The lonely giant: An overview of the momentous oeuvre of János Kornai

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ABSTRACT

Far the most acknowledged and influential author in the economics of Eastern Europe has been János Kornai, the theorist of economic systems and a prolific writer on a variety of subjects in the seventy years of his academic career. His output appeared in more than a dozen of languages. He was criticized and appreciated, especially on the occasion of his 90th birthday, commemorated by — yet another — Festschrift, special issues of academic journals, later followed up by countless obituaries paying the due tribute to someone who has never made to the Nobel Prize, but whose influence definitely exceeded that of many recipients. In this essay we avoid the usual chronological description and highlight certain major themes and try to establish his place in the history of global economic thought. We are aware of our constraints, since it would perhaps take a monograph rather than an article to serve justice to this exceptional academic output of his.

KEYWORDS

mainstream economics, old institutionalism, mathematical methods, empirical studies, transition, comparative economics, competition, rent-seeking, capitalism, inequality

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Writing about János Kornai is next to impossible. The oeuvre is truly momentous, in terms of volume and impact alike. It extends over seven decades, it is a witness of turbulent times, and it is an independent chapter in the evolution of economic thinking. Having experimented with a variety of methods and approaches, Kornai has never become a representative of any school of thought. He was publishing pieces of heavy mathematics, and was elected to be the President of the Econometric Society in 1978 as well as to the Chair of the stronghold of formalized economic approaches, the European Economic Association in 1987. Still, it would be hard to qualify him as a mainstream author.

He was writing extensively on reforms and transition in and after Communism. Still, nobody with competence would qualify him as a reform economist or a transitologist. He was regularly commenting on something prohibited in the mainstream academe – ethical aspects of economic policy analysis. Still, he was by no means an economic philosopher.

He wrote on market socialism and on the work of some major individual scholars – but he has never meant to be a person of the history of economic thought. Still, as the President of the International Economic Association between 2002 and 2005 he was representing the broadest community of scholars in the field, working on a wide variety of divergent topics, but with a clear bent towards the mainstream. These positions do allow for many peers and observers taking him, at least in part, as a representative of neoclassicals rather than of the classical school.

ATTACHED TO REALITY – ATTACHED TO THE STUDY OF SOCIALISM

János Kornai was definitely among the economists of global impact. He was one of those few, whose active years was largely related to eastern Europe. While visiting the West more than once, he was universally appreciated – together with Michal Kalecki, the Cambridge growth theorist from Poland, and Leonid Kantorovich, the Nobel winner Russian representative of the optimal planning school, once considered to be the crown jewel of mathematical economics, with an immediate possibility for practical application. János Kornai counted also among the
members of the club of scholars, whose influence on global economic thinking has been uncontestably even for those, who tended to disagree with his findings.

Kornai had been an astute admirer of reality, of how things are in the world as we observe it. This may sound trite to a contemporary academic. But as long as he was an analyst of the socialist system, this is anything but trivial. Going through the work of several, or even most, school-moulding personalities writing on Socialism of one sort or another, from Karl Marx via Adolph Wagner to Gunnar Myrdal, and even recently, Joseph E. Stiglitz and Thomas Piketty, we would find, more often than not, an explicit and strong normative bias. Socialism, in contrast to the empirically observed capitalist order, is by definition presented to be equal to a better world, constructed for facilitating a more human organization of economic and social conditions, a series of improvements over how things are, towards how they should be – in the interest of the weak ones.

By contrast, and not least reflecting his early years as an investigative journalist, János Kornai has been immersed in reality as we experience it, and rejected the utopian-normative bend of socialists of all shades. While this approach seems self-explanatory for a contemporary academic in all fields of science, it has not been the case with the subject matter he devoted his attention to. Writing on reality rather than speculating over how things might or should be, was a truly revolutionary gesture, originating in the preliminaries of the 1956 uprising against Soviet rule- instigated largely by disenchanted Communists and other leftists, and tacitly supported by the reformist wing of the ruling party under the leadership of the later martyred Prime Minister, Imre Nagy.\(^1\)

The devotion to the study of empirics and the irresistible temptation to draw the theoretical conclusions from the observed facts, figures and processes has made the contributions of the author truly revealing and mobilizing even at times when he consciously refrained from making the rather straightforward political points that followed from his analysis. I recall myself reading in 1977 the Hungarian edition of Overcentralization in the Library of Parliament, where it was on open shelf unlike at any university library, including that of the Karl Marx University of Economics. The irresistible question was: how come this person is still at large? It is not only that his main message: the system was not to be improved – a point in itself sufficient for exclusion from public sphere, but also, the emotional phrasing of the justified anger over the inability and unwillingness to do the obviously necessary changes was voiced – not something recommended to anyone wishing to survive in peace under state socialism.

