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NON-FICTION

## How the east was won

As émigrés turned their attention to the west, a Hungarian economist was bursting the bubble of the communist system at home. By Padma Desai

**BY FORCE OF THOUGHT:**  
**Irregular Memoirs of an  
Intellectual Journey**  
by János Kornai

MIT Press £25.95, 461 pages  
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Western economies has profited immeasurably from the influx of a remarkable group of émigré Austrians and Hungarians. The former group included giants such as Friedrich Hayek, Joseph Schumpeter, Paul Rosenstein-Rodan, Ludwig von Mises and Gottfried Haberler. All chose the US as their final destination.

But the Hungarians were no slouches either. England got the remarkable Nicholas Kaldor and Thomas Balogh. The former was an adviser to Chancellor Callaghan and the latter adviser to Prime Minister Harold Wilson. But the US got the other great genius, a match for Kaldor: John von Neumann, who became a legend in his own time, a mathematician who made profound contributions to game theory.

But whereas all these made their important contributions in the west, János Kornai, who ranks among the best of this glorious group, stands apart by having made his in the east.

Towards the end of his prolific career – which sees him still at work at 77 – he settled for a half-time transatlantic Chair at Harvard; but his concerns have almost always been directed at the east.

This autobiography, which Kornai calls an “intellectual journey”, is a compelling account of his life and work. It also traces an arc through the profound and insurmountable problems that central planning had to confront, and through the difficult transition that the Soviet bloc economies have had to contend with.

The earliest economic theorists of socialist planning argued that socialism would paradoxically lead to a better allocation of resources than capitalism. Once the optimal allocations were worked out, by specifying resources and other constraints such as available know-how, the commissars would get the enterprises to produce according to these targets, achieving optimality. It is hard to believe that anyone could have taken this framework seriously.

But the heavy hand of this type of thinking was to be found



Brave voice: János Kornai

in countries such as India, where the Planning Commission in the 1960s began to derive targets from an optimising model that grew more sophisticated in the drawing room but also increasingly remote from reality. Kornai, in books such as *Over-centralization* (1953) and *The Economics of Shortage* (1980) cut through this make-believe economics and zeroed in on the true working of socialist systems.

In *The Socialist System* (1992), Kornai argued that shortages afflicting the socialist system arose not only because a paternalistic state bailed out sick enterprises but also because of the absence of an open and competitive market system.

Despite his ringing endorsement of private ownership, Kornai preferred slow privatisation of Hungarian assets and offers criticism of accelerated Russian privatisation. In contrast, he favours fast-paced macroeconomic stabilisation. He backed Hungary's drastic 1995 budget, when finance minister Lajos Bokros had to resign in the face of legislative opposition. Gradualists such as myself had warned of such a political outcome from “shock therapy”-type stabilisation: maximal speed is not necessarily the optimal speed. The “force of thought” is often no match for political reality.

Padma Desai is Harriman Professor of Comparative Economic Systems at Columbia University, and author of “Conversations on Russia: Reform from Yeltsin to Putin” (Oxford).



