

JÁNOS KORNAI TURNS 90 ON JANUARY 21, 2018

EDITOR'S PREFACE

Peter MIHALYI

Acta Oeconomica is proud of marking the start of the series of academic events during the first half of 2018, devoted to the upcoming 90th birthday of János Kornai, the best known and most revered Hungarian economist. He will be celebrated with special issues by fellow Hungarian journals, conferences, and a full-semester course at Corvinus University of Budapest. This Special Issue of our journal is scheduled to come out in the first weeks of 2018, in time for the opening of a Kornai exhibition sponsored by the Library of Corvinus University of Budapest (CUB). In spite of his age and his “Professor Emeritus” status, Kornai is still an active faculty member of the Department of Comparative Economics at CUB. Although he no longer holds regular courses, he does accept occasional invitations for lecturing, and he regularly helps younger colleagues with consultations; he reads and comments their draft manuscripts, etc.

Here, at *Acta Oeconomica*, we are celebrating our “own” author. Since 1967, Kornai gave us 19 papers for publication.¹ In all cases, this was the first English language appearance of an original Hungarian manuscript. Undoubtedly, Kornai

¹ The first one appeared under the title “Application of an Aggregate Programming Model in Five-year Planning”, co-author: Zsuzsa Ujlaki, *Acta Oeconomica*, 1967, 2(4): 327–344; while his most recent was entitled “The Soft Budget Constraint: An Introductory Study to Volume IV of the Life’s Work Series”, *Acta Oeconomica*, 2014, 64(1): 25–79.

is our most oft-published author, no-one comes close to his 19 published articles. And the reverse is also true: there is no other English-language scholarly journal where so many writings of Kornai have been published. The closest ones are *Economics of Planning* (5 articles), *Economics of Transition*, and *Econometrica* (4-4 articles).

This thematic Special Issue of *Acta Oeconomica*, the sixth of its kind,² is devoted to Kornai's celebration. A long and work-focused life brings many fruits. As *Table 1* below attests, Kornai is an extremely prolific scholar. He has produced not fewer than 16 monographs and over 200 academic papers.³ Save for a few exceptions, Kornai has written everything in Hungarian, and these manuscripts were later translated into English and then from English into dozens of other foreign languages. Thanks to his worldwide academic reputation, his books and 80–90 per cent of his papers are available to the English-language readership.

Let me close this bibliographic summary with a piece of information that is unlikely to be known to most of Kornai's non-Hungarian friends and followers. In 2011, on the initiative of a Hungarian publisher (Kalligram), Kornai started to bring out a series of his own *Selected Works* in 10 volumes, not only as an author, but as an editor as well. Unlike many series of a similar nature, Kornai's intention was to break with a linear chronology of time – thus, Volume I was a re-print of

² The first occasion, back in 2004, was linked to a memorial conference devoted to John von Neumann (1903–1957) on the occasion of his 100th birthday (Vol. 54). After a 10 year long break, the second special issue covered the 25th Anniversary of Post-Socialist Transition (Vol. 64). It was essentially a celebratory collection of 8 papers with a strong emphasis on the historical economic achievements and the surprising peaceful political transition. The third publication (Vol. 65) carried a more sober title, “Transition Economies in Trouble”. With 9 commissioned papers, we covered 14 countries. Our sad conclusion was that the catching-up process for these economies has turned out to be much slower than generally expected. Furthermore, and not independently from the economic performance, many countries have failed to create a democratic political system. In 2016, our chosen topic for the fourth occasion was “Grexit, Brexit – The future of the European Economic Integration” – a sensitive, unfinished story described and analyzed by 8 authors (Vol. 66). The fifth Special Issue was a celebration again, not of an event, but of a person, the Hungarian-born, British economist, (Lord) Nicholas Kaldor (1908–1986). That volume and an international conference in Budapest a year earlier marked the 30th anniversary of Kaldor's death. Of the conference material, 11 papers were selected and re-edited for publication in *Acta Oeconomica* (Vol. 67).

³ Between June 1947 and mid-1955, Kornai worked as a full-time journalist of the Hungarian communist party's central daily (*Szabad Nép*). He started to publish in the “Home Affairs Section” of this newspaper at the age of 19 (!), right after finishing his secondary education. Later, he was promoted to become the head of the “Economy Section”. We know from his autobiography that he wrote many feature articles, commentaries, interviews and editorials – mostly on economic issues – but so far, nobody has invested the necessary time and energy to collect his publications from this period.