This intimate addiction to realities has made Kornai a truly lonely personality in the academe, where both the hope and the intention to develop a better, more human version of a constructivist model of society, ‘Socialism with a human face’ has been dominant until 1980 and has not lost entirely its appeal even decades after systemic change. As Kornai reminds us in his memoires (2007), his having turned against any version of socialism in November 1956, when the uprising was brutally crushed by Soviet tanks, implied no more and no less than being relegated to the circle of those who could neither be remedied nor co-opted/bought in by the amenities provided by the regime.

One of the explanations of why he was allowed to travel, relatively freely and regularly, to the West and become a member of the then flourishing mathematical planning school, has been the

\(^1\)One of his very last reflections (Kornai 2020) was devoted to this circumstance, an issue we shall not elaborate longer.

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pedestrian political consideration of the authorities of the day. ‘It is better, both for us and for him, if he is no longer under our feet’. And this held even if the luxury of travelling to the West on official passport, counted among the dearest privileges what the Kádár regime could deliver to an intellectual. The amnesty of March 1963, which was a direct consequence of a secret Soviet-American deal, leading to the abolition of the Hungarian counter-government led by Ferenc Nagy, the former Prime Minister of the anti-Communist Smallholders in 1946–1947, in exile, and the Americans’ dropping the ‘Hungarian case’ in the UN, allowing for Kádár claiming the seat for his puppet government, was far not general, and certainly has not led to automatic extension of civil rights like travel to those previously punished.

OPENING THE DOOR – BUT THE WEST WAS CLOSED

The opportunity to travel and research abroad was truly a great benefit to Kornai. As early as in 1964, i.e., the year after the amnesty, that led many active participants of the revolution to freedom, including later President of the Hungarian Republic, Árpád Göncz, he could take up several visiting professorships, the first one at the London School of Economics (LSE). The LSE has always been a stronghold of economic research with a bent-on policy applications, but also host of many school-moulding personalities, like Lionel Robbins and Friedrich Hayek, or Michio Morishima.

In a way, this largely self-chosen exile opened the door for the self-made economist to become part and parcel of the creme de la creme of the global academic profession. The latter was not yet fully Americanized, and the fact that scholars of Hungarian origin, as Nicky Kaldor, Peter Bauer, Thomas Balogh were established in the UK was of avail. Also, the Hungarian revolution of 1956 has created a favourable and receptive atmosphere.

The new environment must have played a role in the change of focus of his research. ‘Real economics’ was seen increasingly as mathematical. Therefore, from the 1961 to 1967 period he published a number of analyses of this genre, often with full-fledged mathematicians like Tamás Lipták and Béla Martos. The output was carried in such prestigious fora as the London-based quarterly Econometrica, currently no. 4 among the journals of mathematics in the social sciences, and no. 5 in mathematics and interdisciplinary applications.

The international academic breakthrough was marked by the publication of Mathematical Planning of Structural Decisions (1967), co-authored with Tamás Lipták and Péter Wellisch and published inter alia in Slovak, German, Polish and Hungarian. The book summarizes results previously scattered in various journal articles and has drawn appreciation from many

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2In a typical vein, the highly original political thinker, Kornai’s contemporary and a member of the revolutionary government, István Bibó (1911–1979) could never attain this. Except for one collection, his oeuvre was published in English and German only years after his death, and he could never make it into the gatherings of international top academia.

3He was forced to resign during a holiday trip to Switzerland on 1 June, 1947 by the Soviet secret police, acting via the Allied Control Committee, operative from 20 January, 1945 to 15 September, 1947.


5Overcentralisation has been, no doubt, the watershed. But it tended to be read by Sovietologists and comparative systems’ researchers only, while ‘pure economic science’ was increasingly represented in the formalized approaches.
representatives of the mathematical school, which at that time was far from the ruling paradigm and was also splintered into several streams.

One of the peculiarities of this situation has been that Kornai remained constantly associated with the Hungarian Academy of Sciences. In line with contemporary Soviet practices, a critical mind like him was not allowed to teach at any university. But he remained part of the official academe, even if as an associate member. He never lost his citizenship - like so many peers before and after. Actually, this first visit was followed up by several comparable ones, including the University of Sussex in 1966, Stanford University in 1968, Yale University in 1970, Princeton University in 1972, Stanford again in 1973 and the place where Nobels are awarded, Stockholm, 1976–1977.

