

ECONOMICS

Opposition by numbers

DAVID THROSBY

János Kornai

BY FORCE OF THOUGHT

Irregular memoirs of an intellectual journey
461pp. MIT Press. \$40; distributed in the UK by
Wiley. £25.95.
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Paul A. Samuelson and
William A. Barnett

INSIDE THE ECONOMIST'S MIND

Conversations with eminent economists
419pp. Blackwell. £60 (paperback, £19.99);
US \$74.95 (paperback, \$29.95).
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In April 1955, a young journalist working on the Hungarian Communist Party's daily newspaper in Budapest was dismissed, following his involvement with a group of rebellious colleagues in openly criticizing the Party leadership and the Stalinist members of the paper's editorial board. Such insurrection was a serious crime, but he escaped being sent to prison, and was allowed instead to take up a research appointment at the Institute of Economics in the Hungarian Academy of Sciences. A year later he had completed a thesis for the equivalent of a PhD in Economics. His dissertation was called "Overcentralization in Economic Administration", an innocuous title that concealed the work's true intentions as a trenchant critique of the socialist economy. The word spread around Budapest that the thesis was political dynamite, and 200 people turned up to hear the candidate's defence of it. Despite its subversive subtext, the thesis was passed and was later published as a book that was to become one of the most widely read analyses of the Communist economic system ever written.

The journalist turned academic economist was János Kornai, now an Emeritus Professor of both Harvard University and the Collegium Budapest, and a grand old man in the history of twentieth-century economics. His memoirs, published under the somewhat ponderous title *By Force of Thought*, trace

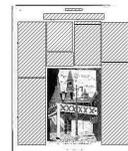
his personal and intellectual journey from Communist idealist through disillusion to an ambiguous sort of enlightenment. Along the way he has pursued a dual career, combining distinguished research and teaching appointments in the West with a continuing preoccupation with the economic and political difficulties of his native land. Indeed this duality is reflected in his writings. He is a serious theoretician with a deeply held respect for the power of pure intellectual inquiry. At the same time, the need for workable solutions to the pressing economic problems facing Hungary and other Eastern European countries over the years has required of him a pragmatism that understands the day-to-day realities of economic, political and social life. Of course, the tensions between theory and practice are well known to scholars in the social sciences generally, but Kornai's experience of them is particularly intriguing because of the very different locations in which his life's work has unfolded.

Kornai's reputation as a critic of socialism was further consolidated by the publication of his book *Economics of Shortage* in 1980. In it he argued that the dysfunctional properties of socialism were systemic, and could not be corrected by superficial cosmetic changes. Total reform was necessary. Perhaps a preference for revolution over gradualism reflected something of the Hungarian temperament, but in Kornai's case it resulted more obviously from his observation of political monopoly, ideological oppression and state control in practice; there is no point in tinkering at the margins, he argued, if the system is rotten at the core. The book went through three editions in Hungary, sold 80,000 copies in Russia, and was taken up

with enthusiasm in China where it was voted "non-fiction best-seller of the year".

Yet despite his disillusion with socialist economics, Kornai has not taken kindly to neoclassical theory, the intellectual foundation stone upon which free-market economies throughout the world are built. He has been sharply critical of the theory's

formalism, arguing that it has failed to recog-



nize many complex dimensions of human behaviour. Kornai nowadays describes himself as “half in, half out” of the mainstream. He believes that conventional economics, as it is taught to students and practised by professional economists, is good at putting forward theorems and propositions, but not so good at comprehending the various contexts in which they can be used. So, for example, when Western economists went to Eastern Europe after the fall of Communism to advise on how to create market economies, they took with them a set of tools but did not understand the politics, the society, the history, or the institutional structures in which their tools were to be applied.

For those interested in the economic and political history of Eastern Europe in the past half-century, Kornai’s memoirs will make fascinating if rather laborious reading. The book, unusually for a memoir, is documented in exhaustive detail, with a chronology, a glossary, a bibliography, footnotes, endnotes and more besides. Despite the pedantry, however, a portrait does emerge of a serious intellectual who has seen capitalism and socialism from both sides of the fence, and through his criticism of both has made a unique contribution to contemporary economic thought.

János Kornai is also featured as one of seventeen eminent economists interviewed by a series of less eminent economists in a collection entitled *Inside the Economist’s Mind*, edited by Paul A. Samuelson and William A. Barnett. The cover design for this book shows pairs of identical heads in intimate conversation, suggesting irresistibly that economists talk only to themselves. Certainly some of these conversations probe into technical depths and bristle with jargon that will be incomprehensible to the ordinary reader. But beyond the econo-speak the book presents some unusual personal histories and offers some interesting glimpses into the human side of economics. Some of the interviewees will be well known for having won the Nobel Prize (Milton Friedman, Wassily Leontief, Franco Modigliani among others) or having occupied prominent positions such as central

bank governors (Paul A. Volcker and Stanley Fischer). All speak quite freely about their lives, though few venture far beyond their experience as economists. An exception is one of the Nobel Laureates, Robert Aumann, whose interview is the longest and most wide-ranging in the book. In it he offers some thoughts on Jewishness and the existence of God, and endears himself by the fact that he wrote his PhD on a topic in pure mathematics because it was “totally, totally useless”.

The co-editors of *Inside the Economist’s Mind* have done an admirable job in condensing the transcripts of the interviews to yield a substantive text without losing the conversational tone. In a preface, William Barnett selects the most notable quotes from each interview in case the reader doesn’t have time to read the entire work. The volume is illustrated with a large number of supremely boring photographs, mostly taken before, during, or after international conferences of the sort that eminent economists are fond of attending.

In a jaunty foreword, Paul Samuelson – an interviewee as well as co-editor – speculates on whether a concern with the personal motives of eminent economists can tell us anything about the directions in which contemporary economics has evolved. The answer is contained in the book’s pages. The economists reveal themselves as committed, vulnerable, self-important, but generous in acknowledging their intellectual debt to others. Indeed a recurring theme throughout this book is the fact that though economics does indeed advance through the isolated efforts of outstandingly gifted individuals, it is from the wider community of scholars that their work gains its inspiration. The interviews also demonstrate the significance for these eminent men of ordinary human interactions – getting married, mixing with colleagues and friends, succeeding and failing in work and in life. These shared experiences have had an indelible effect on the way they think about economics. Thus does any branch of science proceed – a lurching progress built as much upon the collective instincts of the human spirit as on the brilliance of individual minds.