Table 1. The complete summary list of János Kornai's publications

		1952–1989	1990–2017	Total
1	Books	9	7	16
2	Edition of books in Hungarian	2	1	3
3	Edition of books in foreign languages	1	4	5
4	Collected writings (published earlier)	2	5	7
5	Papers in Hungarian	102	100	202
6	Original papers in foreign languages	39	31	70
7	– Papers (re)published in <i>Acta Oeconomica</i>	12	7	19
8	Working papers in Hungarian	30	3	33
9	Original working papers in foreign languages	15	16	31
10	Long interviews published in Hungarian, mainly in journals	2	20	22
11	Long interviews published in foreign languages, mainly in journals	8	19	27
12	Short articles and short interviews in Hungarian, mainly in daily and weekly newspapers	27	52	79

Note: Compiled with the assistance of Ádám Kerényi. If the original publication was in Hungarian, the translations into foreign languages were not taken into account.

Source: János Kornai's homepage, <http://kornai-janos.hu/full%20publist.html>, as of November 10, 2017.

The Economics of Shortage (1980). Volume II contained the scanned copy of *The Socialist System* (1992), complete with a lengthy, new introduction designed to set this book and *Anti-Equilibrium* into a common conceptual framework for the younger generation of readers. The merely 207-page long – i.e., relatively short – *Overcentralization* (1957) formed the main building block of Volume III, which was supplemented with 21 later writings closely connected to the subject matter of Kornai's first book, which earned him world-wide fame. The topic and the title of Volume IV was the *Soft Budget Constraint*, represented by 13 papers – all previously published elsewhere. Regrettably, at this point, the series came to a halt and no plans have been announced yet as to when it will be continued. It is not the task of the present writer to speculate about the reasons behind Kornai's decision. But it is important to underline that Kornai has not stopped working since the publication of the last volume in 2014. He has put out several new papers on contemporary issues in the Hungarian economic and political system, on China, on Piketty's inequality book, and, most recently, on populism. A selection of these new writings came out in November 2017.⁴ So, the good news is that János Kornai has remained active in spite of his advanced age.

⁴ Kornai: *Látélet. Tanulmányok a magyar állapotokról* (Diagnosis. Papers on the Hungarian Situation), HVG Könyvkiadó, 2017.

For this Special Issue, we commissioned papers in July 2017 from more than two dozen renowned economists – in many cases, Kornai’s disciples and personal friends – from all over the world, Hungary included. We were aware that we could hardly publish that many papers, given our space constraints, but we took into account well in advance the strong correlation between an author’s renown and his/her shortage of time. And this proved to be correct. Another question was how much we can instruct our authors regarding their topic and the formulation of their disagreements, if any. Let me reveal two editorial secrets at this point: (i) Although it was not a secret, but we kept János out of the entire process. He never saw the list of authors, and we didn’t show him the manuscripts. We knew that his thought-provoking oeuvre is likely to generate disagreements from the commissioned authors; perhaps the only reason they accepted our invitation is that they still have something contentious to say on Kornai’s works published decades ago. And so it was. As readers will quickly notice, some of our authors respect Kornai enormously, but disagree with him on certain key points. (ii) Our original intention was to devote this Special Issue, as far as possible, to his *Anti-Equilibrium* (AE), published in 1971. We were guided by a frequently quoted remark made by Kornai in his autobiography 30 years later: “*Anti-Equilibrium* is not merely an item on my list of publications. It was the most ambitious enterprise of my entire career as a researcher.”

This second objective was only partly realized. We received only three papers entirely on this topic, namely from Mehrdad Vahabi, Steve Keen, and József Móczár. According to Vahabi, Kornai’s failure to overcome the neoclassical paradigm was related to his half-in, half-out mainstream position, while his institutionalist system paradigm is still a heterodox research project of the future. Keen’s main objective was, firstly, to show that one can derive the dynamics of capitalism only from a non-equilibrium description of its structure, and secondly, that the dead-end in which economic theory finds itself today can be escaped if we adopt the system dynamics approach Kornai recommended in 1971, and derive macroeconomics directly from the structure of the macroeconomy. The only Hungarian author in this volume, József Móczár, who has written on AE extensively in the past, has here made an attempt to place Kornai’s ideas in the framework of the conflict of *the* two major schools, the neoclassicals on the one hand, and the institutional school on the other. Stephan Haggard’s piece, a brilliant essay which covers Kornai’s complete *oeuvre* as a political economist, contains also a section on AE. It is a very apt categorization. All-in-all, Kornai has always been a political economist. This label fits more than anything else used by others (e.g. mathematical economist, institutional economist, let alone socialist or anti-socialist economist).