While many of the Economics Nobel winners and other school moulding personalities originated in Eastern and Central Europe – Kenneth Arrow, Friedrich Hayek, Evsey Domar or Simon Kuznets – the conventional life path has been one in which the young scholar has opted for the Western academe and made a career there. By contrast very few could make it to the top of global profession while staying home for most of their professional lives.

Kornai has contributed to many fields of contemporary global academic economics, while remaining part and parcel of the Hungarian local scene - a contradiction in terms. His major focus was comparative economic systems, but he also has made lasting contributions to mathematical economics, planning, disequilibrium economics, fiscal policy, political economy, transition economics, microeconomics and firms’ behaviour. His contributions tended to exert lasting influences on each of these diverse fields, judging by the number and quality of citations across the globe. Since 1972 he had been a Fellow of the American Academy of Arts and Sciences, a rare appreciation for someone not living and working in the United States of America.

The Festschrift (Rosta – Piroska 2020), the special issue of the quarterly Public Choice (2021, Vol. 187, No. 1), and of the Cambridge bimonthly, Journal of Institutional Economics (2020, Vol. 16, No. 1) all provide ample evidence of the breadth and depth of influence of his thought. Contributions range from political theory to the theory of markets, economic history and health economics as well as the experience of China, duly reflecting the broad interest of his research. Kornai’s concluding thoughts on the inherent value of democracy for academic research is an important and solemn message from the years of global illiberalism.

In short, if we were to paint a broad picture, this would be definitely a recurring attempt to have best of both worlds: of socialism and post-socialism, a field he knew intimately, and big international global theories of economic change, he learned and admired during his numerous visits abroad, even at times when these trends were little known, if at all, in his part of the globe.

ATTEMPTS AT INTELLECTUAL BRIDGE BUILDING

Yet, it would be difficult to categorize him along the lines of established approaches or schools. Not least, since - as he mentioned in his autobiography in 2007 - he has never hesitated to revise his positions, should the changes in circumstances, knowledge and evidence render it necessary. To give a trivial example, it is no doubt that the author of Anti-Equilibrium (1971), conceived under the direct initiative of Kenneth Arrow, and not yet rebuked by representatives of the neoclassicals, has been an earnest attempt to build a bridge between neoclassical economics and
the study of command economies, more simply comparative systems’ research. In his late works, he called more than once any such attempt as futile.

*Anti-Equilibrium* (1971) was published before the final and irreversible breakthrough of the neoclassical school, at a time when plurality of economic approaches and methodologies was still on the order of the day. In policy terms, Keynesianism ruled, and in academic terms authors positively hostile to equilibrium economics, as the two Hungarian born British Lords, Thomas Balogh and Nicky Kaldor were holding powerful positions in Cambridge and in the UK policymaking elite. Mihályi (2017) has properly drafted a parallel biography of the two economics giants as ‘rejectionists’ against the ubiquitous general equilibrium school, gradually but irresistibly taking control over textbooks and major centres of academic research, including the top 10 journals.

But in the 1960s and 1970s, when Kornai attempted to make a break-through via his *Anti-Equilibrium*, which is still a fountain of valid and durable observations on economic science, Sir Roy Harrod and Sir John Hicks were the major academic authorities globally on growth theory. In short, being critical of general equilibrium school did not seem to be a blasphemy. Also, Kornai did attempt to imagine possible from his study of the command economy, which was in line with the attempts by Kalecki, Abba Lerner and many others teaching at western top schools. However, the full rejection, the frosty reception has left a bitter aftertaste. All the more so, since mathematical economics of the Soviet brand, exemplified by the work of Leonid Katorovich, were appreciated, to the point of a Nobel in 1975 (shared by Tjalling Koopmans), for the time of work on optimal planning, whose field of application ideally is a command economy.

In short, Kornai has thus become perhaps the best-known economist from the East, who happened to be outside the fences of both the Communist and Western academe, but someone whose work was not to be circumvented in any serious discussion of the field.

Similarly, his disciples, trying to render his highly original language and ideas accessible to more conventional approaches, had a big difficulty of finding out how to name him. Mihályi (2013) for instance saw him as a representative of evolutionary economics. Móczár (2018) focusing on the formalized approach of his publications saw him as a variety of neoclassical mainstream, with strong special emphases. Our earlier reading (Csaba 2016) was that of old school institutional economics, where the pre-eminence of the body politic defines much of how the economy is functioning, when and in what results. But this is a highly selective list of interpretations, which extended to parallels to Stiglitz, von Neumann and Kaldor.

The above perplexity implies no more and no less than János Kornai is unlikely to be pushed into any of the established categories in the proper and original sense. His influence is explained to a large degree by the unique, largely autochthonous, self-developed categories and approaches which allowed him to highlight aspects of economic systems and developments which are either underrated or neglected by the major schools.

