortage* was banned in the former Soviet Union and had to be smuggled in through underground channels.

Liu: To a large extent, this group of thinkers and theorists, represented by Kornai, succeeded in avoiding intervention by the autocratic network of the authorities.

Lu: Yes. Only in this way could they think in a calm and dedicated environment.

Liu: The environment is fairly crucial for individuals who are pondering important theoretical questions, because their thinking cannot produce desirable results if they cannot devote themselves wholeheartedly. When a calm, attentive, and focused mood is not guaranteed, at most they might come up with analyses of fragmented phenomena, instead of a systematic ideological framework based on sufficient facts.

Lu: Logically speaking, without the external influence, the Chinese experience should have been able to give birth to original thought.

Liu: Yes. When we look back over the past years, this should have occurred but in fact it did not.

Lu: That is exactly what I mean.

Liu: Let's take Yang Xiaokai for example. He made major achievements in thinking when he lived abroad. Of course, his ideas first began to sprout when he was imprisoned on the mainland, but at the time his ideas were just beginning to take shape and were confined to the fundamentalist framework of the times.

Lu: Even the ultra-leftists do not think on the basis of practical experience. For example, they could have acquired abundant information from the land reform, collectivization, Anti-Rightist Campaign, the great Chinese famine between 1959 and 1961, and the Cultural Revolution to create original thought, but they failed to do so. However, Western scholars are good at this. Even before the planned economy was implemented, when Lenin was alive and the Stalinist system had not yet been adopted, several Western scholars, including Von Mises, predicted that the planned economy could not last for long and would eventually collapse.

Liu: Let's briefly summarize the previous discussion. Can you predict what will happen in the next three decades? Will any powerful thought emerge in China by that time? Or will China still be lacking any accomplishments in this respect?

Lu: It is impossible that China will accomplish nothing by that time because the informational environment has essentially changed. Let's take the research on the great Chinese famine for example. The Chinese people usually care little about death, so the first book on the famine was not published until 1993. What is more striking is that this book is written by a foreign scholar, but published by the China Social Sciences Press.

Liu: It is a booklet written by an American.

Lu: Yes. This book is actually his doctoral thesis, with poor editing. Most of its contents are deliberately deleted, but it does contain the number of deaths from this disaster. The first Chinese monograph about the famine is *Tombstone*, which was published last year. Its author is Yang Jisheng.

Liu: Sometimes, it is not necessary for theorists to receive all the relevant information to establish a theoretical logic, so long as they have strong insights.

Lu: There is already enough information for China to establish this logic.

Liu: So in this sense, the current predicament is not caused by the lack of information.

Lu: Inadequate information is one of the causes, but not the necessary one.

Liu: This is an arduous task and the road ahead is still quite long. I want to ask another question: in order to make sure our efforts to create original thought will pay off, what conditions should we satisfy and what direction should we follow?

Lu: I think the answer to your questions can be divided into two parts, each of which is composed of two aspects.

The first part is composed of beliefs and values. When we stress the connotation of values, we mean to pay attention to human rights and to re-establish a humanitarian spirit. We have to resort to economics, history, sociology, philosophy, law, and literature to establish a comprehensive humanitarian system in China, while also making efforts to call for professional beliefs. It is universal among Chinese scholars to despise specific forms of life.

Liu: Chinese scholars tend to be indifferent to death and suffering unless they themselves are threatened.

Lu: In a word, this concerns the people's values. We have to establish an institutional foundation for human rights, human life, and humanitarianism.

As for beliefs, on the one hand, I believe we have to completely break with communism, just like Kornai. Have you read the book *To the Finland Station*? It is famous for its analysis of Marxism and its metaphors to Marxism are really worth pondering; on the other hand, the current system has to be changed.

