BOOK REVIEW

Kornai, J.: From socialism to capitalism. Eight essays

Mario Ferrero

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This is a collection of eight studies by János Kornai published mostly over the last 10 years in various books and journals, some of them difficult to access. They deal with various aspects of the transition from the Soviet-type economy to the market economy, aim to address both the economics and the politics of the problem in a unified way (that Kornai labels “the system paradigm”), and claim to have lessons to teach to the small and shrinking group of countries still in the treadmill of transition, as well as to the students of economic systems more generally.

Specifically, the first essay is a reprint from a chapter of the author’s book The Socialist System (1992), which sets the background of the classical socialist system against which first reform and then transition took place. The next two studies deal with reforms within the socialist framework and their failure. They reiterate Kornai’s important, but long since established and widely accepted, point that market coordination without private ownership is an inherently inconsistent combination. The theoretical discussion of market socialism in study 3, however, is casual and fairly superficial. The following studies, from 4 to 7, focus on system change and transition. They contain a largely self-congratulating self-assessment of Kornai’s own original views, in the early 1990s, that rapid privatization of state-owned enterprises and the construction of “instant capitalism” were a mistake, while priority and time should be given to the growth of a new private sector. Beyond that, these studies discuss the notions of system change and transformation at length, attempt to draw a clear-cut distinction between positive and normative approaches, and take pains to distill the lessons that the Cubans and the Chinese could and should draw from the East European transformation experience. Finally, study 8 conceptually elaborates on the system paradigm for comparative analysis.

M. Ferrero (✉)
University of Eastern Piedmont, Alessandria, Italy
e-mail: mario.ferrero@sp.unipmn.it
Throughout the course of his long intellectual career, from *Overcentralisation in Economic Administration* (1957) through *Economics of Shortage* (1980) down to *The Socialist System* (1992), János Kornai has been one of the leading scholars of the comparative economics profession. In his books, and in many articles written with some of his students and associates, he always showed a very firm grip on the facts of the case, a deep, “hands-on” understanding (mainly based on the Hungarian experience) of the inner workings of the socialist system and its evolution, and a skillful, selective resort to mathematical modelling to clarify key aspects of the problem at hand. To those like this reviewer who found Kornai’s line of analysis deep and inspiring, the book here under review is likely to come as a disappointment. In these papers, which cover a vast territory with very broad strokes, the author does not bother with either hard facts or hard modelling. He repeatedly claims that the experience of the successful East European transition has fundamental lessons to teach for the remaining transition countries, but barely touches upon the vast specialized literature on the Chinese economic reforms, not to mention Vietnam or Cuba. The statistical data assembled to support his arguments in some of the chapters are patched together from disparate sources and not really exploited for empirical testing of the theoretical propositions. His casual empiricism does not really go beyond his own first-hand experience of the Hungarian case. As to mathematical modelling, Kornai bluntly dismisses its usefulness for the study of transition, claiming (pp. 193, 196) that the “system paradigm” is a somewhat softer science than pure economics. Perhaps so. But then the reader soon grows tired of the repeated appeals to the sweeping, cross-disciplinary statements of Hayek and Schumpeter as substitutes for fresh analysis. In short, notwithstanding the bright prose and the occasional deep, insightful remarks, this book hardly makes any substantial progress on Kornai’s previous, outstanding scholarly achievements.

Laying the blame for the book’s disappointment entirely on his author may be unfair, however. Kornai is sharing the fate of the once-influential sub-profession of comparative economics, which was taken by surprise by the Great Collapse, was for a time almost swept aside by the tide of Western mainstream economists who rushed in right after 1990 to have their say in the events and then soon rushed back home, and reacted by turning itself into a full-time consultancy for transition governments and international organizations, backed by a few generalist scholars given to “big thinking”. The consultancy group (with the exception of the China scholars) then gradually shrank to insignificance as the transition itself came to a close in country after country, while the big thinkers, including Kornai, were left to meditate on their failure to get their big message through. In several places in the book, and most extensively on pp. 194 ff., Kornai offers harsh and ironic comments on the Western “guest stars” who “came, looked, won (or lost), and then left” and who stubbornly refused to learn from the historic transformation under their eyes, failed to appreciate the worth of the system paradigm, and held tight to their neo-classical economic paradigm. Maybe they were indeed blind and deaf; but Kornai and his like-minded colleagues have consistently failed—or, one suspects, not even seriously tried—to push the insights and results from their alternative paradigm through to reach the core of the profession—as the reader can check for himself by simply glancing through the tables of content of the last twenty years of the main journals in the field, from the *Journal of Comparative*