It is hardly by chance thus that Kornai in his life has never allied himself with any group or movement, either politically, or professionally. Being a lonely wolf was for him a given. Not that in his private, inter-personal communication he would have been restrictive and selective. On the contrary, he went out his ways to help colleagues, paid attention to comments by less established colleagues, and found time to read and comment manuscripts which obviously stood no chance of making into *Quarterly Journal of Economics*. In the last decade of his life, he was a colleague at Corvinus University of Budapest, contributing to the renewal and intellectual dynamism of the leading business school in Hungary.
In the following pages we try to account for some of those insights, which were central to his self-interpretation and made his findings and contributions different from the great many pieces produced parallelly. It is worth mentioning, that – contrary to the practices spreading in the field during much of his career – he never forgot to consult the literature and take account of competing interpretations, including bad meaning ironies. Hopefully, by this somewhat impressionistic presentation we shall be able to highlight the lasting contribution of Kornai as the classical master of the economics discipline globally speaking. And this may serve him right – at least with hindsight.

**THE SYSTEM PARADIGM IN ITS VARIOUS EDITIONS**

Perhaps the first and also most relevant among his insights has been the focus on the system paradigm. The idea, that – contrary to the prevailing comparative statics approach, coming from the mainstream – real world economies constitute a whole of their own, with a logic of an engine, where each component is determined by the others and vice versa, has been perhaps the major finding of his first path-breaking book, *Overcentralization* (1959).

It is not that the idea of economic system would not have been voiced by others, especially by the German historical school and its direct follow-up, ordoliberalism, especially in the works of Walter Eucken (1940/1992). However, socialist economy was seen by them and the Russian contemporaries alike as an outcome of human deliberation, a constructivist arrangement where an omniscient planner was putting everything in its place, as engineers do with the mechanic constructs of various sorts. Thus, the question was largely reduced to two considerations. 1) Is the macroeconomic plan sufficiently well established, in terms of mathematical apparatus and the applied assumptions (realistic or not)? 2) Whether incentives are properly aligned, and if individuals are cooperative in following both the spirit and the letter of policy planning? The customary answer of the period was twofold. Either lack of co-operation – in the language of Stalinism sabotage or tricks of the enemy forces – or poorly calibrated incentives, as for instance production plans formulated in tons were at the root of waste and mis-developments.

*Overcentralization* was the first detailed empirical description of a communist economy on the example of textile industry. This was not an idealized, abstract model, it was not a series of normative suggestions of how such an economy could be improved. It was a sober, impartial description of a series of measures, where the outcome is fundamentally different from the intended and planned ones. The description is itself a detailed answer to why it is not owing to planning mistakes or improper incentives. It is the inevitable outcome of the interplay of various bits and pieces. Correctly, this approach was considered to be revolutionary by contemporaries. The defence of the PhD theses, built on the book, took place on the eve of the outbreak of the 1956 Hungarian revolution, with many later participants being present and making their points public.

In portraying the socialist economy as a spontaneous order Kornai has made two contributions. First, he dispelled the myth of planning as an omniscient, superior human activity able to remedy cyclicity of the market. Second, he proved that shortcomings cannot and should not be reduced to human mistakes or bad intentions, as was customary at the time. They formed a system – and it was the empirical, ex post introduction of the idea of systemic thinking – a big difference to German ordoliberals.
The second major exposition of system paradigm was in the book Economics of Shortage (1980), which has been the real academic breakthrough for an economist living and working behind the Iron Curtain. If one is to survey a monograph of several hundred pages, there were three milestones. First, it described the prevailing shortage economy without the customary references to planning mistakes and military overstretch. Second, it was showing the mutual relationships that render the reproduction of shortage inevitable and simply not to be overcome by policy or incentive modifications. Third, the entire description had been technocratic, without references to Marxism, tight planning and extreme, unrealistic ambitions to catch up with the living standards of the West and its military capabilities. These three tended to be the prevailing explanations in the contemporary comparative economic system literature.

The three features of the monograph have delineated Kornai’s diagnosis fundamentally from both the neoclassical view, which emphasized the incentive issue, and the contemporary comparative systems’ approach (both East and West) which focused exclusively or predominantly on the military overstretch, i.e., the wrong type of planning interpretation. Though it was a contradiction in terms of comparative economics having been rooted in the old school of institutionalism, the usual explanation was given in terms of policies – one-sided emphasis on defence industries – rather than institutions. Empirical experience of the periods of softening, such as under the New Economic Policies of Bukharin in the 1920s, or under Malenkov in 1953–1956 seem to have lent support of this view.