Unsurprisingly, the second major topic of the authors who responded positively to our initial invitation is the *shortage problem*. More precisely, Mario Nuti and Sergei Guriev both reflect upon Kornai's more recent formulation of the system paradigm, according to which the term "market clearing equilibrium" fits neither the socialist, nor the capitalist economies. The first group of countries displays permanent shortage phenomena; the second group, by contrast, is characterized by surpluses. As probably all readers of this Special Issue know, in Kornai's narrative the shortage economy is primarily a consequence of the *soft budget constraint*, a term Kornai introduced in 1976 – over 40 years ago. Karen Eggleston's contribution is an original and congenial attempt to apply the shortage concept in the field of health economics – a research area, in which Kornai himself was active for at least a decade. Even more interestingly, she fits Kornai's two key operational terms – innovation and shortage – into the traditional Chinese concept of Yin and Yang.

Without mentioning this biographical detail, the joint paper by Jerzy Hausner and Andrzej Sławiński is a tribute to János Kornai as a central banker that indeed he was between 1995 and 2001, as Member of the Monetary Council of the Hungarian National Bank. The paper itself looks at the concept of equilibrium from the perspective of "practitioners"; at situations when the central bank cannot rely fully on general equilibrium models (e.g., when soft budget constraint erodes banks' behavior and pushes them into taking excess risk).

Globalization stands in the center of Leon Podkaminer's paper, an issue about which Kornai has not published much. But the term globalization is logically closely linked to the concept of equilibrium in a normative sense. According to Podkaminer, the present state of the advanced capitalist economies is far from a desired equilibrium growth path. In his view, overcoming the secular stagnation that he identifies from the data may not be possible without safeguarding equilibrium in international transactions between major industrial countries – even if this may mean that public sectors permanently run large fiscal deficits in most of them.

Susan Rose-Ackerman's paper is partly new research and partly reflection on her work with Kornai in 2002, in a Collegium Budapest project, "Honesty and Trust: Theory and Experience in the Light of Post-Socialist Transformation".⁵ Since then, as she explains in clear and hard terms, honesty and trust have be-

⁵ Kornai worked as a Permanent Fellow of Collegium Budapest, Institute for Advanced Study between 2002–2011. At the age of 74, he was a founding member of this outstanding, US-style institution, and therefore he rightly felt being personally insulted, when the Orbán government closed down Collegium Budapest in 2011, in a similar way as what is currently happening to the Central European University.

come a “shortage good” in the core capitalist world, notably in the United States, as well. This is a new challenge for committed democrats seeking political-economic systems that are both fair and efficient.

With this wise observation by Professor Rose-Ackerman, we have come full circle in János Kornai’s life and scholarly *oeuvre*. As he told the present author several times, before his career as a learned economist, until 1955 he was a Marxist. Then Marxism appeared to him a credible intellectual source to build a fair and efficient world in Hungary (and elsewhere too). After the bitter experience of Nazism – the life-determining, long-lasting shock of his generation – this was a logical and fairly typical intellectual development path. Having become disappointed with the ways and means of how the socialist system worked, in the mid-1950s he turned to the books of modern, Western economists with the hope of finding the “right” theory and the “right” way. Another 15 years later as *Anti-Equilibrium* testifies, he was disappointed again. The neoclassical vision he learned from world-class Western colleagues and – in many cases – from his newly acquired personal friends was so far removed from reality that it seemed hopeless to expect that the infinitely long queue of slowly improving models would converge to a good and adaptable economic model for the real economies. After another two decades, following the worldwide collapse of Socialism in 1989/1990, Kornai reconciled himself to the fact that a reasonably fair and efficient market economy system *can* be built without a grand theory. Representative democracy and an elaborate mechanism of checks and balances would assure this. Alas, as from 2010, a U-turn has taken place in Hungary (and in other post-communist countries like Russia, China, Poland, etc.). It seems conceivable that the post-communist countries will remain stuck for decades in the web of an unfair and inefficient autocratic model. What a disappointing perspective for János Kornai and for of all of us – his colleagues, friends, students, and readers!