The first part that I just mentioned is the macro-level of the spirit, and the second part is the middle-level of the spirit, i.e., academic research. First, academic research should have a solid foundation based on facts to produce original thought. Historically speaking, we have neither an intact literary concept, nor a reliable concept to chronicle history.. Only when these concepts are established will we be able to capture the historical logic and the direction of social development.

Liu: So when you talk about reliable and usable historical materials, it means.....

Lu: I can give you tons of examples where people reach magnificent conclusions based on unreliable historical materials.

Liu: So this means people repeatedly study one subject.

Lu: This leads not only to repeated work but also to the growth of negative knowledge. To put it simply, first, we have to establish a reliable knowledge system, and, second, we have to establish our own

methodology. In other words, we have to have a strong awareness of methodology. If we compare *Tombstone* with *The Gulag Archipelago* by Solzhenitsyn, we can have a deeper understanding of the second point. As for the first point, we plan to publish a group of high-quality and original books, with the hopes of laying a solid foundation for social thinking. People today generally fail to recognize the importance of this.

The Force of Role Models

Lu: There are quite a few instances that demonstrate the force of role models, such as Charter 77 headed by Havel in Czechoslovakia or Havel's theory of *The Power of the Powerless* that originated while he was in prison.

Liu: The Hungarian Gramsci put forward the theory of cultural hegemony in his *Prison Notebooks* which later came to be regarded as a left-wing classic. There are also many Chinese scholars who have been imprisoned for a long period of time and many Chinese scholars living affluent lives abroad. Some of them have stayed abroad for 20 or 25 years teaching in the universities. They also had a deep understanding of China before they left, but none of them have succeeded in establishing an ideological system to solve the Chinese problems. This allows us to realize how interesting Kornai's life has been. He left Hungary for America soon after Hungary began to open to the outside world, and then he stayed at Harvard University for over 20 years. There are two things worth noting during this period of time. When his homeland underwent dramatic change, he did not return immediately, but he did stop all his ongoing work.

Lu: He always spent half of his time in Hungary. As a scholar and a thinker, what is the origin of his thought? What is the essence of his thought? What is the root of his thought? The answer is the Hungarian people. We can find many famous Eastern European people, from Chopin, Sibelius, Smetona, and Dvořák to Kornai, Ota Sik, and Bruce, whose deep love of their homelands is the background and origin of their thought. They consistently respect their own duties. For example, when the Soviet Union and Eastern Europe underwent radical changes, many Eastern European economists were attending conferences in New York. They rushed back home immediately after they got the news, afraid of being too late to share in the fruits of the changes. However, Kornai was an exception.

Liu: Just as we said before, he decided to stick to his academic research.

Lu: Yes. He followed his duties as a scholar. He believed his power came from continuously advancing his academic research. He returned to Hungary later but for academic purposes instead of for political gains. To be exact, he went back to Hungary because that was his motherland.

Liu: Another reason is that he firmly believed in the force of thought.

Lu: He never wavered in his conviction in the force of thought. This is very important. His heart is divided into two halves. One half is to perceive the Western world and human civilization, whereas the other half is to miss his motherland. This is the case for many Eastern European thinkers, artists, and writers whose ardent love for their motherland is really moving. The motherland is a lofty concept but currently our so-called patriotic education vulgarizes the people's feelings toward the motherland. When Kornai signed his teaching contract with Harvard University³, he explicitly asked that he could spend half his time in Hungary. After the radical changes in the Soviet Union and Eastern Europe, he decided to move back and settle down in Hungary. As an economist and a thinker, he is determined to base his thinking

³ He declined a contract from Princeton. He was at Harvard.

on his motherland. This stance provides a good example for Chinese scholars, particularly for potential original thinkers in the future.

Liu: Again this issue is divided into two parts. First, what are the conditions and foundations necessary for the Chinese to return? The second question is even sharper. You just said that the current patriotism is somewhat vulgarized, even laughable at times. So what is the proper basis for the relationship between the individual and the homeland? Do people love their homeland emotionally or rationally? I feel that neither outstanding people nor average people can define a rational relationship with their motherland. Is this because the entire country has not yet established such a rational framework?