The third and final edition of the system paradigm is presented in the opus magnum, that is the monograph The Socialist System: The Political Economy of Communism (1992a). Published after the irrevocable collapse of the Soviet Empire the book provides an encyclopaedic overview of experiences of why and how partial and comprehensive reforms were not succeeding, and presents an explanation for the failure: the non-irreformability of a Communist system.

In this seminal exposition of a series of details and interpretations the truly novel idea has been the return of the political in economics. The author shows in meticulous detail why the ideological predisposition, which lays at the heart of constructing the regime – or as he called it ‘the genetic code’ – prejudges any technocratic attempt to streamline it along the proposition of market socialism, where efficiency considerations would soften up the rude realities of a Communist system. This is a much broader interpretation both of the system and its limitations than the one we find in economics or in political science literature. In view of the experience of the People’s Republic of China in the subsequent three decades these insights may well trigger more controversy than they seemed at the time of writing, given the lifelong Presidency of Xi Jinping and the related recentralization since 2012.

THE ROAD TO A FREE ECONOMY AND ITS DISCONTENTS

Kornai has never been the ivory-tower academic of the type of Robert Lucas who does not care much about the real-world implementation of his ideas. The Road to a Free Economy (1989b) is

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6 As the memoirs (Kornai 2007) and retrospectives (Móczár 2018) underscore, Anti-Equilibrium (1971) is perhaps of more lasting theoretical value, but was faced by a frosty reception, both from the neoclassicals and contemporary (reform) communist commentators.
actually a sequel to the selection of his previous normative-analytical writings, *Vision and Reality, Market and State* (1989a) which was one of the first comparative attempts to include China too in the analysis of how to create a market economy. The latter book is a collection of essays from the 1985 to 1989 period, where the focus has been certainly on the limitations of market socialist experimentations. Particularly strong had been the elaboration of limits to efficiency enhancing measures in a system where capital market, and thus, ex post control of investment allocation is excluded from among the conceivable options.

No question, the Tiananmen Square massacre of June 1989 has dispelled any illusion outsiders may have entertained on China becoming incrementally a democratic market economy. Still, the People\'s Republic in 1990–2012 has introduced a series of changes going way beyond the ones observed in the Soviet bloc. On the other hand, the political breakthrough in Central and Eastern Europe opened a new chapter in history, where the impossible has become within the reach, and experimentation as well as adaptation of cutting-edge knowledge have come to the agenda.

In a way, if we look it from the perspective of a Nobel Prize, Kornai could have been well advised to focus on *The Socialist System*, which was by and large ready by late 1987, but came out of print only five years later. But he would not be identical with himself, the revolutionary of 1956, had he withheld the ideas advocating how best create an efficient market on the ground in his home country, 33 years after the crushing of the revolution by Soviet tanks.

*The Road to a Free Economy* was a proposal to combine stabilization with systemic change, doing away with nomenklatura privatization and the monetary overhang. The proposals were met with resistance on all fronts, but have earned a reputation unmatched in East and West. Still, contemporaries tended to show a cold shoulder, deeming many of the proposition text bookish or otherwise non-practicable (Wagener 1998). To give just one example, privatization of large firms by management, in part to themselves, in part to foreign strategic investors, was already well underway. Nobody could stop the tide, neither in Hungary, nor in Poland, let alone in Russia.

Without being exhaustive, we may list a number of books of the same genre. *Struggle and Hope* (1997) is an account of the dilemmas of how to manage real world situations. Its sequel, *From Socialism to Capitalism* (2008) covers the most controversial among the strategic issues, including the ambiguous relationship between private property and efficiency, parliamentary democracy and market economy. The revolving question in this collection is the non-linear relationship between short term welfare maximizing ambitions of the electorate and the inevitably very high price to be paid for decades of goulash communism.

The soul-searching book, *Paying the Bill for Goulash Communism* (2001) was one of the first accounts in which the reform Communist period received a largely unfavourable assessment. Most of the output of the 1966–96 period tended to describe marketizing measures, no matter how half-hearted, as steps made in the right direction. Furthermore, there was a general understanding for what contemporaries tended to see as a compromise with ‘geopolitical realities’, meaning the one-party system and the limitation it imposed on a major measure of economic decentralization and free economic activity, including market entry by private and co-operative

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7Personal communication by the author.
players. By contrast, Kornai highlighted the dangers false illusions have created for a period when real market conditions could be put on the agenda.

