

Review

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By Force of Thought – Memoir of János Kornai

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Kornai, János: *By Force of Thought. Irregular Memoirs of an Intellectual Journey*. XIX, 461pp. MIT Press, Cambridge, Mass., London 2007. Hardback £25.95.

With his “irregular memoirs of an intellectual journey”, the great Hungarian economist János Kornai has given us a beautiful book of lasting value. Born in 1928 as one of four children of Aranka Schatz and Dr. Pál Kornhauser, János Kornai has portrayed the development of his ideas and research work in the context of a rich and tumultuous life, from childhood in a Budapest bourgeois environment to the tragic events of the war and the holocaust, from the early commitment to communism to disenchantment with it and the 1956 Hungarian revolution, from the first attempts to introduce market relations in a socialist economy to the transition to straight capitalism and, finally, to present-day challenges about economic policy and welfare state reform in an “ordinary” European economy.

For those economists who do not know his writings, who is János Kornai? Maybe, the best single sentence to convey the essence of Kornai’s contribution to economics is one by the distinguished mathematical economist András Bródy, who acted as a referee of Kornai’s most famous book: *Economics of Shortage* (1980). He reported that in that book Kornai had presented socialism “... in the same way that Adam Smith had presented capitalism” (p. 245). Kornai’s institutional theory of the economic system that emerged in the socialist countries, both in its classic centrally-planned form and in its reformed version, can indeed be considered as his major contribution to economics. Being highly original, Kornai’s approach generated many important novel insights into the systemic tendencies of soviet-type economies. The well-known concept of “soft budget constraint”, that one encounters in the modern theory of incentives, is an example of a product of Kornai’s institutional theory of socialism that spread over to other domains of economic research.

Kornai has been both an insider of the socialist economy, living behind the Iron Curtain, and a prominent member of the community of western economists, for many years dividing his time between Budapest and Harvard. Although being mainly an institutionalist, Kornai also is an eclectic economist, who has employed various methods of investigation. By way of an example, together with Tamás Lipták, he published in *Econometrica* in 1962 the reference model of *Two-Level Planning*, which is the counterpart to Oskar Lange’s celebrated model of market socialism; political philosophy permeates *Contradictions and Dilemmas* (1985), while the perspective of economic policy dominates the pamphlet about *The Road to a Free Economy* (1990).

His last book, *By Force of Thought*, is instead an autobiography. However, its author’s private life does not stay at the centre of the scene. What makes the book so exciting to read is the well-reasoned account of the evolving interactions between Kornai’s ethical principles and political ideals, his “strong” experiences of social and political reality, and a lifelong determination to understand how economic systems work in reality and how their working can be improved to the benefit of the human lot. And it is a mix of profoundly humane values, direct experience of major historical events, and outstanding scientific skills that makes Kornai’s figure so emblematic for most economists interested in the nature and design of economic systems.

It is impossible to do justice of a book that deals with so many issues and episodes: a review of it has to be highly selective and can only provide a few snapshots. Among these, I’d like to mention Kornai’s highly critical assessment of his own book *Anti-Equilibrium* (1971), where he tried to offer an alternative to the theory of general equilibrium. Another especially noteworthy place in the book is where Kornai describes the process of scientific creation that leads to his academic production. Very interesting is the description of the conditions under which economists worked and published in socialist Hungary as well as Kornai’s justification for not revealing the names of the informers who spied him and wrote secret reports on him.

The issue of market socialism and Kornai's conviction of the non-existence of a third way between capitalism and socialism belong to the hot, and potentially more controversial, parts of the book. His discussion of an economist's dilemmas when faced with the choice between academic research and political involvement is deeply instructive. Morally integer and tolerant, passionate and lucid, conscious of own worth and self-critical, the portray emerging from this book is a fascinating one that will hopefully inspire many talented students and young researchers.

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