Lu: I haven't figured out the causes for this phenomenon, but the phenomenon itself is pretty obvious. We can see wherever there are intellectuals, either from large countries like Russia or small countries like the Eastern European countries, they sincerely care about their motherland.

Liu: I think this is the same case with Western intellectuals. Western thinkers usually put forward their thoughts based on the problems in their respective countries.

Lu: The absolute value is well established to solve the problems in one's own country..

Liu: No matter how profound the scholars, such as Hegel, and no matter how practical the scholars, such as Hamilton, Western scholars all give first priority to solving the problems in their own countries.

Lu: This might be what those Chinese scholars, particularly the scientists, felt when they returned to China from the West in the 1950s.

Liu: Yes, this large group of people all returned with the intention of participating in the construction of the New China.

Lu: We have to understand this issue in two respects. First, no one can be forced to love his motherland. Second, it is obvious that the artists and intellectuals in the Soviet Union and Eastern Europe love their own motherland much more than their Chinese counterparts and their motherland is usually at the core of their thinking.

Liu: My question is also a question many people are asking. It has haunted us for several years. I'm skeptical about your argument that China will have an original thought in the future. China will surely make accomplishments in this regard, but if an individual does not hold strong beliefs, how significant can his achievements be in creating a original thought?

Lu: I understand your points, but now the problem is that these achievements simply occur by chance, not by intention. According to my hunch, my understanding of social development, the extent of the dissemination of information, the ways of receiving information, as well as an awareness of the tools to be applied, I believe China will have original thought within ten years.

Liu: I recently had close contact with two Russian writers: Petrov who wrote *Geopolitics of Russia* and Zinoviev who has written many commentaries on the disintegration of the Soviet Union. Another Russian writer worth mentioning is Solzhenitsyn who just passed away. Zinoviev and Solzhenitsyn returned to Russia in the 1990s, with the pure aim of solving the problems in Russia. So their purpose was to solve the problems and not to receive any official positions or to earn money.

Lu: I prefer the individual analysis because this concerns the spiritual structure of intellectuals. I have talked about this problem several times during the past decade. I always argue that the intellectuals, writers, and artists of the former Soviet Union and Eastern Europe can serve as a mirror for their Chinese counterparts.

Liu: I also think that there are gaps between these two groups. Chinese thinkers should try to tear down the walls that restrict them so as to realize the fundamental problems. It is not a problem of whether there is adequate information, how autocratic the current system is, or what tools are applied. What matters essentially is the spiritual structure and the spiritual pursuit that you just mentioned.

Lu: Spiritual fragmentation, to put it simply,

Liu: Yes, we can regard it as spiritual fragmentation. Then what is at its roots? Are there any solutions to this problem? I still believe that thought with valuable power will not appear unless these problems are resolved.

Lu: I totally agree with your logic and the direction for future efforts, because that is what is occurring right now.

Liu: Except for the political environment, the social environment should also be taken into consideration and it may possibly play a far more important role.

Lu: Sure, because the social environment is of potential importance for public support and basic values. Therefore, we should expect a social environment which is able to protect and foster talented people like Einstein instead of just expecting talented people.

Liu: In addition, if we do not reward the efforts for creating original thought, valuable thought will not be born..

Lu: Just as what you said, without the accumulation of reliable, positive, and necessary knowledge, the foundation for new powerful thought will be shaky. Of course, strictly speaking, the expectation for original thought and works, as well as for creative scholars, thinkers, and writers, does not conflict with the efforts to establish a solid knowledge foundation for original thought. I guess this must be the reason that you opened this bookstore.

Liu: How about calling it a day, Yuegang? This is a huge topic and also pretty sensitive. I look forward to other opportunities to have more in-depth discussions on this. Thanks for your time!