The most perplexing in this assessment has been his emphasis on the following paradox. If ‘consumerism’ even without performance, tended to be seen as a power undermining Communism, following systemic change, the expectation that similarly lukewarm efforts may yield capitalist prosperity have proven self-defeating. It was the time when all major political parties in support of radical systemic change in the region disintegrated. In the case of Hungary, the Free Democrats and the conservative Democratic Forum, were by and large voted out of power. A similar fate was experienced by Solidarnosc in Poland, Civic Forum in Czechia and the Conservative Coalition around President Constantinescu in Romania in the 1994–1999 period.

It is perhaps appropriate if I only mention, without the excessive documentation that in the 1989–2021 period Kornai has devoted much of his attention to various aspects of unresolved issues in systemic transformation, such as fiscal policy, privatization, healthcare system, taxation, trust in institutions, the legacy of the reform socialist period, the role of entrepreneurship, just to mention a few. Several collective volumes have figured high in the output of these years, let alone the academic articles published in books and journals. These volumes originated in Collegium Budapest – Institute for Advanced Study, an elite institute modelled on Wissenschaftskolleg zu Berlin and Princeton Institute of Advanced Study, being independent of cultural policies of a country, including the host. For Kornai it was perhaps a peak of his personal career as – being one of the three defining figures, but relieved of administrative duties – he could convene various groups of top international scholars in focus groups to study contested issues of transition, and concluding these with good quality volumes published by leading academic presses of the globe.

Without going into detail, most of the output of the period revolves around the role of the state, including trust, welfare provisions, ethical and efficiency considerations in the hospital sector and conditions for the private economy to become efficiency enhancing.

SO, WHAT IS CAPITALISM IN THE 21ST CENTURY?

Following the two decades, when reversibility of transition was on the agenda, the questions of research have changed. The big challenge has been the puzzle: what kind of capitalism emerged in the contemporary world? In the past decade of his life Kornai devoted a lot of attention to the conditions and choices which shape the face of capitalism and the social conditions reflecting these. Many of the related ideas bear the imprint of reverse thinking. Namely: having studied the command economy for decades has prompted many of us to think of an idealized vision of the order based on private property. Early work, as e.g., The Principles of Privatization (1992) tends to serve right the viewpoint of societal equity and economic efficiency. In the decades later, having seen the ‘robber barons’ of Russia and China, the view has become more nuanced and less enthusiastic. Not that he would ever have come close to any form of ‘third road’ solution. This has been clearly and unambiguously formulated in Kornai works (1992b, 2000).

The ‘third road’ ideas proliferate ever since capitalism has become the dominant form of economic management. But for Kornai there were a number of concrete challenges, which

8 Cf. the broad edited volume by Roger A. Clarke (1989), published in the last minute before the collapse.
prompted him to formulate a detailed and positive description of his position. The big international controversy triggered by the global bestseller of the French economist Thomas Piketty induced Kornai (2016a) to produce a lengthy essay, discussing in detail the major claims of Piketty (2014). This article, cited in the subtitle of this section allowed him to come into the most topical policy debates of our time. In short, he disagrees with the major point, namely of the predominant role of rents in bringing about features of capitalism. Kornai, by contrast, draws attention to the role of innovation, of efforts, individual inventiveness, leading to technological and organizational changes, of market adjustment and competition, all playing socially favourable impact on economic behaviour and on the livelihoods of the majority.

The second observation was on Hungary’s U-turn (Kornai 2015a). Contrary to the mainstream view, in which transition is basically about institution building, the latter acting as a bulwark against regression in both the political and the economic arenas, he claimed that institutions can be hollowed. Defying the received wisdom, also from the international financial institutions, it can happen, that even in a member-state of the European Union, previously well-functioning institutions may be emptied and turned into mere façade of arbitrary wielding of power.

The third insight was the complex nature of the market order. In a monograph published by Oxford University Press (Kornai 2014a) he contrasts surplus economy to shortage economy, and highlights the complex set of conditions that are responsible for the good outcome. He pays great emphasis on the conditions allowing for dynamism rather than rent-seeking or monopolism to be the formative feature of the system. Perhaps the most relevant finding is that dynamism and innovative power are though contingent upon private property, but they do not automatically follow from it, in any form or size.

Finally, the author was concerned with the de-railment of the Chinese reforms. The latter were of particular concern to him, given the active role he himself was playing already in the 1980s in advising Party leadership and assisting to formulate reformist policy goals and train top analysts over the decade. In one of his latest reflections (Kornai 2019) he highlights the non-trivial: the political, moral and professional responsibility of those who have contributed to the re-emergence of a one-party system and the efficiency gains that allowed it to re-gain control over society and the individual.

ORIGINALLY AND LASTING CONTRIBUTIONS TO SCIENCE

János Kornai was leading an exceptional life. He barely survived World War II, was a journalist, a revolutionary, an academic assistant, a participant of international scientific exchanges, a participant observer of top American universities and of international reform committees. His peculiarity was his attention to reality, respect for the facts, ability to come to the big picture, and update his views if progress in the field required so. The latter never involved ideological opportunism or adjustment to fashions of the day, so frequent components of formal career building. He had been working until the very last day, and doctoral students as well as colleagues could always approach him directly by an appointment, without much formality. He enjoyed appreciation, but never required respect, let alone adoration, although his personality and performance has towered over the proliferation of mediocrity. Being a part of global academe from his early years, he has always found important to remain part of the Hungarian
academe and of Hungarian university life. At the age of 85 he made special preparations for his lectures and crossed his fingers if he would indeed meet the expectations of our students and colleagues.

Large number of evaluations were in their bulk already cited. These put the emphasis on various aspects of his oeuvre, which is all-embracing. From among the internationally best accomplished commentators the Polish economist Grzegorz Kolodko (2021) highlights the contribution to disequilibrium economics – in a comparative perspective. Underscoring the relevance of the latest English language monograph he characterizes the contribution of Kornai as comparative disequilibrium economics, which drills deep into both the capitalist and the command economy and provides a novel understanding of the specificities of both systems, as well as the mechanics of their evolution.

One of the most remarkable insights of Kornai was his paper on the soft budget constraint, SBC (1986). This rather technical paper provides a deep insight into the causes of why public corporations, but also overgrown private units tend not to follow the logic of the market. Shortages thus accumulate not only in the command economies. In the command economies it is not the political subordination which generates this all-prevailing problem, but the emergence of this micro-economic phenomenon, triggered by the very low probability of being punished for liquidity traps. The concept – which lays at the heart of the theory of shortage economy – has been a subject to discussion. Critics were highlighting the relevance of monetary factors, incentives, political campaigns and questioning if a purely technical explanation would suffice (Soós 1984). More than a decade later, but way before the collapse of the command system disequilibrium economists (Portes 1989) were criticizing the SBC as static and not taking account of the advances made since in mathematical modelling.

Quarter of a century following the above controversies over the usefulness of the SBC Dóra Győrffy (2016) highlights the immediate applicability of the micro-economic concept of the soft budget constraint on a variety of novel macro-economic developments. While the heyday of this category and its application was in the 80s, when the role of public firms was becoming a central issue of contestation, she shows that by using this approach one may be helpful in explaining such outlier events as the unsuccessful Greek stabilization of the 2010s. It is interesting to note, that in his preface to volume 4 of his Life Work’s series published in Bratislava Kornai (2014b: 39–46) himself spends considerable time and effort to illustrate the usefulness of this concept in the interpretation of mass phenomena in a capitalist system. He is somewhat bitter in observing, how the insights were integrated in standard microeconomic texts without mostly making any explicit references, unlike in the text on Greek stabilization.

This insight is all the more relevant, since the Cambridge economist teaching at the University of Amsterdam, Michael Ellman (2021) in his assessment attributes all gains Kornai has achieved to his meticulous analysis of the Soviet-type economy and highlighting the impracticability of any market socialist, ‘third way’ solutions, which Ellman himself deems to be conceivable, although under different geo-political conditions than the ones existed in the Soviet

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9Acta Oeconomica celebrated with a Special Issue his 90th birthday (2018). In this Special Issue, 12 well-known economists acknowledged and evaluated Kornai’s main thoughts and significance.

10The collection of papers containing the critical paper cited in the main text was indeed an attempt to apply the noted advances for interpreting – the already decaying and disintegrating – socialist economy.
Empire. Finally, synthetizing and summarizing various trends of institutionalism in the condense work of Chavance (2009) the work of Kornai is presented as both as a milestone and a bridge between the new and old schools, i.e. of the classical school – which is perhaps a very insightful observation.

**CHINA AND VIETNAM AS HYBRID REGIMES**

It is beyond doubt that the past decade of intellectual activity for Kornai has been spent with the confrontation with a new type of rule, what he termed authoritarian capitalism Kornai (2016b). While comparative economic systems’ research in general and in the books of his, Kornai in particular applied the traditional binary differentiation between command and market economies as ideal types. Against this background the emergence of authoritarian capitalism has implied a new age, with the advent of hybrid regimes. Many of its varieties and especially China and Vietnam simply do not fit into the established categories.

Given the strong position in *The Socialist Economy*, underscored also by Ellman, the relative stability and prosperity of both Asian countries have come as a surprise. The answer to this challenge was, on his side, the modification of the typology of the system paradigm, by introducing the third variant, authoritarian capitalism, which does not show a natural tendency towards any of the classical ideal types.

This ‘concession’ has obviously been drawing criticism and contest. Without being extensive, we mention just two critical commentaries. Mihályi and Szelényi (2021), themselves authors of several books on the subject of comparative post-communist research, have questioned the validity of ordering China to be different from a normal Communist dictatorship, one based on rent-seeking and political subordination, quite in line with the classical categorization. Magyar and Madlovics (2022) have gone even farther in seeing more commonality with the Russian regime of Vladimir Putin than with any of the developmental states in Asia.

This is not the place to serve justice to a largely open-ended academic debate. China and Vietnam have a long way to go, and their experimental way of management is hard to reconcile with the constructivist traditions of Europe. What deserves attention is that the Asian version of market socialism is definitely an interesting new mutant, not least owing to its sustainability. Market socialism in Europe existed only for one to three decades, while the Chinese experiment is close to half a century old. Also, the issue of level of development and social complexity will have to come to play. In short, one can but be moved by the fact, that in the final years of his career Kornai was willing to reconsider one of the fundamental insights of his previous academic analysis.

For a long time, it has been a question of assessment if the theoretical generalizations on China and Vietnam, on the bottom-up approaches and on the value of experimentation (and its limits) deserve appreciation from the theoretical-analytical angle. Looking back from today’s perspective this is an area to be highlighted.

In one of his concluding assessments, in the Foreword (2015: 7–8) to the Japanese specialized forum, *Journal of Comparative Economic Studies*, the semi-annual journal of the Kyoto Institute of Economic Research, he raised the definitive questions about transition and the future of comparative economic systems’ research. The answer is that while post-communist transition is beyond doubt over, the study of the varieties of real-world economic systems is more topical than ever. The more we see the future of China – and perhaps Russia – as open-ended, the more
intensive demand for good quality academic assessment of the observed phenomena is going to
be. Thus, the institutionalist approach to economic science is by no means a feature of the past
to be relegated to history of thought courses.

As we have already indicated, emergence of the hybrid regime invited the conventional academic questions pertaining to efficiency, sustainability and welfare implications, among others. In the context of artificial intelligence China has already been showing signs which render it quite unlike the industrial museum the Soviet Union of the 1970s used to be. But the weighty moral questions about how far an impartial academic can and should go in condoning whatever the preferences of an authoritarian leadership are. In his obituary, Mihályi (2021) correctly highlights this aspect of the work by Kornai.

In a way, we have lost a truly classical economist. Focusing on reality, analysing the issues of social relevance, caring about the wellbeing of the majority, using formal mathematical and econometric methods when needed, but always as an instrument, are all the features of well-established classics of the profession, from Marshall to Keynes, from Friedman to Bernanke. While in the post-2000 years Nobels tended to be awarded to those working out new methodologies, the influence of ideas – ‘by the force of thought’ – remained with school moulding personalities, like Oliver Williamson, Joseph Stiglitz or János Kornai. The number and variety of citations of their work, let alone the long-time horizon and the broad fields of application, all speak for themselves.

Similarly to these formative personalities, Kornai could not be pushed into any one of the ordering categories. Comparative economics is known to be an approach rather than a school. Traditionally it has been anchored in the old institutionalist school, but more recently formal applications have gained acceptance. If one takes Mathematical Planning, as well as Anti-Equilibrium, furthermore many points raised in the seminal Socialist System, the question if he was more of a neo-classical or a classical school representative may remain open. And this so despite his self-evaluation leaning to the classical economist position.11 This is why Andreff (2021: 82) also leans toward categorizing him ‘as a sort of mainstream’ thinker, with one leg in, one leg out of this camp.

His originality applied to subjects and methods, approaches and interactions with his peers. No doubt, that his extensive oeuvre is going to be a source of motivation and inspiration for several new generations of economists and fellow social scientists to come. The diversity of both the subject matters and the authors contributing to his latest Festschrift (Rosta – Piroska 2020) are clear indications of this potential, already being realized by his disciples, in all the five continents of the globe.

NOTE

This overview has been written for the Japanese language semi-annual, Journal of Comparative Economic Studies, published by Kyoto University of Economic Research. Apart from the

11One of the many peculiarities of his oeuvre has been the constant revisiting of previously discussed topics, be that the soft budget constraint or market socialism. He was issuing a series of re-evaluations of his previous work, often making significant changes from the original. Only parts of these re-assessments were published in English, mostly contained in the Hungarian language Life Work series, published by the publishing house Kalligram of Bratislava.
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REFERENCES


12Most of the sources by the author are available online on the homepage of János Kornai, www.kornai-janos.hu with several links to published volumes and articles.
